

TOWN OF CLINTON, LOUISIANA
ANNUAL FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2018



Mayor

Lori Ann Bell

Board of Alderman

Johnny Beauchamp

Kim Young

Mary Dunaway

Mark Kemp

Darren Matthews

**TOWN OF CLINTON, LOUISIANA
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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor Lori A. Bell
And Members of the Board of Aldermen
PO Box 513
Clinton, LA 70722

I 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 Clinton, Louisiana, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my 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 Clinton, Louisiana, as of December 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the Schedule of the Town's Proportionate Share of Net Pension Liability, and Schedule of the Town's Contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

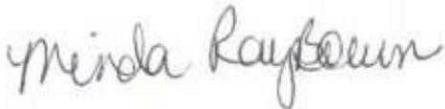
Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Clinton, Louisiana's basic financial statements. The accompanying schedules listed as Other Supplemental Information in the table of contents are presented for purposes of additional analysis and are not a required part of the basis financial statements.

The comparative schedule of operating expense-proprietary fund, schedule of compensation paid to board members, and schedule of compensation, benefits, and other payments to agency head, were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated September 28 2019, on my consideration of the Town of Franklinton's internal control over financial reporting and on my 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Franklinton's internal control over financial reporting and compliance.



Minda Raybourn CPA
Franklinton, LA
September 28, 2019

**MANAGEMENT'S DISCUSSION AND ANALYSIS
REQUIRED SUPPLEMENTARY INFORMATION
(PART 1 OF 2)**

**TOWN OF CLINTON, LOUISIANA
MANAGEMENTS' DISCUSSION AND ANALYSIS
DECEMBER 31, 2018**

As management of the Town of Clinton, Louisiana (hereinafter referred to as the Town), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the two years ended December 31, 2018. The emphasis of discussions about these statements will be on current year data and should be read in conjunction with the financial report as a whole.

ACCOMPLISHMENTS OVER THE PAST YEAR

- Total net position at the end of December 31, 2018 was \$4,123,333. Of this amount, (\$358,170) was reported as unrestricted net position.
- The most significant ongoing revenues sources in the governmental activities are sales taxes of \$363,568, property taxes of \$412,786, and utility franchise taxes of \$83,812, \$117,423 of license and permits, and fines of \$202,448.
- Charges for business-type activities of the utility fund were \$229,476 in gas charges, \$251,978 in water charges, and \$174,984 in sewer charges.
- The Town's most significant expenditures for governmental activities included \$638,669 for police and fire protection, \$373,275 for general government activities, and \$275,088 in public works expenditures.
- Expenditures for the business-type activities were \$988,302.
- For the year ended December 31, 2018, the Town's bonds payable decreased by \$84,000 due to the year principal payments.
- The Town paid off the capital lease payables for four vehicles. The total principal payment was \$115,223.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

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

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

The *statement of net position* presents information on all the Town's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference between them reported as net position. Over time, increases or decreases in net position may serve as useful indicator of whether the financial position of the Town is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changes during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing related to cash flows. Thus, revenues and expenses are reported in this statement for items that will only result in cash flows in future periods.

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Town include general government, public safety, public works, economic

**TOWN OF CLINTON, LOUISIANA
MANAGEMENTS' DISCUSSION AND ANALYSIS
DECEMBER 31, 2018**

development and culture and recreation. The business-type activities of the Town include water, gas and sewer services.

The government-wide financial statements can be found on pages 18-19 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 Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the year. Such information may be useful in evaluating a government's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Information is presented separately in the governmental funds balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund and the street and sidewalks fund, both of which are considered to be major funds.

The Town adopts an annual budget for its general fund and special revenue funds. Budgetary comparison statements have been provided for these funds to demonstrate compliance with these budgets.

The governmental funds financial statements can be found on pages 21-24 of this report.

Proprietary funds. The Town maintains only one type of proprietary fund - enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses enterprise funds to account for its utilities (water, gas and sewer). Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

The proprietary funds financial statements can be found on pages 25-29 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 government-wide and fund financial statements. The notes start on

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page 31.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Town's budgetary comparison schedules for its major governmental funds. This required supplementary information can be found immediately following the notes to the financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as useful indicator of government's financial position. The following is a summary of the Town's net position:

		Summary of Net Position Governmental Activities	
		<u>2018</u>	<u>2017</u>
ASSETS			
Current and other assets	\$	565,881	\$ 521,508
Restricted assets		148,677	149,470
Capital assets, net		2,219,135	2,431,091
Total Assets		2,933,693	3,102,069
DEFERRED OUTFLOWS		130,318	131,655
LIABILITIES			
Current liabilities		216,956	265,298
Long-term liabilities		805,403	981,696
Total Liabilities		1,022,359	1,246,994
DEFERRED INFLOWS		44,701	57,536
NET POSITION			
Net investment in capital assets		1,852,135	2,431,091
Restricted		148,677	149,470
Unrestricted		(3,861)	(651,367)
Total Net Position		1,996,951	1,929,194

**TOWN OF CLINTON, LOUISIANA
MANAGEMENTS' DISCUSSION AND ANALYSIS
DECEMBER 31, 2018**

		Summary of Net Position Business-type Activities	
		<u>2018</u>	<u>2017</u>
ASSETS			
Current and other assets	\$	96,722	\$ 157,887
Restricted assets		20,833	5,341
Capital assets, net		2,459,858	2,629,792
Total Assets		2,577,413	2,793,020
DEFERRED OUTFLOWS		72,621	100,405
LIABILITIES			
Current liabilities		276,437	216,744
Long-term liabilities		232,606	244,563
Total Liabilities		509,043	461,307
DEFERRED INFLOWS		14,609	7,517
NET POSITION			
Net investment in capital assets		2,459,858	2,629,792
Restricted		20,833	5,341
Unrestricted		(354,309)	(210,532)
Total Net Position		2,126,382	2,424,601

By far the largest portion of the Town's net position reflects its investment in capital assets (e.g. land, buildings, improvements, streets and bridges, equipment, vehicles, utility systems and furniture and fixtures), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's net position represents resources that are subject to external restrictions on how they may be used. It is the remaining balance of net position, considered unrestricted, that may be used to meet the government's on-going obligations to citizens and creditors.

**TOWN OF CLINTON, LOUISIANA
MANAGEMENTS' DISCUSSION AND ANALYSIS
DECEMBER 31, 2018**

At the end of the fiscal year, the Town reported total net position of \$4,123,333. The Town reported a total negative unrestricted net position of (\$358,170) due to the effects of GASB 68.

A summary of changes in net position are as follows:

Summary of Changes in Net Position			
Governmental Activities			
	<u>2018</u>		<u>2017</u>
REVENUES			
Charges for services	\$ 225,606	\$	301,571
Grants and Contributions:			
Operating	13,486		12,861
Capital	94,184		320,698
General Revenues:			
Licenses and permits	117,423		113,184
Franchise fees	83,812		82,514
Taxes	776,354		530,945
Interest earned	1,552		6,880
Gain on disposal of asset	31,580		
Other revenues	31,500		53,664
Transfers	-		-
Total Revenues	1,375,497		1,422,317
EXPENSES			
General government	373,275		371,026
Public safety	638,669		813,389
Public works	275,088		296,290
Interest on long-term debt	20,708		31,412
Total Expenses	1,307,740		1,512,117
Change in Net Position	67,757		(89,800)
Net Position, beginning of year - restated	1,929,194		2,018,994
Net Position, end of year	\$ 1,996,951	\$	1,929,194

**TOWN OF CLINTON, LOUISIANA
MANAGEMENTS' DISCUSSION AND ANALYSIS
DECEMBER 31, 2018**

	<u>2018</u>		<u>2017</u>
REVENUES			
Charges for services	\$ 678,216	\$	602,789
Grants and Contributions:	11,867		38,450
Other revenues/transfers, net	-		22,584
Total Revenues	690,083		663,823
EXPENSES			
Gas services	365,181		333,403
Water services	303,058		297,272
Sewer services	320,063		293,386
Total Expenses	988,302		924,061
 Change in Net Position	 (298,219)		 (260,238)
 Net Position, beginning of year - restated	 2,424,601		 2,684,839
 Net Position, end of year	 \$ 2,126,382	 \$	 2,424,601

Governmental Activities

The town's governmental net position increased \$67,757 as compared to the prior net position decreases of (\$89,800). Total revenues decreased \$46,820 and total expenditures decreased \$204,377.

Charges for services decreased \$75,965 or 25%. This is due to a decrease in fines. Taxes increased \$245,409 or 46%. This is due to an increase in property taxes. The Town recognized a gain of \$31,580 due to the disposal of four vehicles.

Public safety expenditures decreased \$174,720. This was due to a decrease in retirement of \$109,377. This decrease was due to the effects of GASB 68. Insurance decreased by \$47,968, vehicle maintenance and expense decreased \$11,649, and police salaries decreased \$29,778.

General government expenditures remained flat with an increase by \$2,249 or 1%. Public works expenditures decreased \$21,202 or 7%. This was due to a decrease in utilities of \$11,694 and salaries of \$5,795.

Interest expense decreased \$10,704.

Business-type Activities

**TOWN OF CLINTON, LOUISIANA
MANAGEMENTS' DISCUSSION AND ANALYSIS
DECEMBER 31, 2018**

The Town's business-type net position decreased (\$298,219) as compared to the prior net position change of (\$260,238). Charges for services increased \$75,427 or 13%. Grants decreased \$26,583 or 69%. Total revenues increased \$26,260 or 4%.

Total expenditures for the utility fund increased \$64,41 or 7%. Expenditures for the gas services increased \$31,778 or 10%. Expenditures for the water services increased \$5,786 or 2%. Expenditures for the sewer services increased \$26,677 or 9%.

Fund Financial Analysis

As noted earlier, the Town used fund accounting to ensure and demonstrate compliance with finance-related requirements.

Governmental Funds

The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the Town's net resources available for spending at the end of the year. At the end of the fiscal year, the Town's governmental funds reported combined ending fund balances of \$598,421. Fund balance is as follows: nonspendable \$25,437, assigned \$1,165, restricted \$328,989, and unassigned \$242,830.

This represents an increase of \$66,176 for all governmental funds from the prior year's ending fund balance. The General Fund is the chief operating fund of the Town. At the end of the current year, the Town's general fund was \$269,432. The sales tax fund was \$328,989.

Proprietary Funds

The Town's proprietary funds provide the same type of information found in the government-wide financial statements.

The Town's proprietary fund had a positive balance of \$2,126,382. Of this amount the net position is as follows: net investments in capital assets \$2,459,858, restricted for customer deposits \$15,776, restricted for grants \$5,057, and unrestricted of (\$354,309).

BUDGETARY HIGHLIGHTS

There were no funds, other than noted below, that had actual revenues and other sources under budgeted revenues and other sources and actual expenditures over budgeted amounts resulting in unfavorable variances greater than 5% in accordance with the Local Government Budget Act for the fiscal year ended December 31, 2018. The general fund had expenditures and other sources greater than budgeted amounts by \$226,964 or 24%. This was due to the Town not budgeting for the interest and principal payments for the bonds and capital lease.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. The Town's investment in capital assets for its governmental and business-type activities as of December 31, 2018, amounted to \$4,678,993 (net of accumulated depreciation). This investment

**TOWN OF CLINTON, LOUISIANA
MANAGEMENTS' DISCUSSION AND ANALYSIS
DECEMBER 31, 2018**

in capital assets includes land, buildings, improvements, streets and sidewalks, equipment vehicles, utility systems and furniture and fixtures. Capital assets are detailed in the following table.

		Summary of Capital Assets (net of depreciation)	
		Governmental Activities	
		2018	2017
	Land	\$ 1,000	\$ 1,000
	Buildings	671,330	699,903
	Infrastructure	1,514,261	1,604,075
	Equipment	28,935	26,429
	Vehicles	-	95,273
	Furniture and fixtures	3,609	4,411
	Net Capital Assets	2,219,135	2,431,091
Business-Type Activities			
		2018	2017
	Land	11,970	11,970
	Buildings	59,269	64,845
	Equipment	-	4,286
	Vehicles	2,986	432
	Utilities	2,385,633	2,548,259
	Net Capital Assets	2,459,858	2,629,792

The Town had significant activity as described as below:

For the governmental funds, the Town purchased a commercial mower for \$12,233. The Town entered in 2016 into a capital lease for four Chevrolet Tahoe's used by the police department. In 2018, these vehicles were disposed. Three vehicles were sold to the Wayne County Sheriff's Office from Tennessee for \$79,500. These funds were applied to the capital lease debt outstanding. The fourth vehicle was transferred to the City of Loretto, Tennessee. The remaining debt was settled once the transfer was complete. The gain recognized on the disposal of the Tahoe's was \$31,580.

For the business-type funds, the Town purchased a 2008 Dodge Ram Truck for \$3,513. No assets were disposed.

Debt Administration. In October of 2012, the Town adopted an ordinance for the issuance of \$760,000 in Limited Tax Bonds, Series 2012 for the purchase of fire station. Repayment of these bonds will be through the levy of a property tax of 6.65 mills. The bonds will mature over nine years, beginning in 2014, at an interest rate

**TOWN OF CLINTON, LOUISIANA
MANAGEMENTS' DISCUSSION AND ANALYSIS
DECEMBER 31, 2018**

of 2.49%. Interest paid/accrued during the current year totaled \$9,479 while principal payments totaled \$84,000. There is a balance due on this long-term obligation at December 31, 2018, of \$367,000.

In 2016, the Town incurred a capital lease obligation of \$136,104 for the acquisition of four police vehicles. Lease payments on the police vehicles were paid totaling \$115,233 along with interest payments of \$11,229. During the fiscal year, the Town sold 3 of the vehicles and transferred the fourth to another governmental entity. The outstanding obligation on the lease at the end of the year is zero.

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Limited Tax Bonds	\$ 367,000	\$ 451,000	\$ -	\$ -	\$ 367,000	\$ 451,000
Capital Lease Obligations	-	115,233	-	-	-	115,233
Ending Balance	<u>\$ 367,000</u>	<u>\$ 566,233</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 367,000</u>	<u>\$ 566,233</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Town of Franklinton's management approach is conservative. When possible, the Mayor and Aldermen attempt to provide services for the Town based on existing revenues and to borrow for long-term projects only when absolutely necessary, actively pursuing grant funds to minimize the cost of major projects. The Town is facing increasing costs and has an obligation to its citizens to maintain or increase the level of services being provided.

**TOWN OF CLINTON, LOUISIANA
MANAGEMENTS' DISCUSSION AND ANALYSIS
DECEMBER 31, 2018**

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to 11209 Bank Street, Clinton, LA 70722, (225) 683-5531 or info@townofclintonla.com.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

TOWN OF CLINTON, LOUISIANA
STATEMENT OF NET POSITION
December 31, 2018

<u>ASSETS</u>	Governmental <u>Activities</u>	Business-type <u>Activities</u>	<u>Total</u>
Cash and cash equivalents	\$ 57,093	\$ -	\$ 57,093
Receivables, net	323,188	83,031	406,219
Due from other funds	156,716	-	156,716
Prepaid expenses	28,884	13,691	42,575
Restricted assets:			
Cash and cash equivalents	148,677	20,833	169,510
Capital assets, net of depreciation	2,219,135	2,459,858	4,678,993
Total Assets	2,933,693	2,577,413	5,511,106
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	130,318	72,621	202,939
<u>LIABILITIES</u>			
Accounts payable	27,882	79,010	106,892
Bank overdraft	-	10,903	10,903
Accrued interest payable	3,080	-	3,080
Payroll related payables	54,891	-	54,891
Accrued benefits	23,093	-	23,093
Accrued wages	10,273	4,848	15,121
Compensated absences	10,737	7,797	18,534
Due to other funds	-	156,716	156,716
Payables from restricted assets:			
Customer deposits	-	17,163	17,163
Bonds payable:			
Due within one year	87,000	-	87,000
Long-term portion	280,000	-	280,000
Net pension liability	525,403	232,606	758,009
Total Liabilities	1,022,359	509,043	1,531,402
<u>DEFERRED INFLOWS RESOURCES</u>	44,701	14,609	59,310
<u>NET POSITION</u>			
Net investment in capital assets	1,852,135	2,459,858	4,311,993
Restricted for:			
Customer deposits	-	15,776	15,776
Grant activity	-	5,057	5,057
Streets and sidewalks	148,677	-	148,677
Unrestricted	(3,861)	(354,309)	(358,170)
Total Net Position	\$ 1,996,951	\$ 2,126,382	\$ 4,123,333

The accompanying notes are an integral part of the financial statements

**TOWN OF CLINTON, LOUISIANA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018**

<u>Functions/Programs</u>	<u>Program Revenues</u>				<u>Net Revenues (Expenses)</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Governmental Activities							
General government	\$ 373,275	\$ 23,158	\$ 2,113		\$ (348,004)	\$ -	\$ (348,004)
Public safety	638,669	202,448	7,765	94,184	(334,272)	-	(334,272)
Public Works	275,088	-	3,608	-	(271,480)	-	(271,480)
Interest on capital leases	11,229	-	-	-	(11,229)	-	(11,229)
Interest on long-term debt	9,479	-	-	-	(9,479)	-	(9,479)
Total Governmental Activities	1,307,740	225,606	13,486	94,184	(974,464)	-	(974,464)
Business-type Activities							
Gas services	365,181	229,476	2,302	-	-	(133,403)	(133,403)
Water services	303,058	251,978	2,302	-	-	(48,778)	(48,778)
Sewer services	320,063	174,984	2,302	4,961	-	(137,816)	(137,816)
Late fees/ penalties	-	21,778	-	-	-	21,778	21,778
Total Business-type Activities	988,302	678,216	6,906	4,961	-	(298,219)	(298,219)
Total Primary Government	2,296,042	903,822	20,392	99,145	(974,464)	(298,219)	(1,272,683)
General Revenues and Transfers							
					117,423	-	117,423
					83,812	-	83,812
					412,786	-	412,786
					363,568	-	363,568
					1,552	-	1,552
					31,580	-	31,580
					31,500	-	31,500
					-	-	-
Total General Revenues and Transfers					1,042,221	-	1,042,221
Change in Net Position					67,757	(298,219)	(230,462)
Net Position, beginning, as restated					1,929,194	2,424,601	4,353,795
Net Position, ending					\$ 1,996,951	\$ 2,126,382	\$ 4,123,333

The accompanying notes are an integral part of the financial statements.

FUND FINANCIAL STATEMENTS

**TOWN OF CLINTON, LOUISIANA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2018**

	<u>General</u>	<u>Street and Sidewalks</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 57,093	\$ -	\$ 57,093
Receivables, net:			
Franchise fees	20,117	-	20,117
Property taxes	227,194	-	227,194
Sales taxes	27,710	42,115	69,825
Other taxes	6,052	-	6,052
Due from other governmental agencies			-
Due from other funds	125,678	143,808	269,486
Prepaid expenses	25,437	3,447	28,884
Restricted assets:			
Cash and cash equivalents	-	148,677	148,677
Investments	-	-	-
TOTAL ASSETS	489,281	338,047	827,328
 <u>LIABILITIES AND FUND BALANCES</u>			
Liabilities			
Accounts payable	21,773	6,109	27,882
Payroll liabilities	54,891	-	54,891
Accrued benefits	21,409	1,684	23,093
Accrued wages	9,008	1,265	10,273
Due to other funds	112,770	-	112,770
Total Liabilities	219,851	9,058	228,909
 Fund Balances			
Nonspendable	25,437	-	25,437
Assigned	1,165	-	1,165
Restricted for:			
Streets and sidewalks	-	328,989	328,989
Public safety	-	-	-
Unassigned	242,830	-	242,830
Total Fund Balances	269,432	328,989	598,421
TOTAL LIABILITIES AND FUND BALANCE:	\$ 489,283	\$ 338,047	\$ 827,330

The accompanying notes are an integral part of the financial statements.

TOWN OF CLINTON, LOUISIANA
BALANCE SHEET
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION
DECEMBER 31, 2018

Total Fund Balances - Total Governmental Funds	\$	598,421
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the Governmental Funds Balance Sheets. This is the capital assets, nets of accumulated depreciation, reported on the Statement of Net Position.		2,219,133
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Interest payable on long-term debt does not require current financial resources. Therefore, interest payable is not reported as a liability in Governmental Funds Balance Sheet.		(3,080)
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Long-term liabilities of governmental activities do not require the use of current financial resources and, therefore, are not reported in the Governmental Funds Balance Sheet. These are the long-term liabilities of the governmental activities:		
Bonds		(367,000)
Lease Payable		-
Net pension liability		(525,403)
Compensated absences		(10,737)

Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds.		
Deferred outflows of resources related to pensions		130,318
Deferred inflows of resources related to pensions		(44,701)

Total Net Position of Governmental Activities	\$	<u>1,996,951</u>
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The accompanying notes are an integral part of the financial statements.

TOWN OF CLINTON, LOUISIANA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2018

<u>REVENUES</u>	<u>General</u>	<u>Streets and Sidewalks</u>	<u>Total Governmental Funds</u>
Fines and other costs	\$ 202,448	\$ -	\$ 202,448
Franchise fees	83,812	-	83,812
Interest	1,552	-	1,552
Intergovernmental revenues	-	2,200	2,200
Licenses and permits	117,423	-	117,423
Charges for services	1,011	-	1,011
Other revenues	48,222	-	48,222
Taxes - beer	3,226	-	3,226
Taxes - property	412,786	-	412,786
Taxes - sales	144,281	219,287	363,568
Total Revenues	1,014,761	221,487	1,236,248
<u>EXPENDITURE:</u>			
General government	347,550	-	347,550
Public safety:			
Police	603,418	-	603,418
Fire	10,372	-	10,372
Public works	-	169,669	169,669
Debt Service:			
Lease Principal	95,101		95,101
Lease Interest	11,229		11,229
Principal	84,000	-	84,000
Interest	10,184	-	10,184
Capital outlay	-	12,233	12,233
Total Expenditures	1,161,854	181,902	1,343,756
Deficiency of Revenues over Expenditures Before Other Financing Sources (Uses)	(147,093)	39,585	(107,508)
<u>OTHER FINANCING SOURCES (USES)</u>			
Grants and other contributions	94,184	-	94,184
Sale of capital assets	79,500		79,500
Operating transfers, net	-	-	-
Net Other Financing Sources (Uses)	173,684	-	173,684
Change in Fund Balances	26,591	39,585	66,176
Fund Balances, beginning	242,841	289,404	532,245
Fund Balances, ending	\$ 269,432	\$ 328,989	\$ 598,421

The accompanying notes are an integral part of the financial statements.

**TOWN OF CLINTON, LOUISIANA
RECONCILIATION OF THE STATEMENT OF REVENUES
EXPENDITURES AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018**

Net Change in Fund Balances - Total Governmental Funds \$ 66,176

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation charged differed from capital outlay in the current period. \$ (143,904)

In the statement of activities only the gain/loss on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the net book value of the capital assets sold. (47,920)

Governmental funds report pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense. This is the amount by which pension contributions charged differed from the actuarial cost of benefits. (3,259)

Non employer contributions to cost sharing pension plan 13,485

Governmental funds report payments on long-term obligations as expenditures. However, in the Statement of Activities, these payments are recognized as decreases in the long-term debt. This is the change in long-term obligations during the year:

Accrued compensated absences	3,373
Accrued Interest	705
Lease Payments	95,101
Bonds	84,000
	84,000

Change in Net Position of Governmental Activities \$ 67,757

The accompanying notes are an integral part of the financial statements.

TOWN OF CLINTON, LOUISIANA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2018

<u>ASSETS</u>	<u>Enterprise Funds</u> <u>Utility</u>
Current Assets	
Cash and cash equivalents	\$ -
Receivables, net	72,809
Unbilled receivables	10,222
Prepaid expenses	13,691
Total Current Assets	96,722
Restricted Assets	
Cash and cash equivalents	20,833
Total Restricted Assets	20,833
Capital Assets	
Land	11,969
Buildings	150,546
Equipment	104,934
Vehicles	29,482
Gas system	1,629,986
Water system	1,083,547
Sewer system	3,647,150
Less: Accumulated depreciation	(4,197,756)
Net Capital Assets	2,459,858
Total Assets	2,577,413
<u>DEFERRED OUTFLOWS OF RESOURCE</u>	\$ 72,621

The accompanying notes are an integral part of the financial statements.

TOWN OF CLINTON, LOUISIANA
STATEMENT OF NET POSITION (Continued)
PROPRIETARY FUNDS
DECEMBER 31, 2018

<u>LIABILITIES</u>	<u>Enterprise Funds</u> <u>Utility</u>
Current Liabilities	
Payable from current assets:	\$ -
Accounts Payable	79,010
Bank overdraft	10,903
Accrued wages	4,848
Compensated absences	7,797
Due to other funds	156,716
Total Current Liabilities, Payable from Current Assets	259,274
Payable from restricted assets:	
Customer deposits	16,163
Total Current Liabilities, Payable from Restricted Assets	17,163
Total Current Liabilities	276,437
Long-term Liabilities	
Net pension liability	232,606
Total Liabilities	509,043
 <u>DEFERRED INFLOWS OF RESOURCES</u>	 14,609
 <u>NET POSITION</u>	
Net investment in capital assets	2,459,858
Restricted for customer deposits	15,776
Restricted for grant activity	5,057
Unrestricted	(354,309)
Total Net Position	\$ 2,126,382

The accompanying notes are an integral part of the financial statements.

TOWN OF CLINTON, LOUISIANA
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
YEARS ENDED DECEMBER 31, 2018 AND 2017

	Enterprise Funds	
	<u>Utility</u>	
<u>OPERATING REVENUES</u>	<u>2018</u>	<u>2017</u>
Gas sales and service	\$ 229,476	\$ 194,646
Water sales and service	251,978	231,352
Sewer sales and service	174,984	166,039
Intergovernmental	-	7,037
Late fees/penalties	21,778	10,752
Total Operating Revenues	678,216	609,826
 <u>OPERATING EXPENSES</u>		
Personal services	333,831	307,580
Employee and related expenses	383,152	353,360
Occupancy	58,686	70,620
Administrative	39,186	19,582
Depreciation	173,447	172,920
Total Operating Expenses	988,302	924,062
Operating Income (Loss)	(310,086)	(314,236)
 <u>NON-OPERATING REVENUES (EXPENSES)</u>		
Grants and other contributions	11,867	31,413
Other revenues	-	22,584
Operating transfers, net	-	-
Total Non-Operating Revenues (Expenses)	11,867	53,997
Change in Net Position	(298,219)	(260,239)
Total Net Position, beginning	2,424,601	2,684,840
Total Net Position, ending	\$ 2,126,382	\$ 2,424,601

The accompanying notes are an integral part of the financial statements.

TOWN OF CLINTON, LOUISIANA
COMPARATIVE STATEMENTS OF CASH FLOWS
PROPRIETARY FUNDS
YEARS ENDED DECEMBER 31, 2018 AND 2017

	Enterprise Funds	
	<u>Utility</u>	
	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 642,457	\$ 758,044
Cash paid to employees for services	(321,414)	(353,360)
Cash paid to suppliers for goods and services	(337,636)	(430,005)
Net Cash Provided by (Used for) Operating Activities	(16,593)	(25,321)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Loans/repayments made to/from other funds	(14,111)	-
Miscellaneous revenues received		22,584
Operating transfers	-	-
Net Cash Used for Non-Capital Financing Activities	(14,111)	22,584
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	(3,513)	(31,413)
Cash received from grantors	4,961	31,413
Net Cash Provided by Capital and Related Financing Activities	1,448	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease in Cash and Cash Equivalents	(29,256)	(2,737)
Cash and Cash Equivalents, beginning	50,089	52,826
Cash and Cash Equivalents, ending	20,833	50,089
CASH PRESENTATION OF STATEMENTS OF NET ASSETS:		
Current Assets: Cash and cash equivalents	-	44,748
Restricted Assets: Cash and cash equivalents	20,833	5,341
Cash and Cash Equivalents, end of year	\$ 20,833	\$ 50,089

The accompanying notes are an integral part of the financial statements.

TOWN OF CLINTON, LOUISIANA
CHANGES IN FUND NET POSITION
COMPARATIVE STATEMENTS OF CASH FLOWS (Continued)
PROPRIETARY FUNDS
YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:		
Operating loss	\$ (298,219)	\$ (260,239)
Adjustments to Reconcile Operating Loss to Net Cash Provided by (Used for) Operating Activities:		
Depreciation	172,447	172,920
(Increase) decrease in assets:		
Accounts receivable	6,450	224,304
Prepaid expenses	9,967	(4,725)
Increase (decrease) in liabilities:		
Accounts payable	45,559	6,413
Accrued Wages	4,848	-
Compensated Absences	908	-
Bank Overdraft	10,903	
Due to/from other funds	(14,112)	
Deferred Inflows-Outflows-Pensions	(20,692)	(177,482)
Customer deposits	(2,136)	-
Net pension liability and related resources	(11,957)	13,488
Net Cash Provided by (Used for) Operating Activities	<u>\$ (96,034)</u>	<u>\$ (25,321)</u>

The accompanying notes are an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

**TOWN OF CLINTON, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

INTRODUCTION

The Town of Clinton, Louisiana (hereafter referred to as the Town) was incorporated on March 9, 1852, under the provisions of the Special Charter Act 120 of 1852. The Town operates under a Mayor-Board of Alderperson form of government. The charter was amended in 1996 to allow larger fines to be assessed by the Mayor's Court. It was also amended in 2003 to recognize duties and authority within the Police Department where the charter previously recognized a Town Marshal. This was done to be consistent with the creation of a Police Department in 1993.

The citizens of the Town elect the Mayor and five Alderpersons at large every four years. They are compensated for their services.

The purpose of the municipality is to promote the general welfare and the safety, health, peace, good order, comfort, convenience and morals of its inhabitants. The Town provides fire and police protection, street maintenance, gas, water and sewer services.

The Town is situated in the northwest part of East Feliciana Parish. It is approximately 2.0 square miles in size with a population of approximately 1,653 persons. Within the boundaries are approximately 15 miles of roads maintained by the Town. It is currently servicing about 855 customers through its utility department and employs 20 persons including reserve officers.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting practice of the Town conforms to generally accepted accounting principles as applicable to governments. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statute 24:513 and to the guidelines set forth in the *Louisiana Governmental Audit Guide*, and to the industry audit guide, *Audits of State and Local Governmental Units*.

The following is a summary of certain significant accounting policies:

Financial Reporting Entity: Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification) established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. For financial reporting purposes, in conformance with GASB Codification Section 2100, the Town includes all funds which are controlled by or dependent on the Town which was determined on the basis of oversight responsibility, including accountability for fiscal and budget matters, designation of management or governing authority and authority to issue debt. Certain units of local government over which the Town exercises no oversight responsibility, such as the parish police jury, parish school board, and other independently elected officials, and other municipalities within the parish, are excluded from the accompanying financial statements.

These units of government are considered separate reporting entities and issue financial statements separate from those of the Town.

Government-Wide Accounting: In accordance with the Statement No. 63 of the Government Accounting Standards Board, the Town has presented a statement of net position and statement of activities for the Town as a whole. These statements include the primary government and its component units, if applicable, with the

**TOWN OF CLINTON, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

exception of fiduciary funds. Those funds are reported separately. Government-wide accounting is designed to provide a more comprehensive view of the government's operations and financial position as a single economic entity.

Government-wide statements distinguish between governmental-type and business-type activities. Governmental activities are those financed through taxes, intergovernmental revenues and other non-exchange revenues and are usually reported in governmental and internal service funds. Business activities are financed in whole or in part through fees charged for goods or services to the general public and are usually reported in proprietary funds.

Policies specific to the government-wide statements are as follows:

Eliminating Internal Activity

Inter-fund receivables and payables are eliminated in the statement of net position except for the net residual amounts due between governmental and business-type activities. These are presented as internal balances. The allocation of overhead expenses from one function to another or within the same function is eliminated in the statement of activities. Allocated expenses are reported by the function to which they were allocated.

Capitalizing Assets

Tangible and/or intangible assets used in operations with an initial useful life that extends beyond one year are capitalized. Infrastructure assets such as roads and bridges are also capitalized. Capital assets are recorded at their historical cost and are depreciated using the straight-line method of depreciation over their estimated useful lives. They are reported net of accumulated depreciation on the statement of net position. Depreciation of contributed assets of proprietary funds is charged against contributed capital as opposed to unrestricted net position.

Under the requirements of GASB Statement No. 34, the Town is considered a Phase 3 government, as its total annual revenues were less than \$10 million. Such governments were not required to report major general infrastructure assets retroactively back to 1982, during implementation of Statement No. 34. The Town opted not to retroactively report these types of capital assets.

Program Revenues

The statement of activities presents three categories of program revenues - (1) charges for services; (2) operating grants and contributions; and (3) capital grants and contributions. Charges for services are those revenues arising from charges to customers who purchase, use or directly benefit from goods and services provided by the Town. Grants and contributions, whether operating or capital in nature, are revenues arising from receipts that are restricted for a specific use.

Direct/Indirect Expenses

Expenses are reported according to function except for those that meet the definition of special or extraordinary items. Direct expenses are specifically associated with a service or program. Indirect expenses include general government or administration that cannot be specifically traced to a service or program. Governments are not required to allocate indirect

**TOWN OF CLINTON, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

expenses to other functions, and the Town has chosen not to do so.

Operating Revenues

Proprietary funds separately report operating and non-operating revenues. Revenues from transactions of the Town's operation of providing water, gas and sewer services are considered operating revenues. All other revenues, which are reported as cash flows from capital or non-capital financing and investing, are reported as non-operating revenues.

Restricted Net Position

Restricted net position are [those for which a constraint has been imposed either externally or by law. The Town recognizes the use of restricted resources for expenditures that comply with the specific restrictions. Restricted resources are exhausted before unrestricted net position are used.

Fund Accounting: The Town uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities.

A fund is a separate entity with a self-balancing set of accounts. Funds of the Town are classified into two categories: governmental and proprietary. Each category, in turn, is divided into separate fund types. The fund classifications and a description of each existing fund type follow:

Governmental Funds: Governmental funds account for all or most of the Town's general activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of general fixed assets, and the servicing of general long-term obligations. Governmental funds include:

1. General Fund - the general operating fund of the Town accounting for all financial resources, except those required to be accounted for in other funds.
2. Special Revenue Funds - account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

Proprietary Funds: Proprietary funds account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Proprietary funds differ from governmental funds in that their focus is on income measurement, which, together with the maintenance of equity, is an important financial indicator.

Proprietary funds include:

1. Enterprise Funds - account for operations (a) 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 appropriate for capital maintenance, public policy, management control, accountability or other purposes.

TOWN OF CLINTON, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Basis of Accounting/Measurement Focus: Its type of financial statement presentation determines the accounting and financial reporting treatment applied to a fund.

The government-wide statements are reported using an economic resources measurement focus and the accrual basis of accounting. With this measurement focus, all assets and liabilities associated with the operation of governmental-type and business-type activities are included in the Statement of Net Position. Revenues are recognized when earned, and expenses are recognized at the time the liabilities are incurred in the Statement of Activities. Non-exchange transactions such as property taxes and grants are recognized in the year for which the taxes were levied or when the eligibility requirements are met. In these statements, capital assets are reported and depreciated in each fund.

This same measurement focus and basis of accounting is used by proprietary funds in the fund statements. However, all governmental funds are reported using a current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Revenues are recognized when measurable and available, and expenditures are recorded when the related fund liability is incurred. An exception is unmatured principal and interest on general long-term debt which is recognized when due. The Town considers all revenues available if they are collected within sixty days after year-end. Expenditures for capital assets are reported as current expenses, and such assets are not depreciated.

Budgets and Budgetary Accounting: The Town adopts an annual budget for all of its funds prepared in accordance with the basis of accounting utilized by that fund. The Board of Alderpersons must approve any revisions that alter the total expenditures and are passed on an as-needed basis. A balanced budget is required.

Cash and Cash Equivalents: Cash includes amounts in demand deposits, interest bearing demand deposits and certificates of deposits. Cash equivalents include amounts in time deposits and those investments with original maturities of ninety days or less. Under state law, the Town may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

Investments: Investments are limited by Louisiana Revised Statute 33:2955. If the original maturities of investments exceed ninety days, they are classified as investments. Otherwise, the investments are classified as cash and cash equivalents. In accordance with GASB Statement No. 31, investments are recorded at fair value with the corresponding increase or decrease reported in investment earnings.

Prepaid Expenses: Prepaid expenses include premiums paid on insurance policies for terms that extend beyond year-end. The amount reported of \$42,575 represents the unexpired terms of the Town's liability insurance.

Restricted Assets: Certain cash and investments are classified as restricted because law or donor restriction limits their use. Components of these at December 31, 2018, are as follows:

**TOWN OF CLINTON, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>
Demand deposits			
Customer deposits	\$ -	\$	15,776
Grant	-		5,057
Sales tax fund	148,677		-
	148,677		20,833
	148,677		20,833

Capital Assets: The Town's assets are recorded at historical cost. Contributed assets, if any, are reported at estimated fair value at the time of the donation. Depreciation is recorded using the straight-line method over the useful lives of the assets as follows:

Buildings	40 years	Vehicles	7-10 years
Equipment	4-10 years	Infrastructure	20-50 years
Office furniture	5-7 years		

The Town's capitalization policy includes adding all assets with a value of \$5,000 or more. However, assets that are less in value may be capitalized if their use will benefit more than one period and tracking is desired such as is the case with weapons or radio equipment.

Compensated Absences: Employees of the Town earn annual leave at varying rates according to years of service. Accrued leave earned by an employee is carried forward to the succeeding calendar year. Upon separation of employment, the employee shall be paid the value of the accrued vacation leave in a lump sum. The maximum pay shall not exceed the amount of vacation accrued over twelve months preceding separation of employment.

Long-Term Obligations: In the government-wide financial statements, debt principal payments of both government and business-type activities are reported as decreases in the balance of the liability on the statement of net position. In the fund financial statements, however, debt principal payments of governmental funds are recognized as expenditures when paid.

Equity Classifications:

Government-wide Statements:

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

Net Investment in Capital Assets

This category records capital assets net of accumulated depreciation and reduced by any outstanding balances of bonds, mortgages, notes or other borrowings attributable to the acquisition, construction or improvement of capital assets.

**TOWN OF CLINTON, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Restricted

The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. These are usually restricted by external sources such as banks or by law.

Unrestricted

The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position.

Fund Financial Statements:

In the balance sheet of governmental funds, fund balances are segregated as follows:

Non-spendable

This includes amounts in permanent funds and inventories that are permanently precluded from conversion to cash.

Restricted

Fund balances that are restricted include those resources constrained to a specific purpose by enabling legislation, external parties or constitutional provisions.

Committed

Fund balances may be committed for a specific purpose by the highest level of decision-making authority through a formal action such as the adoption of an ordinance. The removal of or change in this commitment can only be accomplished by the same level of authority through the same type of action taken to commit the fund balances initially.

Assigned

Resources earmarked for a specific purpose by a government's management are reported as assigned fund balances.

Unassigned

This category represents that portion of equity that are available for any purpose.

Inter-fund Transactions: All inter-fund transactions, except quasi-external transactions, are reported as operating transfers. These are eliminated in the government-wide statements.

Sales Taxes: The Town receives 8.16% of a one percent East Feliciana Parish sales tax collected on sales occurring within the Parish boundaries. These proceeds are available for any lawful purpose for operating the Town. The Town recognized \$144,281 of sales tax revenue during the year ended December 31, 2018.

The Town receives 12.4021% of a one percent East Feliciana Parish sales tax collected on sales occurring within the Parish boundaries. The proceeds are restricted to the street maintenance and repairs for the Town. The Town recognized \$219,287 of sales tax revenue during the year ended December 31, 2018.

**TOWN OF CLINTON, LOUISIANA
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2018**

Property Taxes: Ad valorem taxes authorized and levied for the year were 6.65 mills. These funds are received by the general fund and are not dedicated. Total assessed value of property within the Town is approximately \$60,412,519. The total assessed value of the property taxes was \$401,743. The Town recognized \$411,760 in property taxes for the year ended December 31, 2018.

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 - CASH AND CASH EQUIVALENTS

The cash and cash equivalents on hand (book balances) at December 31, 2018, are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Petty cash	100	-
Demand Deposits	205,670	20,833
Total	205,770	20,833

Of these amounts, \$148,677 and \$20,833 is restricted for governmental and business-type activities, respectively. At the end of the fiscal year, the business-type activities had a operating cash balance of (\$10,903) which was reclassified to the liability section of the balance sheet.

These deposits are stated at cost, which approximates market. Under state law, they 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 December 31, 2017, the Town had \$282,770 in deposits (collected balances). The town has accounts at two banks. The collected balances were: 1) Landmark Bank, \$266,944 and 2) Feliciana Bank and Trust, \$15,776. These funds are secured through the Federal Deposit Insurance Corporation (FDIC) and collateral pledged by participating banks.

**TOWN OF CLINTON, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

NOTE 3 - RECEIVABLES

The following is a summary of receivables at December 31, 2018:

<u>Class</u>	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Enterprise Fund</u>	<u>Total</u>
Accounts	\$ -	\$ -	\$ 220,048	\$ 220,048
Other	-	-	-	-
Taxes:				
Franchise	25,367	-	-	25,367
Beer tax	802	-	-	802
Property	227,194	-	-	227,194
Sales	27,710	42,115	-	69,825
Sub-total	281,073	42,115	-	323,188
Less: Allowance for doubtful	-	-	(137,016)	(137,016)
Net	281,073	42,115	83,032	406,220

Utility meters are read between the 18th and 25th of each month and bills are computed and mailed by the last day of the month. The amount of gas and water used from the date the meter is read until the end of the month is an unbilled receivable in the Enterprise Fund. At December 31, 2018, unbilled receivables were \$10,222. This amount is included in the table above.

An allowance for doubtful accounts is determined by a percentage based on prior years' experience. At December 31, 2018, the allowance was estimated to be \$137,016 in the Enterprise Fund.

NOTE 4 - CAPITAL ASSETS

Capital asset activity for governmental funds for the year ended December 31, 2018, was as follows:

**TOWN OF CLINTON, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Beginning Balance	Additions	Deductions	Ending Balance
Governmental Activities				
Capital Assets, not being depreciated				
Land	\$ 1,000	\$ -	\$ -	\$ 1,000
Capital Assets, being depreciated				
Buildings and improvements	978,863			978,863
Less: accumulated depreciation	278,960	28,575	-	307,535
Net Building and Improvements	699,903	(28,575)	-	671,328
Infrastructure	2,424,981	-		2,424,981
Less: accumulated depreciation	820,907	89,814		910,721
Net Sidewalks/Drainage	1,604,074	(89,814)	-	1,514,260
Equipment	337,495	12,233		349,728
Less: accumulated depreciation	311,065	9,727		320,792
Net Equipment	26,430	2,506	-	28,936
Vehicles	612,005		(136,104)	475,901
Less: accumulated depreciation	520,151	27,221	(71,471)	475,901
Net Vehicles	91,854	(27,221)	(64,633)	-
Office furniture	10,830			10,830
Less: accumulated depreciation	6,418	801		7,219
Net Office furniture	4,412	(801)	-	3,611
Total Capital Assets, being depreciated, net	2,426,673	(143,905)	(64,633)	2,218,135
Capital Assets, net	2,427,673	(143,905)	(64,633)	2,219,135

The Town purchased a commercial mower for \$12,233. The Town entered in 2016 into a capital lease for four Chevrolet Tahoe's used by the police department. In 2018, these vehicles were disposed. Three vehicles were sold to the Wayne County Sheriff's Office from Tennessee for \$79,500. These funds were applied to the capital lease debt outstanding. The fourth vehicle was transferred to the City of Loretto, Tennessee. The remaining debt was settled once the transfer was complete. The gain recognized on the disposal of the Tahoe's was \$31,580.

Depreciation expense was charged to governmental functions as follows:

TOWN OF CLINTON, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

General government	\$	11,771
Public Safety		47,883
Public Works		96,483
Total		\$ 156,137

Capital asset activity for enterprise funds for the year ended December 31, 2018, was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance
Business Activities				-
Capital Assets, not being depreciated				-
Land	\$ 11,970			11,970
Capital Assets, being depreciated				-
Buildings and improvements	150,545			150,545
Less: accumulated depreciation	85,701	5,576		91,277
Net Building and Improvements	64,844	(5,576)	-	59,268
Equipment	104,933			104,933
Less: accumulated depreciation	100,648	4,285		104,933
Net Equipment	4,285	(4,285)	-	-
Vehicles	\$ 25,968	\$ 3,513		29,481
Less: accumulated depreciation	25,536	959		26,495
Net Vehicles	432	2,554	-	2,986
Gas system	1,629,985			1,629,985
Less: accumulated depreciation	1,268,053	40,750		1,308,803
Net Gas system	361,932	(40,750)	-	321,182
Water system	1,083,547			1,083,547
Less: accumulated depreciation	491,853	29,775		521,628
Net Water system	591,694	(29,775)	-	561,919
Sewer system	3,647,154	-		3,647,154
Less: accumulated depreciation	2,052,519	92,103		2,144,622
Net Sewer system	1,594,635	(92,103)	-	1,502,532
Total Capital Assets, being depreciated, net	2,617,822	(169,935)	-	2,447,887
Capital Assets, net	2,629,792	(169,935)	-	2,459,857

The Town purchased a 2008 Dodge Ram Truck for \$3,513. No assets were disposed.

Depreciation expense was charged to enterprise functions as follows:

**TOWN OF CLINTON, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Gas		\$	44,357
Water			33,382
Sewer			95,710
Total			\$ 173,449

NOTE 5 – INTER-FUND TRANSACTIONS

Amounts receivables and payable between funds at December 31, 2018, are as follows:

	Receivable	Payable
General Fund	\$ 125,677	\$ 112,770
Special Revenue Funds	143,809	-
Enterprise Fund	-	156,716
Total	\$ 269,486	\$ 269,486

These amounts represent loans made between funds for cash flow purposes.

NOTE 6 - ACCOUNTS AND OTHER PAYABLES

The following is a summary of payables at December 31, 2018:

	General Fund	Sales Tax Fund	Enterprise Fund	Total
Accounts	\$ 21,773	\$ 6,109	\$ 79,010	\$ 106,892
Bank overdraft	-	-	10,903	10,903
Interest	3,080	-	-	3,080
Payroll liabilities	54,891	-	-	54,891
Accrued benefits	23,093	-	-	23,093
Accrued wages	10,273	-	4,848	15,121
Compensated absences	1,037	-	7,797	8,834
Customer deposits	-	-	17,163	17,163
Total	\$ 114,147	\$ 6,109	\$ 119,721	\$ 239,977

NOTE 7 – LONG TERM OBLIGATIONS

The following is a summary of long-term obligations transactions for the year ended December 31, 2018:

**TOWN OF CLINTON, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		Total Long- Term Obligations
	Capital Leases	Limited Tax bonds	Capital Leases	Bonds	
Beginning Balance	\$ 115,223	\$ 451,000	\$ -	\$ -	\$ 566,223
Additions	-	-	-	-	-
Deletions	(115,223)	(84,000)	-	-	(199,223)
Ending Balance	<u>\$ -</u>	<u>\$ 367,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 367,000</u>

The following is a summary of the current (due in one year or less) and long term (due in more than one year) portions of the long-term obligations:

	<u>Governmental Activities</u>			<u>Business-Type Activities</u>			Total Obligations
	Current Portion	Long Term Portion	Total	Current Portion	Long Term Portion	Total	
Limited Tax Bonds	\$87,000	\$ 280,000	\$ 367,000	\$ -	\$ -	\$ -	\$ 367,000
Net Pension Liability	-	525,403	525,403	-	232,606	232,606	758,009
Ending Balance	<u>\$87,000</u>	<u>\$ 805,403</u>	<u>\$ 892,403</u>	<u>\$ -</u>	<u>\$ 232,606</u>	<u>\$ 232,606</u>	<u>\$ 1,125,009</u>

Bonds payable as of December 31, 2018 is as follows:

	Bonds Payable End of Year	Due Within One Year
Governmental: \$760,000 Limited Tax Bonds Series 2012	<u>\$ 367,000</u>	<u>\$ 87,000</u>
Dated 11/19/2012, due in annual installments of principal and interest ranging up to \$98,208, from 3/1/2013, interest at 2.49%.		

The annual requirements to amortize all debt outstanding at December 31, 2018, including interest payments of \$18,688 are as follows:

**TOWN OF CLINTON, LOUISIANA
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Limited Tax bonds, Series 2012			
Year	Principal	Interest	Total
2019	87,000	8,055	95,055
2020	90,000	5,852	95,852
2021	93,000	3,573	96,573
2022	97,000	1,208	98,208
Total	367,000	18,688	385,688

NOTE 8 - RETIREMENT SYSTEM

Substantially all employees of the Town are members of the following statewide retirement systems: Municipal Employees Retirement System of Louisiana or Municipal Police Employees Retirement System of Louisiana. These systems are cost-sharing, multiple-employer defined benefit pension plans administered by separate boards of trustees.

The Town implemented Governmental Accounting Standards Board (GASB) Statement 68 on *Accounting and Financial Reporting for Pensions* and Statement 71 on *Pension Transition for Contributions Made Subsequent to the Measurement Date*—an amendment of GASB 68. These standards require the Town to record its proportional share of each of the pension plans’ net pension liability and report the following disclosures:

A. Municipal Employee Retirement System of Louisiana (System)

Plan Description. The System was established and provided for by R.S. 11:1731 of the Louisiana Revised Statutes (LRS). The System provides retirement benefits to employees of all incorporated villages, towns, and cities within the State which do not have their own retirement system and which elect to become members of the system.

Membership is mandatory as a condition of employment beginning on the date employed if the employee is on a permanent basis working at least thirty-five hours per week. Those individuals paid jointly by a participating employer and the parish are not eligible for membership in the System with exceptions as outlined in the statutes.

The System is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. All employees of the municipality are members of Plan B.

Retirement Benefits:

Benefit provisions are authorized within Act 356 of the 1954 regular session and amended by LRS 11:1756-11:1785. The following brief description is of the plan and its benefits and is provided for general information purposes only. Participants should refer to the appropriate statutes for more complete information.

Any member of Plan B who commenced participation in the System prior to January 1, 2013 can retire providing he meets one of the following criteria:

1. Any age with thirty (30) years of creditable service.
2. Age 60 with a minimum of ten (10) or more years of creditable service.
3. Under age 60 with ten (10) years of creditable service eligible for disability benefits.

**TOWN OF CLINTON, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
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4. Survivor's benefits require five (5) years creditable service at death of member.

Generally, the monthly amount of the retirement allowance for any member of Plan B shall consist of an amount equal to two percent of the member's monthly average final compensation multiplied by his years of creditable service. Final average compensation is the average monthly earnings during the highest sixty consecutive months, or joined months if service was interrupted. However, under certain conditions as outlined in the statutes, the benefits are limited to specified amounts.

Any member of Plan B Tier 2 shall be eligible for retirement if he meets one of the following requirements:

1. Age 67 with seven (7) years of creditable service.
2. Age 62 with ten (10) years of creditable service.
3. Age 55 with thirty (30) years of creditable service.
4. Any age with twenty-five (25) years of service credit, exclusive of military service and unused annual sick leave.

The monthly amount of the retirement allowance for any member of Plan B Tier 2 shall consist of an amount equal to two percent of the member's final compensation multiplied by his years of creditable service. Final average compensation is the average monthly earnings during the highest sixty consecutive months, or joined months if service was interrupted. However, under certain conditions as outlined in the statutes, the benefits are limited to specified amounts.

Survivor Benefits:

Upon death of any member of Plan B with five (5) or more years of creditable service, not eligible for normal retirement, the plan provides for benefits for the surviving spouse as outlined in the statutes.

1. Surviving spouse who is married no less than twelve (12) months immediately preceding death of member, shall be paid a monthly benefit equal to thirty percent of the member's final compensation, payable when the surviving spouse attains the age of sixty years or becomes disabled and payable for as long as the surviving spouse lives, or
2. A monthly benefit equal to the actuarial equivalent of the benefit described above, but not less than fifteen percent of the member's final compensation, payable upon the death of the member and payable for as long as the surviving spouse lives. Selecting this benefit precludes the survivor from eligibility for the thirty-percent benefit payable when the surviving spouse attains the age of sixty years.

Any member of Plan B who is eligible for normal retirement at time of death and who leaves a surviving spouse will be deemed to have retired and selected Option 2 benefits on behalf of the surviving spouse on the date of death. Such benefits will begin only upon proper application and are paid in lieu of any other survivor benefits.

Any member of Plan A or Plan B who had not withdrawn their accumulated contributions and had at least twenty years of service credit at time of death, surviving spouse shall receive benefits for as long as he/she lives as outlined in the statutes.

DROP Benefits:

In lieu of terminating employment and accepting a service retirement allowance, any member of Plan A or B who is eligible to retire may elect to participate in the deferred retirement option plan (DROP) for up to three years and defer the receipt of benefits. During participation in the plan, employer contributions are payable but employee contributions cease. The monthly retirement benefits that would be payable, had the person elected to cease employment and receive a service retirement allowance, are paid into the DROP Fund. Interest is earned when the member has completed DROP participation. Interest earnings are based upon the actual rate of return on the investments identified as DROP funds for the period. In addition, no cost-of-living increases are payable to participants until employment which made them eligible to become members of the System has been terminated for at least one full year.

**TOWN OF CLINTON, LOUISIANA
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Upon termination of employment prior to or at the end of the specified period of participation, a participant in the DROP may receive, at his option, a lump sum from the account equal to the payments into the account, a true annuity based upon his account balance in that fund, or any other method of payment if approved by the board of trustees. If a participant dies during the participation in the DROP, a lump sum equal to the balance in his account shall be paid to his named beneficiary or, if none, to his estate. If employment is not terminated at the end of the three years, payments into the DROP fund cease and the person resumes active contributing membership in the System.

Disability Benefits:

For Plan B, a member shall be eligible to retire and receive a disability benefit if he has at least ten years of creditable service; in which he would receive a regular retirement under retirement provisions. A member shall be eligible to retire and receive a disability benefit if he has at least ten years of creditable service, is not eligible for normal retirement, and has been officially certified as disabled by the State Medical Disability Board. Upon retirement caused by disability, a member of Plan B shall be paid a disability benefit equal to the lesser of thirty percent of his final average compensation or two percent of his final average compensation multiplied by his years of creditable service, whichever is greater; or an amount equal to two percent of the member's final average compensation multiplied by his years of creditable service, projected to his earliest normal retirement age.

Cost of Living Increases:

The System is authorized under state law to grant a cost of living increase to members who have been retired for at least one year. The adjustment cannot exceed 2% of the retiree's original benefit for each full calendar year since retirement and may only be granted if sufficient funds are available from investment income in excess of normal requirements. State law allows the System to grant an additional cost of living increase to all retirees and beneficiaries who are age sixty-five and above equal to 2% of the benefit being received on December 1, 1977, or the original benefit, if retirement commenced after that date.

Deferred Benefits:

Both Plans provide for deferred benefits for members who terminate before being eligible for retirement. Once the member reaches the appropriate age for retirement; benefits become payable. Benefits are based on statutes in effect at time of withdrawal.

The System issues an annual publicly available financial report that includes financial statements and required supplemental information for the System. That report may be obtained by writing to the Municipal Employees Retirement System of Louisiana, 7937 Office Park Boulevard, Baton Rouge, Louisiana 70809, or calling (225) 925-4810 or at www.mersla.com.

Funding Policy. Under Plan B, members are required by state statute to contribute five percent of their annual covered salary and the Town of Clinton is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. Contributions to the System also include one-fourth of one percent (except Orleans) of the taxes shown to be collectible by the tax rolls of each parish. Tax monies are apportioned between Plan A and Plan B in proportion to salaries of plan participants. Tax monies received from East Baton Rouge Parish are apportioned between the Municipal Employees' Retirement System and the Employees' Retirement System of the City of Baton Rouge. The System also receives revenue sharing funds each year as appropriated by the Legislature. These additional sources of income are used as additional employer contributions and considered support from non-employer contributing entities, but are not considered special funding situations. Non-employer contributions are recognized as revenue and excluded from pension expense for the year ended June 30, 2018. During the year ending December 31, 2018, the Town recognized revenue as a result of support received from non-employer contributing entities of \$12,626 for its participation in MERS-Plan B.

The Town of Franklinton contributions to the System under Plan B for the years ending December 31, 2018 and 2017 were \$47,514, and \$47,514 respectively, equal to the required contributions for each year.

**TOWN OF CLINTON, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: At December 31, 2018, the Town reported a liability of \$232,606 for its proportionate share of the net pension liability of the System. The net pension liability was measured as of June 30, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contribution of all participating, actuarially determined. At June 30, 2018, the Town's proportion was 0.502858%, which was a decrease of 0.516852% from its proportion measured as of June 30, 2017.

For the year ended December 31, 2018, the Town recognized pension expense for the MERS System of \$108,848 representing its proportionate share of the System's net expense, including amortization of deferred amounts.

At December 31, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to the MERS pension system from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,140	\$ (19,157)
Changes of Assumptions	15,917	-
Net difference between projected and actual earnings on pension plan investments	69,132	-
Changes in proportion and differences between Employer contributions and proportionate share of contributions	15,380	(8,840)
Employer contributions subsequent to the measurement date	29,873	-
Total	\$ 131,442	\$ (27,997)

The Town reported a total of \$29,873 as deferred outflow of resources related to pension contributions made subsequent to the measurement period of June 30, 2018 which will be recognized as a reduction in net pension liability in the year ended December 31, 2019.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year</u>	
2019	\$ 49,590
2020	14,810
2021	6,268
2022	2,146
	\$ 72,813

Actuarial Assumptions. A summary of the actuarial methods and assumptions used in determining the total pension liability as of June 30, 2018 is as follows:

Valuation Date	June 30, 2018
Actuarial Cost Method	Entry Age Normal

**TOWN OF CLINTON, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
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Actuarial Assumptions:

Expected Remaining Service Lives	3 years (Plan B)
Investment Rate of Return	7.275%, net of investment expense
Inflation Rate	2.6%
Projected Salary Increases	5.0%
Annuitant and beneficiary mortality	RP-2000 Healthy Annuitant Sex Distinct Mortality Tables set forward 2 years for males and set forward 1 year for females projected to 2028 using scale AA
Employee mortality	RP-2000 Employee Sex Distinct Table for set back 2 years for both males and females
Disabled lives mortality	RP-2000 Disabled Lives Mortality Table set back 5 years for males and set back 3 years for females

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and an adjustment for the effect of rebalancing/diversification.

Best estimates of arithmetic real rates of return for each major asset class included in the System's target asset allocation as of June 30, 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Portfolio Real Rate of Return</u>
Public Equity	50%	2.20%
Public Fixed Income	35%	1.50%
Alternatives	15%	0.60%
Totals	<u>100%</u>	<u>4.30%</u>
Inflation		<u>2.70%</u>
Expected Arithmetic Nominal Rate		<u>7.00%</u>

The discount rate used to measure the total pension liability was 7.275%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made at the actuarially determined rates which are calculated in accordance with relevant statutes and approved by the Board of Trustees and the Public Retirement Systems' Actuarial Committee. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**TOWN OF CLINTON, LOUISIANA
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The effects of certain other changes in the net pension liability are required to be included in pension expense over the current future periods. The effects on the total pension liability of (1) changes of economic and demographic assumptions or of other inputs and (2) differences between expected and actual experience are required to be included in pension expense in a systematic and rational manner over a closed period equal to the average of the expected remaining service lives of all employees that are proved with benefits through the pension plan (active employees and inactive employees), determined as of the beginning of the measurement period. The effect on net pension liability of differences between the projected earning on pension plan investments and actual experience with regard to those earnings is required to be included in pension expense in a systematic and rational manner over a closed period of five years, beginning with the current period. The Expected Remaining Service Lives (ERSL) for 2018 is 3 years for Plan B.

Sensitivity of the Employer's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the net pension liability of the participating employers calculated using the discount rate of 7.275%, as well as what the employers' net pension liability would be if it were calculated using a discount rate that is one percentage point lower, or one percentage point higher than the current rate as of June 30, 2018:

	1% Decrease	Current Discount Rate	1% Increase
Rates	6.275%	7.275%	8.275%
Town of Clinton Share of NPL	\$ 558,198	\$ 425,333	\$ 312,387

B. Municipal Police Employees Retirement System of Louisiana (System)

Plan Description. The Municipal Police Employees' Retirement System (System) is a cost-sharing multiple-employer defined benefit pension plan established by Act 189 of 1973 to provide retirement, disability, and survivor benefits to municipal police officers in Louisiana.

Membership is mandatory for any full-time police officer employed by a municipality of the State of Louisiana and engaged in law enforcement, empowered to make arrest, providing he does not have to pay social security and providing he meets the statutory criteria.

Retirement Benefits:

Benefit provisions are authorized within Act 189 of 1973 and amended by LRS 11:2211-11:2233. The following is a brief description of the plan and its benefits and is provided for general information purposes only. Participants should refer to the appropriate statutes for more complete information.

Membership Prior to January 1, 2013: A member is eligible for regular retirement after he has been a member of the System and has 25 years of creditable service at any age or has 20 years of creditable service and is age 50 or has 12 years creditable service and is age 55. A member is eligible for early retirement after he has been a member of the System for 20 years of creditable service at any age with an actuarially reduced benefit.

Benefit rates are three and one-third percent of average final compensation (average monthly earnings during the highest 36 consecutive months or joined months if service was interrupted) per number of years of creditable service not to exceed 100% of final salary.

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Upon the death of an active contributing member, or disability retiree, the plan provides for surviving spouses and minor children. Under certain conditions outlined in the statutes, the benefits range from forty to sixty percent of the member's average final compensation for the surviving spouse. In addition, each child under age eighteen receives benefits equal to ten percent of the member's average final compensation or \$200 per month, whichever is greater.

Membership Commencing January 1, 2013: Member eligibility for regular retirement, early retirement, disability and survivor benefits are based on Hazardous Duty and Non Hazardous Duty sub plans. Under the Hazardous Duty sub plan, a member is eligible for regular retirement after he has been a member of the System and has 25 years of creditable service at any age or has 12 years of creditable service at age 55.

Under the Non Hazardous Duty sub plan, a member is eligible for regular retirement after he has been a member of the System and has 30 years of creditable service at any age, 25 years of creditable service at age 55, or 10 years of creditable service at age 60. Under both sub plans, a member is eligible for early retirement after he has been a member of the System for 20 years of creditable service at any age, with an actuarially reduced benefit from age 55.

Under the Hazardous and Non Hazardous Duty sub plans, the benefit rates are three percent and two and a half percent, respectively, of average final compensation (average monthly earnings during the highest 60 consecutive months or joined months if service was interrupted) per number of years of creditable service not to exceed 100% of final salary.

Upon death of an active contributing member, or disability retiree, the plan provides for surviving spouses and minor children. Under certain conditions outlined in the statutes, the benefits range from twenty-five to fifty-five percent of the member's average final compensation for the surviving spouse. In addition, each child under age eighteen receives ten percent of average final compensation or \$200 per month whichever is greater. If deceased member had less than ten years of service, beneficiary will receive a refund of employee contributions only.

Cost of Living Adjustments:

The Board of Trustees is authorized to provide annual cost-of-living adjustments computed on the amount of the current regular retirement, disability, beneficiary or survivor's benefit, not to exceed 3% in any given year. The Board is authorized to provide an additional 2% COLA, computed on the member's original benefit, to all regular retirees, disability, survivors and beneficiaries who are 65 years of age or older on the cut-off date which determines eligibility.

No regular retiree, survivor or beneficiary shall be eligible to receive a cost-of-living adjustment until benefits have been received at least one full fiscal year and the payment of such COLA, when authorized, shall not be effective until the lapse of at least one-half of the fiscal year. Members who elect early retirement are not eligible for a cost of living adjustment until they reach regular retirement age.

Deferred Retirement Option Plan:

A member is eligible to elect to enter the deferred retirement option plan (DROP) when he is eligible for regular retirement based on the members' sub plan participation. Upon filing the application for the program, the employee's active membership in the System is terminated. At the entry date into the DROP, the employee and employer contributions cease. The amount to be deposited into the DROP account is equal to the benefit computed under the retirement plan elected by the participant at date of application. The duration of participation in the DROP is thirty-six months or less. If employment is terminated after the three-year period the participant may receive his benefits by lump sum payment or a true annuity. If employment is not terminated, active contributing membership into the System shall resume and upon later termination, he shall receive additional retirement benefit based on the additional service. For those eligible to enter DROP prior to January 1, 2004, DROP accounts shall earn interest subsequent to the termination of DROP participation at a rate of half of one percentage point below the percentage rate of return of the System's investment portfolio as certified by the actuary on an annual basis but will never lose money. For those eligible to enter DROP subsequent to January 1, 2004, an irrevocable election is made to earn interest based on the System's investment portfolio return or a money market investment return. This could result in

**TOWN OF CLINTON, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

a negative earnings rate being applied to the account. If the member elects a money market investment return, the funds are transferred to a government money market account.

Initial Benefit Option Plan:

In 1999, the State Legislature authorized the System to establish an Initial Benefit Option program. Initial Benefit Option is available to members who are eligible for regular retirement and have not participated in DROP. The Initial Benefit Option program provides both a one-time single sum payment of up to 36 months of regular monthly retirement benefit, plus a reduced monthly retirement benefit for life. Interest is computed on the balance based on same criteria as DROP.

The System issues an annual publicly available financial report that includes financial statements and required supplemental information for the System. That report may be obtained by writing to the Municipal Police Employees Retirement System of Louisiana, 8401 United Plaza Boulevard, Baton Rouge, Louisiana 70809-2250, or by calling (225) 929-7411 or at www.lampers.org.

Funding Policy. According to state statute, the Town of Clinton is required to contribute at an actuarially determined rate but cannot be less than 9% of the employee's earnable compensation excluding overtime but including state supplemental pay. For the year ended June 30, 2018, total contributions due for employers and employees were 40.75%. The employer and employee contribution rates for members hired prior to January 1, 2013 and Hazardous Duty members hired after January 1, 2013 were 30.75% and 10%, respectively. The employer and employee contribution rates for all Non Hazardous Duty members hired after January 1, 2013 were 30.75% and 8%, respectively. The employer and employee contribution rates for members whose earnable compensation is less than or equal to poverty guidelines issued by the U.S. Department of Health and Human Services were 33.25% and 7.5%, respectively.

The System also receives insurance premium tax monies as additional employer contributions and considered support from a non-contributing entity. This tax is appropriated by the legislature each year based on an actuarial study. This additional source of income is used as additional employer contributions and considered support from non-employer contributing entities, but is not considered a special funding situation. Non-employer contributions are recognized as revenue and excluded from pension expense for the year ended June 30, 2018. During the year ending December 31, 2018, the Town recognized revenue as a result of support received from non-employer contributing entities of \$7,765 for its participation in MPERS.

The Town of Clinton contributions to the System for the years ending December 31, 2018 and 2017 were \$42,828 and \$38,439 respectively, equal to the required contributions for each year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: At December 31, 2018, the Town reported a liability of \$332,676 for its proportionate share of the net pension liability of the System. The net pension liability was measured as of June 30, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contribution of all participating, actuarially determined. At June 30, 2018, the Town's proportion was 0.039351%, which was a decrease of 0.036825% from its proportion measured as of June 30, 2017.

For the year ended December 31, 2018, the Town recognized pension expense for the MPERS System of \$17,840 representing its proportionate share of the System's net expense, including amortization of deferred amounts.

At December 31, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to the MPERS pension system from the following sources:

**TOWN OF CLINTON, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,500	\$ (17,000)
Changes of Assumptions	21,740	-
Net difference between projected and actual earnings on pension plan investments	15,948	-
Changes in proportion and differences between Employer contributions and proportionate share of contributions	15,879	(14,313)
Employer contributions subsequent to the measurement date	16,430	-
Total	\$ 71,497	\$ (31,313)

The Town reported a total of \$16,430 as deferred outflow of resources related to pension contributions made subsequent to the measurement period of June 30, 2018 which will be recognized as a reduction in net pension liability in the year ended December 31, 2019.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year</u>	
2019	\$ 10,819
2020	10,194
2021	3,837
2022	580
	\$ 25,430

Actuarial Assumptions. A summary of the actuarial methods and assumptions used in determining the total pension liability as of June 30, 2018 is as follows:

Valuation Date June 30, 2018
Actuarial Cost Method Entry Age Normal

Actuarial Assumptions:
Investment Rate of Return 7.20%, net of investment expense

Expected Remaining Service Lives 4 years

Inflation Rate 2.60%

Salary increases, including inflation & merit	Years of Service	Salary Growth Rate
	1-2	9.75%
	3-23	4.75%
	Over 23	4.25%

Mortality RP-2000 Combined Healthy with Blue Collar Adjustment Sex Distinct Tables projected to 2029 by Scale AA (set back 1 year for females) for healthy annuitants and beneficiaries.

**TOWN OF CLINTON, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

RP-2000 Disabled Lives Table set back 5 years for males and set back 3 years for females for disabled annuitants.

RP-2000 Employee Table set back 4 years for males and 3 years for females for active members.

Cost of Living Adjustments

The present value of future retirement benefits is based on benefits currently being paid by the System and includes previously granted cost-of-living increases. The present values do not include provisions for potential future increases not yet authorized by the Board of Trustees.

The mortality rate assumption used was set based upon an experience study performed by the prior actuary on plan data for the period July 1, 2009 through June 30, 2014 and review of similar law enforcement mortality. The data was then assigned credibility weighting and combined with a standard table to produce current levels of mortality. This mortality was then projected forward to a period equivalent to the estimated duration of the System's liabilities. Annuity values calculated based on this mortality were compared to those produced by using a setback of standard tables. The result of the procedure indicated that these tables would produce liability values approximating the appropriate generational mortality tables.

Best estimates of arithmetic nominal rates of return for each major asset class included in the System's target asset allocation as of June 30, 2018 are summarized in the following table:

Asset Class	Target Asset Allocation	Long-Term Expected Portfolio Real Rate of Return
Equity	52%	3.58%
Fixed Income	22%	0.46%
Alternatives	20%	1.07%
Other	6%	0.17%
Totals	<u>100%</u>	<u>5.28%</u>
Inflation		<u>2.75%</u>
Expected Arithmetic Nominal Rate		<u>8.03%</u>

The discount rate used to measure the total pension liability was 7.20%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made at the actuarially determined rates approved by PRSAC taking into consideration the recommendation of the System's actuary. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Employer's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the net pension liability of the participating employers calculated using the discount rate of 7.20%, as well as what the employers' net pension liability would be if it were calculated using a discount rate that is one percentage point lower, or one percentage point higher than the current rate as of June 30, 2018:

**TOWN OF CLINTON, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Rates	6.200%	7.200%	8.200%
Town of Clinton Share of NPL	\$ 467,502	\$ 332,676	\$ 219,562

NOTE 9 - OTHER POST-EMPLOYMENT BENEFITS

The Town does not offer post-employment benefits to employees upon termination.

NOTE 10 – FUND BALANCES AND NET POSITION

As of December 31, 2018, the general fund nonspendable fund balance of \$25,437 due to prepaid insurance. The amount of assigned fund balance in the general fund is \$1,165 due to the narcotics fund. The unassigned fund balance in the general fund is \$242,830. The sales tax fund, a special revenue fund, had a fund balance restricted for streets and sidewalks for \$328,989.

The enterprise fund had restricted net position related to customer deposits of \$15,776 and grant funds of \$5,057. The enterprise fund had unrestricted net position of (\$354,309). To reduce to negative net position, the Town plans to reduce expenditures and realign operations to run more efficiently and economically.

NOTE 11 – PRIOR PERIOD ADJUSTMENT

The governmental activities and business-type activities were restated for December 31, 2017 for an adjustment to record compensated absences. The net effect is as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Net Position	1,943,867	2,433,225	4,377,092
Record compensated absences	(14,673)	(8,624)	(23,297)
Net position restated	<u>1,929,194</u>	<u>2,424,601</u>	<u>4,353,795</u>

NOTE 12 - FIRE PROTECTION

Fire protection for the Town is provided by the Clinton Fire Department with funds received primarily through the Parish-wide Fire Protection District of East Feliciana Parish. This is a legally separate governmental agency that issues its own audited financial statements.

**TOWN OF CLINTON, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

NOTE 13 - COMPARATIVE DATA

Comparative total data for the prior year have been presented in selected sections of the accompanying financial statements in order to provide an understanding of changes in the Town's financial position and operations. Such information is presented in a summarized comparative format and should be read in conjunction with the Town's financial statements for the year ended December 31, 2018, from which the information was summarized.

NOTE 14 - RELATED PARTY TRANSACTIONS

There are no related party transactions that require disclosure.

NOTE 15 - LITIGATION AND CLAIMS

There are currently no litigation pending or threatened that is anticipated to have a material financial impact on the accompanying financial statements.

NOTE 16 - SUBSEQUENT EVENTS

There were no events subsequent to year-end through September 28, 2019, the date on which the accompanying financial statements were available, that would have a significant impact on the accompanying financial statements.

**REQUIRED SUPPLEMENTARY
INFORMATION**

**TOWN OF CLINTON, LOUISIANA
BUDGETARY COMPARISON SCHEDULE
GENERAL AND SPECIAL REVENUE FUNDS
YEARS ENDED DECEMBER 31, 2018**

<u>REVENUES</u>	General Fund				Streets and Sidewalks			
	Budgeted Amounts		Actual	Variance	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	Favorable (Unfavorable)	Original	Final	Amounts	Favorable (Unfavorable)
Fines and other court costs	\$ 406,887	\$ 367,332	\$ 202,448	\$ (164,884)	\$ -	\$ -	\$ -	\$ -
Franchise fees	97,128	87,130	83,812	(3,318)	-	-	-	-
Interest earned	4,198	1,008	1,552	544	285	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Licenses and permits	105,233	128,516	117,423	(11,093)	-	-	-	-
Other revenues	25,273	79,767	49,233	(30,534)	2,200	2,200	2,200	-
Taxes-beer	4,479	4,237	3,226	(1,011)	-	-	-	-
Taxes-property	199,455	136,852	412,786	275,934	-	-	-	-
Taxes-sales	134,746	131,679	144,281	12,602	195,215	200,134	219,287	19,153
Total Revenues	977,399	936,521	1,014,761	78,240	197,700	202,334	221,487	19,153
 <u>EXPENDITURES</u>								
General government	274,902	292,180	347,550	(55,370)	-	-	-	-
Public safety:				-				
Police	807,685	617,650	603,418	14,232	-	-	-	-
Fire	15,391	15,135	10,372	4,763	-	-	-	-
Public works	-	-	-	-	169,736	193,856	169,669	24,187
Debt service	-	-	94,184	(94,184)	-	-	-	-
Lease Payments	-	9,925	106,330	(96,405)	-	-	-	-
Capital outlay	-	-	-	-	-	-	12,233	(12,233)
Total Expenditures	\$ 1,097,978	934,890	\$ 1,161,854	\$ (226,964)	\$ 169,736	\$ 193,856	\$ 181,902	\$ 11,954

See Independent Auditor's Report

Continued

TOWN OF CLINTON, LOUISIANA
BUDGETARY COMPARISON SCHEDULE (Continued)
GENERAL AND SPECIAL REVENUE FUNDS
YEARS ENDED DECEMBER 31, 2018

	General Fund				Streets and Sidewalks			
	Budgeted Amounts		Actual Amounts	Variance Favorable (Unfavorable)	Budgeted Amounts		Actual Amounts	Variance Favorable (Unfavorable)
	Original	Final			Original	Final		
Deficiency of Revenues over Expenditures Before Other Financing Sources (Uses)	\$ (120,579)	\$ 1,631	\$ (147,093)	\$ (148,724)	\$ 27,964	\$ 8,478	\$ 39,585	\$ 31,107
<u>OTHER FINANCING SOURCES (USES)</u>								
Grants and other contributions	130,000	-	94,184	94,184	-	-	-	-
Sale of capital assets			79,500	79,500				
Operating transfers, net	-	-	-	-	-	-	-	-
Net Other Financing Sources (Uses)	130,000	-	173,684	173,684	-	-	-	-
Change in Fund Balances	9,421	1,631	26,591	24,960	27,964	8,478	39,585	31,107
Fund Balances, beginning	242,841	242,841	242,841	-	289,404	289,404	289,404	-
Fund Balances, ending	252,262	244,472	269,432	24,960	317,368	297,882	328,989	31,107

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See Independent Auditor's Report

Town of Clinton
Schedule of the Town's Proportionate Share of the Net Pension Liability - MPERS
Last 10 Fiscal Years *

Municipal Police Employees' Retirement System

	<u>2016</u>	<u>2017</u>	<u>2018</u>
Employer's Proportion of the Net Pension Liability (Assets)	0.038612%	0.036825%	0.039351%
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ 361,903	\$ 321,498	\$ 332,676
Employer's Covered-Employee Payroll	\$ 94,798	\$ 116,919	\$ 109,282
Employer's Proportionate Share of the Net Position Liability (Asset) as a Percentage of its Covered-Employee Payroll	381.7623%	274.9750%	304.4187%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.7300%	70.0815%	71.8871%

* The amounts presented for each fiscal year were determined as of 6/30 within the fiscal year.

Town of Clinton
Schedule of the Town's Proportionate Share of the Net Pension Liability - MERS Plan B
Last 10 Fiscal Years *

Municipal Employees' Retirement System

	<u>2016</u>	<u>2017</u>	<u>2018</u>
Employer's Proportion of the Net Pension Liability (Assets)	0.525980%	0.516852%	0.502858%
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ 435,990	\$ 447,197	\$ 425,333
Employer's Covered-Employee Payroll	\$ 331,755	\$ 361,309	\$ 397,617
Employer's Proportionate Share of the Net Position Liability (Asset) as a Percentage of its Covered-Employee Payroll	118.320000%	123.771343%	106.970522%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	68.710000%	63.490000%	65.598132%

* The amounts presented for each fiscal year were determined as of 6/30 within the fiscal year.

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available

See Independent Auditor's Report.

Town of Clinton
Schedule of the Town's Contributions - MPERS
Last 10 Fiscal Years

Municipal Police Employees' Retirement System

	2016	2017	2018
Contractually required contribution	\$ 35,930	\$ 38,439	42,828
Contributions in relation to contractually required contributions	35,930	38,439	42,828
Contribution deficiency (excess)	-	-	-
Employer's Covered Employee Payroll	115,437	109,293	104,759
Contributions as a % of Covered Employee Payroll	31.1252%	35.1706%	40.8822%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available

Town of Clinton
Schedule of the Town's Contributions - MERS Plan B
Last 10 Fiscal Years

Municipal Employees' Retirement System

	2016	2017	2018
Contractually required contribution	\$ 26,747	\$ 68,630	\$ 47,514
Contributions in relation to contractually required contributions	26,506	68,630	47,514
Contribution deficiency (excess)	241	-	-
Employer's Covered Employee Payroll	368,493	359,241	397,617
Contributions as a % of Covered Employee Payroll	7.1900%	19.104%	11.950%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available

See Independent Auditor's Report.

OTHER SUPPLEMENTARY INFORMATION

TOWN OF CLINTON, LOUISIANA
COMPARATIVE SCHEDULES OF OPERATING EXPENSES
PROPRIETARY FUNDS
YEARS ENDED DECEMBER 31, 2018 AND 2017

	Enterprise Funds	
	<u>2018</u>	<u>2017</u>
	<u>Utility</u>	
<u>PERSONAL SERVICES</u>		
Gas Purchases	\$ 118,822	\$ 114,342
Sewer/wastewater system expense	36,000	28,066
Water system expense	82,968	94,280
Gas system expense	13,998	5,094
Auto expense	8,056	8,988
Repairs and materials	52,633	48,646
Inspection fees/licenses	3,359	457
Other	12,390	-
Bad Debts	4,557	7,078
Pumpage fees	1,046	629
Total Personal Services	<u>333,829</u>	<u>307,580</u>
<u>EMPLOYEE AND RELATED EXPENSES</u>		
Salaries	242,293	215,246
Health insurance	38,708	45,903
Payroll taxes	18,641	32,757
Retirement	53,166	51,423
Training/seminars/travel	24,502	2,166
Uniforms	5,772	5,790
Drug testing	70	75
Total Employee and Related Expenses	<u>383,152</u>	<u>353,360</u>
<u>OCCUPANCY</u>		
Insurance	41,405	50,162
Telephone	7,304	6,662
Utilities	9,976	13,795
Total Occupancy	<u>58,685</u>	<u>70,619</u>
<u>ADMINISTRATIVE</u>		
Office expense	15,216	6,013
Computer / technology	1,516	932
Dues and subscriptions	973	450
Professional fees	21,482	12,188
Total Administrative	<u>39,187</u>	<u>19,583</u>
<u>DEPRECIATION</u>		
Depreciation - gas	40,750	39,750
Depreciation - water	29,775	29,775
Depreciation - sewer	92,102	78,083
Depreciation - other	10,820	9,201
Total Depreciation	<u>173,447</u>	<u>156,809</u>
TOTAL OPERATING EXPENSES	<u><u>988,300</u></u>	<u><u>907,951</u></u>

See Independent Auditor's Report

TOWN OF CLINTON, LOUISIANA
SCHEDULE OF COMPENSATION PAID TO GOVERNING MEMBERS
YEARS ENDED DECEMBER 31, 2018

This schedule of compensation paid to governing members is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature.

Mayor

Lori A. Bell	\$	18,000
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Board Members

Donald J Beauchamp	\$	6,000
Mark L. Kemp		6,000
Darren W. Matthews		5,500
Mary B. Dunaway		6,000
Kim Young		6,000

Total Paid	\$	29,500
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See Independent Auditor's Report

**TOWN OF CLINTON, LOUISIANA
SCHEDULE OF COMPENSATION , BENEFITS AND
OTHER PAYMENTS TO AGENCY HEAD
YEARS ENDED DECEMBER 31, 2018**

Agency Head

Lori A. Bell
Mayor

Purpose	Amount
Salary	\$ 18,000
FICA	1,377
Municipal retirement	2,520
<hr/>	
Total Compensation, Benefits and Other Payments	<u>\$ 21,897</u>

See Independent Auditor's Report

Minda B. Raybourn

Certified Public Accountant
Limited Liability Company

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Franklinton, Louisiana 70438
(985) 839-4413
Fax (985) 839-4402

Member
AICPA

Member
LCPA

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

To the Honorable Mayor Lori A. Bell
And Members of the Board of Aldermen
PO Box 513
Clinton, LA 70722

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Clinton, Louisiana, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise Town's basic financial statements and have issued my report thereon dated September 28, 2019.

Internal Control over Financial Reporting

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

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings I identified certain deficiencies in internal control that I consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. I consider the deficiencies described in the accompanying schedule of findings to be material weaknesses (Findings 2018-001, 2018-002, 2018-004, 2018-005, and 2018-006).

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. I consider the deficiencies described in the accompany schedule of findings to be significant deficiencies (Finding 2018-003)

Compliance and Other Matters

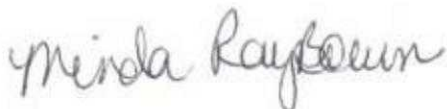
As part of obtaining reasonable assurance about whether the Town’s financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and are listed in the accompanying schedule of findings as items 2018-007, 2018-008, 2018-009, and 2018-010.

Town of Clinton, Louisiana’s Response to Findings

The Town of Clinton’s response to the findings identified in my audit is described in the accompanying schedule of findings. The Town of Clinton’s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

Purpose of this Report

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



Minda Raybourn, CPA
Franklinton, Louisiana
September 28, 2019

TOWN OF CLIFOTN, LOUISIANA
SCHEDULE OF CURRENT YEAR FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2018

I have audited the financial statements of the Town of Clinton, Louisiana as of and for the year ended December 31, 2018, and have issued my report thereon dated September 28, 2019. I conducted my 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. My audit of the financial statements as of December 31, 2018, resulted in an unmodified opinion.

Current Year Findings - Financial Statement Audit

Section I Summary of Auditor’s Reports

A. Report on Compliance and Internal Control Material to the Financial Statements

Internal Control	Significant Deficiencies	Yes
	Material Weakness	Yes
Compliance	Material to Financial Statements	Yes

B. Federal Awards

N/A

Section II Internal Control Findings

2018-001 Utility Accounts Receivable and Revenues

Criteria: The general ledger must be balanced each month with the utility billing system. Charges, payments, adjustments, write-offs, and deposits must be recorded each month and reconciled using utility billing reports. The balance per the general ledger should match the utility billing system accounts receivable. Reconciling differences should be researched and documented. The allowance for doubtful accounts should be adjusted for any uncollectible accounts in particular those over 90 days old.

Condition: The general ledger utility accounts receivable and the utility billing system accounts receivable were not reconciled. The utility billings per the general ledger did not match the billing reports.

Cause: The general ledger and utility billing system have not been reconciled. The Town has no internal controls in place to reconcile the general ledger and utility billing system each month.

Effect: An audit adjustment of \$42,204 to adjust the utility accounts receivable against the Town’s net position was required. An adjustment to correct water, sewer, and gas sales, penalties, and adjustments was required. The Town’s financial statements will be misstated due to the revenues and accounts receivable not being correct. Without reconciling the customer payments between the general ledger and utility billing system, misappropriation of Town resources could occur.

TOWN OF CLIFOTN, LOUISIANA
SCHEDULE OF CURRENT YEAR FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2018

Recommendation: The Town must use the billing system reports to balance the amounts in the general ledger. Management should run the accounts receivable summary which reports billings, payments, adjustments, write offs, deposits applied, and other revenues to record transactions. In additions deposits per the general ledger should be reconciled against payment activity in the billing system.

Management's Response: Revenues during the year were reported on the cash basis. The collections per the Utility Billing System were reconciled monthly to the deposits per the bank statements. This method allowed management and Aldermen to better manage cash flow which is the most effective means of managing revenues and expenditures. In the future, an adjustment will be made at year-end to report on the accrual basis for auditing purposes.

2018-002 Customer Deposits

Criteria: Customer deposits on utilities must be reconciled with the utility billing system. The deposits paid should be recorded on the general ledger as a liability. Refunds of deposits and deposits applied to accounts receivable should also be recorded as a liability.

Condition: The customer deposits were not reconciled. The amount of the deposits of the general ledger was a debit balance of \$1,175. The deposit register printed from the Town's billing system was \$67,162. The register had numerous accounts that are old, had been refunded through the years, or closed. Staff went through the register to identify current accounts and the respective deposit amounts. The total was \$17,163. A prior period entry had to be recorded in the amount of \$15,459. The deposits received during the year were posted to revenue accounts. In addition, the Town does not separate banking account for customer deposits. They are combined in the Town's operating account for utilities.

Cause: The Town has no internal controls in place to reconcile customer deposits each month and to track how the customer deposits are accounted.

Effect: The financial statements will be misstated.

Recommendation: The Town needs to have a separate customer deposit account. The customer deposits received, refunded, and the month end balance should be reconciled between the Town's general ledger and billing system.

Management's Response: An extensive review of customer deposits was completed and the appropriate liability recorded. Additionally, an account designated specifically for customer deposits was opened and the liability balance transferred from Utility operating.

Finding 2018-003 Payment of Accrued Leave

Criteria: Upon separation of an employee from employment, any accrued leave payable upon separation should be paid in accordance with the Town's policies.

Condition: Two employees on their last pay check were paid their vacation hours that were accrued. One employee was paid \$9,469.54 (accrued hours of 291.46) and another employee was paid \$8,725.06 (accrued hours of 254.76).

**TOWN OF CLIFOTN, LOUISIANA
SCHEDULE OF CURRENT YEAR FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2018**

Page 12 of the Town's policies and procedures states the following: Each employee upon separation shall be paid the value of his accrued vacation/compensatory leave in a lump-sum provided that the privilege of this Policy shall not extend to any employee who is dismissed for theft of municipality funds or property. The maximum severance pay shall not exceed the amount of vacation leave accrued over the 12 months preceding resignation, retirement, etc.

The 2 checks were not paid the vacation leave accrued over the 12 months preceding employment separation. They were paid the entire amount of hours accrued for vacation.

Cause: Unknown.

Effect: The Town may have over paid the accrued vacation leave in violation of Town policy.

Recommendation: The Town needs to pay any accrued leave according to its policies when employees resign, retire, etc.

Management's Response: Management appreciates the recommendation made, and will seek legal advice from the Town's attorney regarding future payments to terminated employees.

Finding 2018-004 Ticket Revenue

Criteria: The town is accounting for the final disposition of citations issued per state law. The collections per the software used by the police department should be fairly close to the collections of fines posted in the Town's accounting system.

Condition: The reports from the Town's police department of all tickets paid were compared to the amount of collections posted to the accounting system. The reports per the police department reflect total collections of \$124,319. The collections per the general ledger show a total of \$183,213. This is a difference of \$58,894.

Cause: The Town does not have controls and procedures in place to balance the collections between the police department report and the general ledger.

Effect: The effect is misstatement of financial statements. It increases the risk that irregularities and fraud may occur and may not be detected.

Recommendation: The Town needs to implement controls to balance the collections between the police department reports and general ledger each month.

Management's Response: The police department upgraded its software, but the conversion was not as anticipated. The historical integrity of the data was lost at the time of conversion which occurred in June of 2018. As a result, management was unable to reconcile the receivables but the collections each month were reconciled between the ticket software and the bank statement. Management's plan is to retrieve this historical data from the physical files which will take approximately 9-12 months to complete.

**TOWN OF CLIFOTN, LOUISIANA
SCHEDULE OF CURRENT YEAR FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2018**

Finding 2018-005 Losses in Utility Fund

Criteria: Municipalities with utility funds should ensure these funds are reflecting a profit and not suffering losses year after year.

Condition: The Town's gas, sewer, and water services had losses for the second consecutive year. In 2017, the Town had operating losses (before grants, operating transfers, and other revenues) as below:

2016 (\$172,930)

2017 (\$314,236)

2018 (\$310,086)

At the end of December 31, 2018, the utility fund operating account had a negative balance of (\$10,903).

Cause: Unknown.

Effect: The utility fund of municipalities should be earning a profit. With year after year losses, the Town cannot recoup unless decisive action is taken in regards to rate structuring, expenditure cutting, and streamlining operations.

Recommendation: I recommend the Town review each expenditure to see if they can be decreased. Rate studies should be performed on all services. I recommend a top to bottom review of operations to see what can be streamlined.

Management's Response: A rate study was completed in the early part of 2018 resulting in an increase in water and sewer fees of approximately 5% which was the highest increase allowable. The fees took effect in May of 2018 so the Town did not experience a full year of increased revenues. Expenditures were higher than typical because of the sewer rehab project that also involved extensive repairs at each lift station. This three year project was a complete rehabilitation of the Town's sewer system completed just after the close of the year. With this in mind, it is anticipated that net income from sewer will increase.

The most significant expenses in the Utility Fund involve the water distribution system. The Town is in the process of relinquishing control of that system to the East Feliciana Rural Water Association, a process that should be completed during 2020. This will materially decrease expenses thereby allowing greater net income to be realized from the sewer and gas systems.

Finding 2018-006 Funds Owed to Special Revenue Fund

Criteria: The Town has a special revenue fund (sales tax fund) for the collection of sales taxes dedicated for street and sidewalks. Expenditures from this fund must be spent accordingly.

Condition: The general fund owes the special revenue fund \$112,770. The utility fund owes the special revenue fund \$31,038.

Cause: These funds were loaned due to the Town being low on cash for operations in both the general fund and utility fund.

**TOWN OF CLIFOTN, LOUISIANA
SCHEDULE OF CURRENT YEAR FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2018**

Effect: Possible violation of law as the funds in the sales tax fund are dedicated.

Recommendation: The Town needs to put in place a payment plan to reimburse the sales tax fund for these funds.

Management's Response: Management recognizes that the funds utilized from the Sales Tax Fund are dedicated. As a result, a promissory note was executed when the original loan was made more than 15 years ago. Repayment has been as cash flow allowed and will continue until the balance is paid in full. The liability is properly recorded in the financial statements.

Compliance Findings

2018 – 007 Compliance with Local Government Budget Act

Criteria. The Louisiana Local Government Budget Act, LA RS 39:1301-1315, specifies that revenue should not vary 5% or more, and expenditures should not vary 5% or more from budget amounts. The budget is also required to be amended before the fiscal year if the 5 percent variance is not met.

Condition. For the year ended December 31, 2018, the General Fund actual expenditures were more than budgeted amounts by more than the allowed 5% variance. The actual variance was 24%.

Cause: Management through review of its budget to actual reports thought it would be within 5% of its expenses.

Effect. The Town is not in compliance with applicable laws.

Recommendation. We recommend that management implement a plan whereby revenues and expenditures are monitored on a continuous monthly basis throughout the year, and amend the budgets as needed during the period.

Management's Response: Management does not budget debt service on the fire station because the Clinton Volunteer Fire Department reimburses the Town for the mortgage. This expense, along with the unanticipated lease payments on police units caused total expenditures to be more than budgeted. In the future, the Town will budget both the anticipated reimbursement as revenue and the debt service as expense.

Management did present an amended budget in November of 2018, but the Aldermen did not take action on it. A legal opinion will be sought to determine appropriate procedures should this occur in the future.

Finding 2018-008 Delinquent Payment of Federal Payroll Taxes

Criteria: Federal payroll taxes should be submitted as required by the deadlines prescribed by the federal government.

Condition: At the end of the fiscal year, the Town owed fourth quarter December 2018 federal taxes in the amount of \$46,715. They were not paid biweekly as required. They were not paid until January 2019.

Cause: The Town did not have the operating cash to pay the tax payments.

Effect: The effect of late tax payments is interest and penalties which can be substantial. The Town was not in compliance with federal and state law.

TOWN OF CLIFOTN, LOUISIANA
SCHEDULE OF CURRENT YEAR FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2018

Recommendation: The Town should put in place procedures to closely monitor the required deadlines for reporting and payment of taxes.

Management's Response: Management does closely monitor and timely pay its federal and state payroll tax liabilities. Unfortunately, the Town's largest property taxpayer (a Chicago, IL based railroad) filed bankruptcy resulting in a shortfall of property tax collections of more than \$175,000. This created a significant cash flow issue leaving no alternative for timely paying the last quarter's federal tax deposit until January of 2019, at which time it was paid in full.

Finding 2018-009 Delinquent Payment of Retirement System Expenditures

Criteria: Remittance of retirement expenditures are due by the tenth of the following month that is being reported and paid. This is required by the Municipal Police Retirement System and Municipal Employee Retirement System.

Condition: During the fiscal year, the submittals for the Municipal Police Retirement System for the months of July 2018 through December 2018 were late. The submittals for the Municipal Employee Retirement System for the months of August 2018 through December 2018 were late. The time the submittals were late ranged from 17 to 60 days.

Cause: The Town did not have sufficient funds on hand at the required due date to pay the systems.

Effect: The Town may have violated state law.

Recommendation: The Town needs to put procedures in place to ensure compliance with the submittal deadlines.

Management's Response: Please see the explanation provided for Finding 2018-008 which also caused untimely payment of retirement contributions although this, too, was paid in full in January of 2019.

Finding 2018-010 Late Submittal of Audit Report

Criteria: The audit report is due no more than six months after the close of the entity's fiscal year end.

Condition: The audit report was submitted in October 2019.

Cause: The utility accounts receivable and revenues were not balanced.

Effect: The Town was not compliant with the state audit law.

Recommendation: The Town needs to have all accounts reconciled in order for audit procedures to be conducted timely.

Management's Response: Management had the books and records available for the auditor in the latter part of January 2019, although work was not started until May. The Town was notified one week prior to the deadline requesting adjustments from cash to accrual basis for the Utility Fund. Had work begun by the auditor earlier in the year, management would have had sufficient time to respond to her requests such that the report could've been

**TOWN OF CLIFOTN, LOUISIANA
SCHEDULE OF CURRENT YEAR FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2018**

submitted on time. Management feels that more effective communication between the auditor and the Mayor would have eliminated this issue.

**TOWN OF CLIFOTN, LOUISIANA
SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2018**

I have the audited the financial statements of the Town of Clinton, Louisiana as of and for the year ended December 31, 2017, and have issued our report thereon dated June 27, 2017. I conducted my 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. My audit of the financial statements as of December 31, 2017, resulted in an unmodified opinion.

Current Year Findings - Financial Statement Audit

Section I Summary of Auditor's Reports

A. Report on Compliance and Internal Control Material to the Financial Statements

Internal Control	Significant Deficiencies	Yes
	Material Weakness	Yes
Compliance	Material to Financial Statements	Yes

B. Federal Awards

N/A

Section II Internal Control Findings

2017-001 Utility Accounts Receivable and Revenues

Criteria: The general ledger must be balance each month with the utility billing system. Charges, payments, adjustments, write offs, and deposits must be recorded each month and reconciled using utility billing reports. The balance per the general ledger should match the utility billing system accounts receivable. Reconciling differences should be researched and documented. The allowance for doubtful accounts should be adjusted for any uncollectible accounts in particular those over 90 days old.

Condition: The general ledger utility accounts receivable and the utility billing system accounts receivable were off \$111,378. The utility billings per the general ledger did not match the billing reports.

Cause: The general ledger and utility billing system have not been reconciled. Management is also using a payment report to post utility sales instead of billing reports.

Effect: An audit adjustment of \$111,378 to adjust the utility accounts receivable against the Town's net position was required. The Town is using the payment report per service to record revenues. An adjustment to correct water, sewer, and gas sales, penalties, and adjustments was required.

Recommendation: The Town must use the billing system reports to balance the amounts in the general ledger. Management should run the accounts receivable summary which reports billings, payments, adjustments, write offs, deposits applied, and other revenues to record transactions. In additions deposits per the general ledger should be reconciled against payment activity in the billing system.

**TOWN OF CLIFOTN, LOUISIANA
SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2018**

Management's Response: We will take steps to put in place policies and procedures to correct this finding.

Status: Unresolved. Please see management's response below:

Management feels that this issue is resolved because reporting on the cash basis during the year allows better control over cash flow. The requested adjustment to the accrual basis was completed.

2017-002 Interfund receivables and payables.

Criteria: The amounts recorded as due to and from between funds must be reconciled monthly. If these accounts are not properly stated, financial reports and budgeting can be misstated.

Condition: The interfund receivables and payables were not reconciled at all.

Cause: Management did not research the differences in the due to and from accounts and make the necessary corrections.

Effect: Numerous audit adjustments had to be made to correct the accounts.

Recommendation: Management must reconcile the due to and from accounts between each fund monthly.

Management's Response: We will put steps in place to follow the auditor's recommendation.

Status: Resolved.

2017-003 Capital Lease Payments

Criteria: Capital lease payments must be recorded as interest and principal on the general ledger. In the general fund financial statement, the principal and interest must be recorded as an expense. In the government wide financial statements, depreciation and interest must be expense and the principal must be recorded against the lease payable.

Condition: In 2016, the Town leased four police vehicles. The lease payable and related asset were never recorded in the general ledger. In addition, the entire lease payment is being coded to a miscellaneous expense account. It also appears these payments are not budgeted in the general fund budget.

Cause: Unknown

Effect: An audit adjustment had to be made to record the asset and related payable on the government wide financial. In addition, an adjustment had to be made to record prior depreciation.

Recommendation: Management should take steps to record the leases correctly in the general ledger as described above.

Management's Response: We will put steps in place to follow the auditor's recommendation.

Status: Resolved.

**TOWN OF CLIFOTN, LOUISIANA
SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2018**

Compliance Findings

2017 - 004 Compliance with Local Government Budget Act

Criteria. The Louisiana Local Government Budget Act, LA RS 39:1301-1315, specifies that revenue should not vary 5 or more, and expenditures should not vary 5 or more from budget amounts. The budget is also required to be amended before the fiscal year if the 5 percent variance is not met.

Condition. For the year ended December 31, 2017, the General Fund and Streets & Sidewalks Fund, actual expenditures were more than budgeted amounts by more than the allowed 5 variance. In addition, the budget was not amended before the year closed.

Cause: Management through review of its budget to actual reports thought it would be within 5% of its expenses.

Effect. The Town is not in compliance with applicable laws.

Recommendation. We recommend that management implement a plan whereby revenues and expenditures are monitor on a continuous basis throughout the year, and amend the budgets as needed during the period.

Management's Response. Management will monitor actual revenues and expenditures more closely and compare to budget amounts frequently and amend the budget as needed.

Status: Unresolved. Please see management's response below:

Management did present an amended budget but the Aldermen did not take action on it. As mentioned in Finding 2018-007, a legal opinion will be sought to determine appropriate procedures should this occur in the future.

Section III Federal Award Findings and Questioned Costs

N/A

Section IV Management Letter

N/A

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Mayor Lori Bell
And the Board of Aldermen
Of the Town of Clinton, LA
and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below, which were agreed to by Town of Clinton, Louisiana (Entity) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2018 through December 31, 2018. The Entity's management is responsible for those C/C areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):
 - a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget

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

The Town has written policies and procedures for all of the following except:

Credit Cards (and debit cards, fuel cards, P-cards)-The Town's policies and procedures do not address how the cards are to be controlled, the required approvers, and the monitoring process.

Debit Service-The Town does not have written policies and procedures in place to address debt service.

Management Response: Management will develop a policy to coincide with the current procedures associated with its credit card. Although the Town has no debt service, it will develop a policy to address any future borrowings.

Board or Finance Committee

2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
 - a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.

The board meets each month.

- b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds. *Alternately, for those entities reporting on the non-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*

The minutes do not reference monthly budget-to-actual comparisons on all of the months.

- c) For governmental entities, obtain the prior year audit report and observe the unrestricted fund balance in the general fund. If the general fund had a negative ending unrestricted fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unrestricted fund balance in the general fund.

The general fund had a positive unrestricted fund balance in the prior year.

Management Response: Management will take extra care in recording its meetings as the budget to actual comparison is provided and discussed each month.

Bank Reconciliations

3. Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from

the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for selected each account, and observe that:

A listing of bank accounts and management's representation were obtained.

a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);

No exceptions noted.

b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and

A member of management or a board member did not initial and date the bank reconciliation. The bank reconciliations were initialed and dated by the Town accountant.

c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Management does not have documentation that it has researched items that have been outstanding for more than 6 months at the end of the fiscal year. A year end audit adjustment was recorded to void the checks.

Management Response:

Bank Reconciliation

The bank reconciliations are made a part of the monthly financial statements provided to management. Either the Mayor or the Town Clerk will begin including evidence of review by initial/date.

Stale-dated Reconciling Items

The Town's procedures provide for a review of outstanding checks at the start of each year. Management will, however, add a mid-year review.

Collections

4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).

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

a) Employees that are responsible for cash collections do not share cash drawers/registers.

The employees that are responsible for cash collections do not share cash drawers.

- b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.

At times, the employees responsible for collecting cash will prepare and make the bank deposits. Another employee is responsible for reconciling collection documentation to the deposit.

- c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.

The employee responsible for collecting cash can post collection entries to the general ledger. The external account reconciles general ledger postings and to the deposit.

- d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.

The external accountant reconciles collections to the general ledger by revenue source.

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

The Town has bond coverage on employees who have access to cash.

- 7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:

- a) Observe that receipts are sequentially pre-numbered.
- b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
- c) Trace the deposit slip total to the actual deposit per the bank statement.
- d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).
- e) Trace the actual deposit per the bank statement to the general ledger.

No exceptions were noted for a) through e).

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

8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).

A listing of locations that process payments and management's representation were obtained.

9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:

- a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.

A department supervisor can initiate a purchase request, the department supervisor will sign the purchase order, and the employee can order or make the purchase after approval. The town clerk approves purchase orders.

- b) At least two employees are involved in processing and approving payments to vendors.

The town clerk processes payments to vendors. The Mayor approves the payments.

- c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.

The town clerk can add or modify vendor files once the addition of a new vendor is approved by the Mayor.

- d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

The town clerk mails the checks once they are signed.

10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:

- a) Observe that the disbursement matched the related original invoice/billing statement.

No exceptions noted.

- b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

There was no approval by management on the disbursements tested.

Management Response: The Mayor and the Town Clerk meet weekly to review the checks and determine which disbursements can be issued. Each month, the Chair of the Finance Committee receives a list of disbursements. In the future, each will be requested to initial/ date the invoice and the disbursement list to evidence that this control is being properly implemented.

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

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

A listing of active cards and management's representation were obtained. The town has fuel cards and an Office Depot card.

12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:

- a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.)]

The statements were not reviewed and approved for payment. The fuel exception report was not noted as being reviewed.

- b) Observe that finance charges and late fees were not assessed on the selected statements.

There were no finance charges or late fees assessed.

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

The town has an Office Depot card. No exceptions were noted on the item tested.

Management Response: The same procedures as explained in Disbursements above apply to the credit card statement and subsequent payment. In the future, the statement will be initialed/ dated.

Travel and Travel-Related Expense Reimbursements (excluding card transactions)-This area was not tested as the Town did not have any exceptions in the prior year.

14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:
- a) If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).
 - b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
 - c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).
 - d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Contracts-This area was not tested as the Town did not have any exceptions in the prior year.

15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:
- a) Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.
 - b) Observe that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).
 - c) If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment.
 - d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

Payroll and Personnel

16. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

A listing of employees and management's representation were obtained.

17. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:
- a) Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)

Daily attendance was documented. Leave was documented with one exception. A doctor's note was attached but there was no leave slip attached.

- b) Observe that supervisors approved the attendance and leave of the selected employees/officials.

No exceptions noted.

- c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

No exceptions noted.

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

Two employees were tested. Two employees on their last pay check were paid their vacation hours that were accrued. One employee was paid \$9,469.54 (accrued hours of 291.46) and another employee was paid \$8,725.06 (accrued hours of 254.76).

Page 12 of the Town's policies and procedures states the following: Each employee upon separation shall be paid the value of his accrued vacation/compensatory leave in a lump-sum provided that the privilege of this Policy shall not extend to any employee who is dismissed for theft of municipality funds or property. The maximum severance pay shall not exceed the amount of vacation leave accrued over the 12 months preceding resignation, retirement, etc.

The 2 checks were not paid the vacation leave accrued over the 12 months preceding employment separation. They were paid the entire amount of hours accrued for vacation.

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

Payroll taxes for the fourth quarter of December 2018 were not paid until January 2019. The retirement contributions for the Municipal Police Retirement System were late for the months of July 2018 through December 2018. The retirement contributions for the Municipal Employee's Retirement system were late for the months of August 2018 through December 2018. The health insurance premiums for October 2018 were paid late.

Management's Response:

Payments Made to Employees Upon Termination

Please see management's response to Finding 2018-003 above.

Timely Payment of Payroll Taxes

Please see management's response to Finding 2018-008 and 2018-009.

Ethics

20. Using the 5 randomly selected employees/officials from procedure #16 under “Payroll and Personnel” above obtain ethics documentation from management, and:

- a. Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.

No exceptions noted.

- b. Observe that the documentation demonstrates each employee/official attested through signature verification that he or she has read the entity’s ethics policy during the fiscal period.

There were no signature verifications available.

Debt Service

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

The town had no bonds or notes issued.

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

No exceptions noted.

Other

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

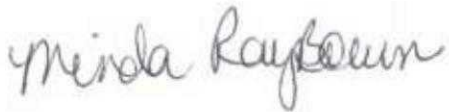
No exceptions noted.

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

No exceptions noted.

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

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

A handwritten signature in cursive script that reads "Minda Raybourn".

Minda Raybourn CPA
Franklinton, LA

September 28, 2019