

TOWN OF CLINTON, LOUISIANA  
ANNUAL FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED  
DECEMBER 31, 2019

**TOWN OF CLINTON, LOUISIANA  
ANNUAL FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED DECMEBER 31, 2019  
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LCPA

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor Mark Kemp  
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, 2019, 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 and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.. Those standards require that 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, 2019, 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 November 17, 2020, on my consideration of the Town of Clinton'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 Clinton's internal control over financial reporting and compliance.



Minda Raybourn CPA  
Franklinton, LA  
November 17, 2020

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

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**TOWN OF CLINTON, LOUISIANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2019**

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, 2019. 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, 2019 was \$4,472,957. Of this amount, (\$169,255) was reported as unrestricted net position. Net investments in capital assets was \$4,438,426. Restricted net position is \$2,500 for utility customer deposits and \$201,286 in the sales tax fund.
- The most significant ongoing revenues sources in the governmental activities are sales taxes of \$388,542, property taxes of \$401,643, and utility franchise taxes of \$92,962, \$117,803 of license and permits, and fines of \$123,998.
- Charges for business-type activities of the utility fund were \$317,548 in gas charges, \$350,426 in water charges, and \$249,744 in sewer charges.
- The Town's most significant expenditures for governmental activities included \$504,126 for police, \$7,792 for fire protection, \$372,423 for general government activities, and \$292,169 in public works expenditures.
- Expenditures for the business-type activities were \$917,718.
- For the year ended December 31, 2019, the Town's bonds payable decreased by \$87,000 due to the year principal payments.
- The town had capital acquisitions in the amount of \$337,527.

**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

**TOWN OF CLINTON, LOUISIANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2019**

governmental activities of the Town include general government, public safety, public works, economic 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 25-27 of this report.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full



**TOWN OF CLINTON, LOUISIANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2019**

understanding of the data provided in the government-wide and fund financial statements.

**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 a useful indicator of government's financial position. The following is a summary of the Town's net position:

		<b>Summary of Net Position Governmental Activities</b>	
		<u>2019</u>	<u>2018</u>
<b>ASSETS</b>			
Current and other assets	\$	591,578	\$ 484,695
Restricted assets		201,286	148,677
Capital assets, net		2,092,600	2,219,135
Total Assets		2,885,464	2,852,507
DEFERRED OUTFLOWS		99,194	130,318
<b>LIABILITIES</b>			
Current liabilities		171,473	216,956
Long-term liabilities		677,651	805,403
Total Liabilities		849,124	1,022,359
DEFERRED INFLOWS		67,158	44,701
<b>NET POSITION</b>			
Net investment in capital assets		1,812,600	1,852,135
Restricted		201,286	148,677
Unrestricted		54,489	(85,047)
Total Net Position		2,068,375	1,915,765

**TOWN OF CLINTON, LOUISIANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2019**

<b>Summary of Net Position Business-type Activities</b>			
	<u>2019</u>		<u>2018</u>
<b>ASSETS</b>			
Current and other assets	\$ 161,439	\$	219,573
Restricted assets	2,500		20,833
Capital assets, net	2,625,825		2,459,858
Total Assets	2,789,764		2,700,264
DEFERRED OUTFLOWS	49,690		72,621
<b>LIABILITIES</b>			
Current liabilities	196,122		276,437
Long-term liabilities	214,560		232,606
Total Liabilities	410,682		509,043
DEFERRED INFLOWS	24,191		14,609
<b>NET POSITION</b>			
Net investment in capital assets	2,625,825		2,459,858
Restricted	2,500		20,833
Unrestricted	(223,744)		(231,458)
Total Net Position	2,404,581		2,249,233

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.

**TOWN OF CLINTON, LOUISIANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2019**

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.

At the end of the fiscal year, the Town reported total net position of \$4,472,957. The Town reported a total negative unrestricted net position of (\$169,255) due to the effects of GASB 68.

A summary of changes in net position are as follows:

<b>Summary of Changes in Net Position</b>			
<b>Governmental Activities</b>			
	<u>2019</u>		<u>2018</u>
<b>REVENUES</b>			
Charges for services	\$ 123,998	S	225,606
Grants and Contributions:			
Operating	113,750		13,486
Capital	-		94,184
General Revenues:			
Licenses and permits	117,803		117,423
Franchise fees	92,962		83,812
Taxes	790,185		776,354
Interest earned	272		1,552
Gain on disposal of asset	-		31,580
Other revenues	96,709		31,500
Transfers	-		-
Total Revenues	1,335,679		1,375,497
<b>EXPENSES</b>			
General government	372,423		373,275
Public safety	511,918		638,669
Public works	292,169		275,088
Interest on long-term debt	6,562		20,708
Total Expenses	1,183,072		1,307,740
Change in Net Position	152,607		67,757
Net Position, beginning of year - restated	1,915,765		1,848,008
Net Position, end of year	\$ 2,068,372	S	1,915,765

**TOWN OF CLINTON, LOUISIANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2019**

**Summary of Changes in Net Position  
Business-type Activities**

	<u>2019</u>		<u>2018</u>
<b>REVENUES</b>			
Charges for services	\$ 747,942	\$	678,216
Grants and Contributions:	325,125		11,867
Other revenues/transfers, net	-		-
Total Revenues	1,073,067		690,083
<b>EXPENSES</b>			
Gas services	317,548		365,181
Water services	350,426		303,058
Sewer services	249,744		320,063
Total Expenses	917,718		988,302
Change in Net Position	155,349		(298,219)
Net Position, beginning of year - restated	2,249,233		2,547,452
Net Position, end of year	\$ 2,404,582	\$	2,249,233

Governmental Activities

The town's governmental net position increased \$152,607 as compared to the prior net position decrease of \$67,757. Total revenues decreased \$39,818 and total expenditures decreased \$124,668.

Fines and forfeitures decreased \$69,264. Taxes increased \$13,831 or 2%. The town received the annual contribution from the Parish Wide Fire Protection District for \$95,055.

Public safety expenditures decreased \$126,751. This was due to a decrease in salaries, payroll taxes, health insurance, retirement, and vehicle expense.

General government expenditures remained flat with an decrease by \$852. Public works expenditures increased \$17,081 or 6%. This was due to a increase in utilities.

Interest expense decreased \$2,917.

**TOWN OF CLINTON, LOUISIANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2019**

Business-type Activities

The Town's business-type net position increased \$155,349 as compared to the prior net position change of (\$298,219). Charges for services increased \$69,726 or 10%. Grants were received in the amount of \$325,125. Total revenues increased \$382,984.

Total expenditures for the utility fund decreased \$70,584 or 7%. Expenditures for the gas services decreased \$47,633 or 13%. Expenditures for the water services increased \$47,368 or 16%. Expenditures for the sewer services decreased \$70,319 or 7%.

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 \$722,937. Fund balance is as follows: nonspendable \$30,219, assigned \$5,293, restricted \$398,566 and unassigned \$288,859.

This represents an increase of \$207,787 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 balance was \$322,709. The sales tax fund was \$400,228.

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 \$2,404,580. Of this amount the net position is as follows: net investments in capital assets \$2,625,825, restricted for customer deposits \$2,500, and unrestricted of (\$223,745). The unrestricted net position is due to the effects of the pension related accounting standards.

**BUDGETARY HIGHLIGHTS**

There were no funds 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, 2019.

**TOWN OF CLINTON, LOUISIANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2019**

**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, 2019, amounted to \$4,718,426 (net of accumulated depreciation). This investment 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.

		<b>Summary of Capital Assets (net of depreciation)</b>	
		Governmental Activities	
		2018	2018
	Land	\$ 1,000	\$ 1,000
	Buildings	642,757	671,330
	Infrastructure	1,424,445	1,514,261
	Equipment	21,589	28,935
	Vehicles	-	-
	Furniture and fixtures	2,809	3,609
	Net Capital Assets	2,092,600	2,219,135
		Business-Type Activities	
		2019	2018
	Land	11,970	11,970
	Buildings	53,693	59,269
	Equipment	-	-
	Vehicles	2,283	2,986
	Utilities	2,557,879	2,385,633
	Net Capital Assets	2,625,825	2,459,858

The Town had significant activity as described as below:

For the governmental funds, the Town purchased no new assets. No assets were disposed.

For the business-type funds, the Town incurred costs for major repairs to the Taylor Street water well for \$58,185. The Town incurred costs for sewer improvements for \$279,336. The Town received grant funding to offset the costs. No assets were disposed.

**TOWN OF CLINTON, LOUISIANA  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2019**

**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 a 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 of 2.49%. Interest paid/accrued during the current year totaled \$6,562 while principal payments totaled \$87,000.

The Parish Wide Fire Protection District reimburses the Town for the annual payment each year. This year’s payment from the District was for \$95,055.

There is a balance due on this long-term obligation at December 31, 2019, of \$280,000.

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Limited Tax Bonds	\$ 280,000	\$ 367,000	\$ -	\$ -	\$ 280,000	\$ 367,000
Capital Lease Obligations	-	-	-	-	-	-
Ending Balance	<u>\$ 280,000</u>	<u>\$ 367,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 280,000</u>	<u>\$ 367,000</u>

**ECONOMIC FACTORS AND NEXT YEAR’S BUDGET**

The Town of Clinton’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  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2019**

**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](mailto:info@townofclintonla.com).



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**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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**TOWN OF CLINTON, LOUISIANA**  
**STATEMENT OF NET POSITION**  
**December 31, 2019**

<u>ASSETS</u>	Governmental <u>Activities</u>	Business-type <u>Activities</u>	<u>Total</u>
Cash and cash equivalents	\$ 318,090	\$ 58,268	\$ 376,358
Receivables, net	105,984	90,582	196,566
Due from other funds	137,285	-	137,285
Prepaid expenses	30,219	12,588	42,807
Restricted assets:			
Cash and cash equivalents	201,286	2,500	203,786
Capital assets, net of depreciation	2,092,600	2,625,825	4,718,426
Total Assets	2,885,464	2,789,764	5,675,228
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	99,194	49,690	148,884
<u>LIABILITIES</u>			
Accounts payable	12,818	26,719	39,537
Accrued interest payable	1,586	-	1,586
Payroll related payables	44,492	-	44,492
Accrued benefits	6,966	-	6,966
Accrued wages	5,650	2,388	8,038
Compensated absences	9,961	5,210	15,172
Due to other funds	-	137,285	137,285
Payables from restricted assets:			
Customer deposits	-	24,520	24,520
Bonds payable:			
Due within one year	90,000	-	90,000
Long-term portion	190,000	-	190,000
Net pension liability	487,651	214,560	702,211
Total Liabilities	849,124	410,682	1,259,806
<u>DEFERRED INFLOWS RESOURCES</u>	67,158	24,191	91,349
<u>NET POSITION</u>			
Net investment in capital assets	1,812,600	2,625,825	4,438,426
Restricted for:			
Customer deposits	-	2,500	2,500
Grant activity	-	-	-
Streets and sidewalks	201,286	-	201,286
Unrestricted	54,489	(223,744)	(169,255)
Total Net Position	\$ 2,068,376	\$ 2,404,581	\$ 4,472,957

The accompanying notes are an integral part of the financial statements

**TOWN OF CLINTON, LOUISIANA  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2019**

<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>
<b>Governmental Activities</b>							
General government	\$ 372,423	\$ -	\$ 2,536		\$ (369,887)	\$ -	\$ (369,887)
Public safety-Police	504,126	123,998	13,061		(367,066)	-	(367,066)
Public safety-Fire	7,792	-	95,055		87,264	-	87,264
Public Works	292,169	-	3,098	-	(289,071)	-	(289,071)
Interest on capital leases		-	-	-	-	-	-
Interest on long-term debt	6,562	-	-		(6,562)	-	(6,562)
Total Governmental Activities	1,183,071	123,998	113,750	-	(945,322)	-	(945,322)
<b>Business-type Activities</b>							
Gas services	317,548	234,230	2,048	-	-	(81,270)	(81,270)
Water services	350,426	323,828	2,048	318,981	-	294,431	294,431
Sewer services	249,744	172,159	2,048		-	(75,537)	(75,537)
Late fees/ penalties	-	17,725	-	-	-	17,725	17,725
Total Business-type Activities	917,718	747,942	6,144	318,981	-	155,349	155,349
Total Primary Government	2,100,789	871,940	119,894	318,981	(945,322)	155,349	(789,974)
<b>General Revenues and Transfers</b>							
Licenses and permits					117,803	-	117,803
Franchise fees					92,962	-	92,962
Property taxes					401,643	-	401,643
Sales taxes					388,542	-	388,542
Interest earned					272	-	272
Gain on disposal of asset					-	-	-
Other revenues					96,709	-	96,709
Transfers					-	-	-
Total General Revenues and Transfers					1,097,932	-	1,097,932
Change in Net Position					152,610	155,349	307,959
Net Position, beginning, as restated					1,915,765	2,249,233	4,164,998
Net Position, ending					\$ 2,068,375	\$ 2,404,582	\$ 4,472,957

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

## **FUND FINANCIAL STATEMENTS**

TOWN OF CLINTON, LOUISIANA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2019

	<u>General</u>	<u>Street and Sidewalks</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 318,090	\$ -	\$ 318,090
Receivables, net:			
Franchise fees	29,429	-	29,429
Property taxes	13,302	-	13,302
Sales taxes	24,766	37,640	62,406
Other taxes	847	-	847
Due from other governmental agencies	-	-	-
Due from other funds	106,246	161,774	268,020
Prepaid expenses	27,392	2,827	30,219
Restricted assets:			
Cash and cash equivalents	-	201,286	201,286
Investments	-	-	-
<b>TOTAL ASSETS</b>	<b>520,072</b>	<b>403,527</b>	<b>923,600</b>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Accounts payable	11,657	1,161	12,818
Payroll liabilities	44,492	-	44,492
Accrued benefits	5,811	1,155	6,966
Accrued wages	4,667	983	5,650
Due to other funds	130,735	-	130,735
Total Liabilities	197,362	3,299	200,661
<u>Fund Balances</u>			
Nonspendable	27,392	2,827	30,219
Assigned	5,293	-	5,293
Restricted for:			
Streets and sidewalks	-	397,401	397,401
Public safety	1,165	-	1,165
Unassigned	288,859	-	288,859
Total Fund Balances	322,709	400,228	722,937
<b>TOTAL LIABILITIES AND FUND BALANCE:</b>	<b>\$ 520,071</b>	<b>\$ 403,527</b>	<b>\$ 923,599</b>

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, 2019**

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Total Fund Balances - Total Governmental Funds	\$	722,937
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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.		2,092,600
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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.		(1,586)
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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		(280,000)
Lease Payable		-
Net pension liability		(487,651)
Compensated absences		(9,961)

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		99,194
Deferred inflows of resources related to pensions		(67,158)

Total Net Position of Governmental Activities	\$	<u>2,068,375</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, 2019**

<u>REVENUES</u>	<u>General</u>	<u>Streets and Sidewalks</u>	<u>Total Governmental Funds</u>
Fines and other costs	\$ 123,998	\$ -	\$ 123,998
Franchise fees	92,962	-	92,962
Interest	272	-	272
Intergovernmental revenues	6,000	-	6,000
Licenses and permits	117,803	-	117,803
Charges for services	-	-	-
Other revenues	96,709	-	96,709
Taxes - beer	3,237	-	3,237
Taxes - property	401,643	-	401,643
Taxes - sales	152,829	232,479	385,308
Total Revenues	995,454	232,479	1,227,933
 <u>EXPENDITURE:</u>			
General government	352,640	-	352,640
Public safety:			
Police	477,638	-	477,638
Fire	7,792	-	7,792
Public works	-	184,155	184,155
Debt Service:			
Lease Principal	-	-	-
Lease Interest	-	-	-
Principal	87,000	-	87,000
Interest	4,976	-	4,976
Capital outlay	-	-	-
Total Expenditures	930,046	184,155	1,114,201
 Deficiency of Revenues over Expenditures Before Other Financing Sources (Uses)			
	65,408	48,324	113,732
 <u>OTHER FINANCING SOURCES (USES)</u>			
Grants and other contributions	95,055	-	95,055
Sale of capital assets	-	-	-
Operating transfers, net	-	-	-
Net Other Financing Sources (Uses)	95,055	-	95,055
 Change in Fund Balances			
	160,463	48,324	208,787
Fund Balances, beginning	162,246	351,904	514,150
Fund Balances, ending	\$ 322,709	\$ 400,228	\$ 722,937

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, 2019**

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Net Change in Fund Balances - Total Governmental Funds \$ 208,787

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. (126,537)

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 increased 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. -

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. (28,525)

Non employer contributions to cost sharing pension plan 12,695

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	776
Accrued Interest	(1,586)
Lease Payments	-
Bonds	87,000
	87,000

Change in Net Position of Governmental Activities \$ 152,610

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



TOWN OF CLINTON, LOUISIANA  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
DECEMBER 31, 2019

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<u>ASSETS</u>	<u>Enterprise Funds</u> <u>Utility</u>
Current Assets	
Cash and cash equivalents	\$ 58,268
Receivables, net	74,335
Unbilled receivables	15,190
Grant receivable	1,057
Prepaid expenses	12,588
Total Current Assets	161,438
Restricted Assets	
Cash and cash equivalents	2,500
Total Restricted Assets	2,500
Capital Assets	
Land	11,970
Buildings	150,546
Equipment	104,934
Vehicles	29,482
Gas system	1,629,986
Water system	1,141,732
Sewer system	3,926,488
Less: Accumulated depreciation	(4,369,313)
Net Capital Assets	2,625,825
Total Assets	2,789,763
<u>DEFERRED OUTFLOWS OF RESOURCE</u>	\$ 49,690

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

**TOWN OF CLINTON, LOUISIANA**  
**STATEMENT OF NET POSITION (Continued)**  
**PROPRIETARY FUNDS**  
**DECEMBER 31, 2019**

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<u>LIABILITIES</u>	<u>Enterprise Funds</u> <u>Utility</u>
Current Liabilities	
Payable from current assets:	
Accounts Payable	\$ 26,719
Bank overdraft	-
Accrued wages	2,388
Compensated absences	5,210
Due to other funds	<u>137,285</u>
Total Current Liabilities, Payable from Current Assets	171,602
Payable from restricted assets:	
Customer deposits	<u>24,520</u>
Total Current Liabilities, Payable from Restricted Assets	<u>24,520</u>
Total Current Liabilities	196,122
Long-term Liabilities	
Net pension liability	<u>214,560</u>
Total Liabilities	<u>410,682</u>
 <u>DEFERRED INFLOWS OF RESOURCES</u>	 <u>24,191</u>
 <u>NET POSITION</u>	
Net investment in capital assets	2,625,825
Restricted for customer deposits	2,500
Restricted for grant activity	-
Unrestricted	<u>(223,745)</u>
Total Net Position	<u>\$ 2,404,580</u>

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**  
**YEAR ENDED DECEMBER 31, 2019**

	Enterprise Funds
	Utility 2019
<u>OPERATING REVENUES</u>	
Gas sales and service	\$ 234,230
Water sales and service	323,828
Sewer sales and service	172,159
Intergovernmental	-
Late fees/penalties	17,725
Total Operating Revenues	747,942
<u>OPERATING EXPENSES</u>	
Cost of Gas Sold	111,168
Bad Debts	2,882
Compliance Services	63,000
Depreciaiton	171,553
Employee Benefits	82,083
Insurance	42,991
Meter Reading	-
Gas System Expense	28,897
Professional Fees	11,042
Water System Expense	122,656
Waste Water System	20,078
Repairs and Maintenance	1,625
Salaries and Wages	202,952
Supplies	7,405
Utilities	10,128
Other	39,258
Total Operating Expenses	917,718
Operating Income (Loss)	(169,776)
<u>NON-OPERATING REVENUES (EXPENSES)</u>	
Grants and other contributions	325,125
Other revenues	-
Operating transfers, net	-
Total Non-Operating Revenues (Expenses)	325,125
Change in Net Position	155,349
Total Net Position, beginning	2,249,233
Total Net Position, ending	\$ 2,404,582

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

TOWN OF CLINTON, LOUISIANA  
 COMPARATIVE STATEMENTS OF CASH FLOWS  
 PROPRIETARY FUNDS  
 YEAR ENDED DECEMBER 31, 2019

	<u>Enterprise Fund:</u> <u>Utility</u> <u>2019</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from customers	\$ 732,849
Cash paid to employees for services	(269,471)
Cash paid to suppliers for goods and services	<u>(385,472)</u>
Net Cash Provided by (Used for) Operating Activities	77,906
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>	
Loans/repayments made to/from other funds	(19,431)
Miscellaneous revenues received	-
Operating transfers	<u>-</u>
Net Cash Used for Non-Capital Financing Activities	(19,431)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisition of capital assets	(337,521)
Cash received from grantors	<u>318,981</u>
Net Cash Provided by Capital and Related Financing Activities	(18,540)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
	<u>-</u>
Decrease in Cash and Cash Equivalents	39,935
Cash and Cash Equivalents, beginning	<u>20,833</u>
Cash and Cash Equivalents, ending	<u><u>60,768</u></u>
<b>CASH PRESENTATION OF STATEMENTS OF NET ASSETS:</b>	
Current Assets: Cash and cash equivalents	58,268
Restricted Assets: Cash and cash equivalents	<u>2,500</u>
Cash and Cash Equivalents, end of year	<u><u>\$ 60,768</u></u>

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  
 YEAR ENDED DECEMBER 31, 2019

	<u>2019</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:	
Operating income/(loss)	\$ (169,776)
Adjustments to Reconcile Operating Loss to Net Cash Provided by (Used for) Operating Activities:	
Depreciation	171,553
(Increase) decrease in assets:	
Accounts receivable	(6,493)
Grants receivable	(1,057)
Prepaid expenses	1,102
Increase (decrease) in liabilities:	
Accounts payable	(52,291)
Accrued Wages	(2,460)
Compensated Absenses	(2,586)
Bank Overdraft	(10,903)
Due to/from other funds	127,936
Deferred Inflows-Outflows-Pensions	32,512
Customer deposits	7,358
Net pension liability and related resources	<u>(18,046)</u>
Net Cash Provided by (Used for) Operating Activities	<u>\$ 77,906</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, 2019

**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 833 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, 2019**

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, 2019**

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, 2019

**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 \$42,807 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, 2019, are as follows:

**TOWN OF CLINTON, LOUISIANA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>
Demand deposits			
Customer deposits	\$ -	-	\$ 2,500
Grant		-	-
Sales tax fund	201,286		-
	201,286		2,500
	201,286		2,500

**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, 2019**

*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 \$152,829 of sales tax revenue during the year ended December 31, 2019.

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 \$232,479 of sales tax revenue during the year ended December 31, 2019.

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**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 \$61,352,654. The total assessed value of the property taxes was \$407,995. The Town recognized \$401,643 in property taxes for the year ended December 31, 2019.

**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, 2019, are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Petty cash	\$ 100	\$ -
Demand Deposits	519,276	60,768
Total	\$ 519,376	\$ 60,768

Of these amounts, \$201,286 and \$2,500 is restricted for governmental and business-type activities, respectively.

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 \$663,312 in deposits (collected balances). The town has accounts at two banks. The collected balances were: 1) Landmark Bank, \$654,326 and 2) Feliciana Bank and Trust, \$8,986. These funds at Landmark Bank are secured through the Federal Deposit Insurance Corporation (FDIC) and collateral pledged by participating banks. Feliciana Bank and Trust funds are secured through coverage through the FDIC.

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**NOTE 3 - RECEIVABLES**

The following is a summary of receivables at December 31, 2019:

<u>Class</u>	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Enterprise Fund</u>	<u>Total</u>
Accounts	\$ -	\$ -	\$ 229,424	\$ 229,424
Other	-	-	-	-
Taxes:				
Franchise	29,429	-	-	29,429
Beer tax	847	-	-	847
Property	13,302	-	-	13,302
Sales	24,766	37,640	-	62,406
Sub-total	68,344	37,640	-	105,984
Less: Allowance for doubtful	-	-	(139,899)	(139,899)
Net	68,344	37,640	89,525	195,509

Utility meters are read between the 18<sup>th</sup> and 25<sup>th</sup> 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, 2019, unbilled receivables were \$15,190. 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, 2019, the allowance was estimated to be \$139,899 in the Enterprise Fund.

**NOTE 4 - CAPITAL ASSETS**

Capital asset activity for governmental funds for the year ended December 31, 2019, was as follows:

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	Beginning Balance	Additions	Deductions	Ending Balance
<b>Governmental Activities</b>				
Capital Assets, not being depreciated				
Land	\$ 1,000	\$ -	\$ -	\$ 1,000
Capital Assets, being depreciated				
Buildings and improvements	978,863	-	-	978,863
Less: accumulated depreciation	307,535	28,573	-	336,108
Net Building and Improvements	671,328	(28,573)	-	642,755
Infrastructure	2,424,981	-	-	2,424,981
Less: accumulated depreciation	910,721	89,814	-	1,000,535
Net Sidewalks/Drainage	1,514,260	(89,814)	-	1,424,446
Equipment	349,728	-	-	349,728
Less: accumulated depreciation	320,792	7,346	-	328,138
Net Equipment	28,936	(7,346)	-	21,590
Vehicles	475,901	-	-	475,901
Less: accumulated depreciation	475,901	-	-	475,901
Net Vehicles	-	-	-	-
Office furniture	10,830	-	-	10,830
Less: accumulated depreciation	7,219	801	-	8,020
Net Office furniture	3,611	(801)	-	2,810
Total Capital Assets, being depreciated, net	2,218,135	(126,535)	-	2,091,600
Capital Assets, net	2,219,135	(126,535)	-	2,092,600

The Town purchased no new assets in the governmental funds.

Depreciation expense was charged to governmental functions as follows:

General government	\$ 11,771
Public Safety	18,281
Public Works	96,483
Total	<u>\$ 126,535</u>

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Capital asset activity for enterprise funds for the year ended December 31, 2019, was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance
<b>Business Activities</b>				-
Capital Assets, not being depreciated				-
Land	\$ 11,970	\$ -	\$ -	11,970
				-
Capital Assets, being depreciated				-
Buildings and improvements	150,545	-	-	150,545
Less: accumulated depreciation	91,277	5,576	-	96,853
Net Building and Improvements	59,268	(5,576)	-	53,692
				-
Equipment	104,933	-	-	104,933
Less: accumulated depreciation	104,933	-	-	104,933
Net Equipment	-	-	-	-
				-
Vehicles	\$ 29,481	-	\$ -	29,481
Less: accumulated depreciation	26,495	703	-	27,198
Net Vehicles	2,986	(703)	-	2,283
				-
Gas system	1,629,985	-	-	1,629,985
Less: accumulated depreciation	1,308,803	40,750	-	1,349,553
Net Gas system	321,182	(40,750)	-	280,432
				-
Water system	1,083,547	58,185	-	1,141,732
Less: accumulated depreciation	521,628	31,229	-	552,857
Net Water system	561,919	26,956	-	588,875
				-
Sewer system	3,647,154	279,336	-	3,926,490
Less: accumulated depreciation	2,144,622	93,296	-	2,237,918
Net Sewer system	1,502,532	186,040	-	1,688,572
				-
Total Capital Assets, being depreciated, net	2,447,887	165,968	-	2,613,855
				-
Capital Assets, net	2,459,857	165,968	-	2,625,825

For the business-type funds, the Town incurred costs for major repairs to the Taylor Street water well for \$58,185. The Town incurred costs for sewer improvements for \$279,336. The Town received grant funding to offset the costs. No assets were disposed.



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Depreciation expense was charged to enterprise functions as follows:

Gas		\$	42,842
Water			33,322
Sewer			95,389
Total			\$ 171,553

**NOTE 5 – INTER-FUND TRANSACTIONS**

Amounts receivables and payable between funds at December 31, 2019, are as follows:

	Receivable	Payable
General Fund	\$ 106,246	\$ 130,735
Special Revenue Funds	161,774	-
Enterprise Fund	-	137,285
Total	\$ 268,020	\$ 268,020

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, 2019:

	General Fund	Sales Tax Fund	Enterprise Fund	Total
Accounts	\$ 11,657	\$ 1,161	\$ 26,719	\$ 39,537
Bank overdraft	-	-	-	-
Interest	1,586	-	-	1,586
Payroll liabilities	44,492	-	-	44,492
Accrued benefits	5,811	1,155	-	6,966
Accrued wages	4,667	983	2,388	8,038
Compensated absences	9,961	-	5,210	15,171
Customer deposits	-	-	24,520	24,520
Total	\$ 78,174	\$ 3,299	\$ 58,837	\$ 140,310

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**NOTE 7 – LONG TERM OBLIGATIONS**

The following is a summary of long-term obligations transactions for the year ended December 31, 2019:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		Total Long- Term Obligations
	<u>Capital Leases</u>	<u>Limited Tax bonds</u>	<u>Capital Leases</u>	<u>Bonds</u>	
Beginning Balance	\$ -	\$ 367,000	\$ -	\$ -	\$ 367,000
Additions	-	-	-	-	-
Deletions	-	(87,000)	-	-	(87,000)
Ending Balance	<u>\$ -</u>	<u>\$ 280,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 280,000</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>		<u>Total</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Limited Tax Bonds	\$ 280,000	\$ 367,000	\$ -	\$ -	\$ 280,000	\$ 367,000
Capital Lease Obligations	-	-	-	-	-	-
Ending Balance	<u>\$ 280,000</u>	<u>\$ 367,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 280,000</u>	<u>\$ 367,000</u>

Bonds payable as of December 31, 2019 is as follows:

	Bonds Payable End of Year	Due Within One Year
Governmental: \$760,000 Limited Tax Bonds Series 2012	_____	_____
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%.	<u>\$ 190,000</u>	<u>\$ 90,000</u>

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The annual requirements to amortize all debt outstanding at December 31, 2019, including interest payments of \$10,633 as follows:

Limited Tax bonds, Series 2012			
Year	Principal	Interest	Total
2020	90,000	5,852	95,852
2021	93,000	3,573	96,573
2022	97,000	1,208	98,208
Total	280,000	10,633	290,633

**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:

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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.
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

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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.

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](http://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, 2019. During the year ending December 31, 2019, the Town recognized revenue as a result of support received from non-employer contributing entities of \$11,777 for its participation in MERS-Plan B.

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The Town of Clinton contributions to the System under Plan B for the years ending December 31, 2019 and 2018 were \$44,004, and \$47,514 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, 2019, the Town reported a liability of \$390,737 for its proportionate share of the net pension liability of the System. The net pension liability was measured as of June 30, 2019 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, 2019, the Town's proportion was 0.446520%, which was a decrease of 0.056206%, from its proportion measured as of June 30, 2018.

For the year ended December 31, 2019, the Town recognized pension expense for the MERS System of \$86,646 representing its proportionate share of the System's net expense, including amortization of deferred amounts.

At December 31, 2019, 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	\$ 41,155	\$ (17,331)
Changes of Assumptions	23,820	-
Net difference between projected and actual earnings on pension plan investments	-	-
Changes in proportion and differences between Employer contributions and proportionate share of contributions	(1,912)	(31,120)
Employer contributions subsequent to the measurement date	25,087	-
Total	\$ 88,150	\$ (48,451)

The Town reported a total of \$25,087 as deferred outflow of resources related to pension contributions made subsequent to the measurement period of June 30, 2019 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>	
2020	\$ 3,051
2021	1,948
2022	5,480
2023	3,575
	\$ 14,054

*Actuarial Assumptions.* A summary of the actuarial methods and assumptions used in determining the total pension liability as of June 30, 2019 is as follows:

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**Valuation Date** June 30, 2019  
**Actuarial Cost Method** Entry Age Normal

**Actuarial Assumptions:**

Expected Remaining Service Lives	3 years (Plan B)
Investment Rate of Return	7.0%, net of investment expense
Inflation Rate	2.5%
Salary Increases, including Inflation and merit increases:	
-1-4 years of service	6.4%-Plan A and 7.4% Plan B
-More than 4 years of service	4.5%-Plan A and 4.9% Plan B
Annuitant and beneficiary mortality	PubG-2010 (B) Healthy Retiree Table set equal to 120% for males and females, Each adjusted using their respective male and female MP2018 scales.
Employee mortality	PubG-2010 (B) Employee Table set equal to 120% for males and females, Each adjusted using their respective male and female MP2018 scales.
Disabled lives mortality	PubG-2010 (B) Disabled Retiree Table set equal to 120% for males and females, Each adjusted using their respective male and female MP2018 scales.

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, 2019 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%	2.15%
Public Fixed Income	35%	1.51%
Alternatives	15%	0.64%
Totals	<u>100%</u>	<u>4.30%</u>
Inflation		<u>2.70%</u>
Expected Arithmetic Nominal Rate		<u>7.00%</u>

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The discount rate used to measure the total pension liability was 7.00%. 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.

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 provided 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.

*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 7.0%, 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, 2019:

	1% Decrease	Current Discount Rate	1% Increase
Rates	6.000%	7.000%	8.000%
Town of Clinton Share of NPL	\$ 520,752	\$ 390,737	\$ 280,780

**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.



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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.

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,

TOWN OF CLINTON, LOUISIANA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

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 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](http://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, 2019, total contributions due for employers and employees were 41.25%. The employer and employee contribution rates for members hired prior to January 1, 2013 and Hazardous Duty members hired after January 1, 2013 were 32.25% and 10%, respectively. The employer and employee contribution rates for all Non-Hazardous Duty members hired after January 1, 2013 were 32.25% 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 34.75% 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, 2019. During the year ending December 31, 2019, the Town recognized revenue as a result of support received from non-employer contributing entities of \$7,061 for its participation in MPERS.

The Town of Clinton contributions to the System for the years ending December 31, 2019 and 2018 were \$22,453 and \$42,828 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, 2019, the Town reported a liability of \$311,474 for its proportionate share of the net pension liability of the System. The net pension liability was measured as of June 30, 2019 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, 2019, the Town's proportion was 0.034297%, which was a decrease of 0.005054% from its proportion measured as of June 30, 2018.

For the year ended December 31, 2019, the Town recognized pension expense for the MPERS System of \$30,962 representing its proportionate share of the System's net expense, including amortization of deferred amounts.

**TOWN OF CLINTON, LOUISIANA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

At December 31, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to the MPERS pension system from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 654	\$ (9,583)
Changes of Assumptions	17,454	-
Net difference between projected and actual earnings on pension plan investments	20,236	-
Changes in proportion and differences between Employer contributions and proportionate share of contributions	10,707	(33,315)
Employer contributions subsequent to the measurement date	11,683	-
Total	\$ 60,734	\$ (42,898)

The Town reported a total of \$11,683 as deferred outflow of resources related to pension contributions made subsequent to the measurement period of June 30, 2019 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>	
2020	\$ 5,330
2021	(6,757)
2022	(2,912)
2023	5,049
	\$ 710

*Actuarial Assumptions.* A summary of the actuarial methods and assumptions used in determining the total pension liability as of June 30, 2019 is as follows:

<b>Valuation Date</b>	June 30, 2019
<b>Actuarial Cost Method</b>	Entry Age Normal
<b>Actuarial Assumptions:</b>	
Investment Rate of Return	7.125%, net of investment expense
Expected Remaining Service Lives	2019, 2018, 2017, 2016-4 years
Inflation Rate	2.50%

**TOWN OF CLINTON, LOUISIANA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

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 (setback 1 year for females) for healthy annuitants and beneficiaries.

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, 2019 are summarized in the following table:

Asset Class	Target Asset Allocation	Long-Term Expected Portfolio Real Rate of Return
Equity	48.50%	3.28%
Fixed Income	33.50%	0.80%
Alternatives	18.00%	1.06%
Other	0.00%	0.00%
Totals	100.00%	5.14%
Inflation		2.75%
Expected Arithmetic Nominal Rate		7.89%

The discount rate used to measure the total pension liability was 7.125%. 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

**TOWN OF CLINTON, LOUISIANA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

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 7.125%, 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, 2019:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Rates	6.125%	7.125%	8.125%
Town of Clinton Share of NPL	\$ 433,986	\$ 311,474	\$ 208,699

**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, 2019, the general fund had nonspendable fund balance of \$27,392 due to prepaid insurance. The amount of restricted fund balance in the general fund is \$1,165 due to the narcotics fund. The amount assigned for the special court account was \$5,293. The unassigned fund balance in the general fund is \$288,859. The sales tax fund, a special revenue fund, had a fund balance restricted for streets and sidewalks for \$400,228.

The enterprise fund had restricted net position related to customer deposits of \$2,500. The enterprise fund had unrestricted net position of (\$223,744). The amount of net position in capital assets is \$2,625,825. The unrestricted net position is negative mainly due to the effects of the GASB 68 pension accounting standards. 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, 2018 for an adjustment to void old checks. The net effect is as follows:

**TOWN OF CLINTON, LOUISIANA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Governmental Activities	Business-type Activities	Total
Net Position	1,890,507	2,232,803	4,123,310
Void Old Checks	25,258	16,420	41,678
Net position restated	1,915,765	2,249,223	4,164,988

**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. The District reimburses the town each year for the bond issue described in Note 7. For December 2019, the town received \$95,055 from the District.

**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, 2019, 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 two litigation cases pending:

- 1) A suit filed in the 20<sup>th</sup> Judicial Court for the Parish of East Feliciana entitled “Charlie Brown v. Town of Clinton, Number 46076, Division B. The Town of Clinton’s liability insurer is handling the representation of this lawsuit. The lawsuit is based on the question of whether Mr. Brown is entitled to vacation pay when he retired. The matter is in dispute.
- 2) A suite filed in the United States District Court for the Middle District of Louisiana entitled “Sarah Perron, Tutrix on Behalf of Her Minor Child, MFJ vs. Sheriff Jeff Travis, et al. Civil action No. 3:30-cv-0021-BAJ-EWD. The Town of Clinton’s liability insurer is handling the representation of this lawsuit. This lawsuit pertains to an alleged civil rights violation where the defendant was killed by a sheriff’s deputy in the line of duty, where in a Clinton police officer assisted in his backup. The matter is in dispute.

The Town has risk coverage for such events disclosed above. The amount, if any, of expenditures which may be disallowed cannot be determined at this time.

The Town had two IRS liens filed for past due penalties and taxes. One lien is for \$28,500.28 (instrument number

**TOWN OF CLINTON, LOUISIANA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

24093) and the other lien is for \$4,704.75 (instrument number 240694). A liability has been recorded on the Town's financial statement as of December 31, 2019 for these amounts.

**NOTE 16 – ON-BEHALF PAYMENTS**

For the fiscal year ended December 31, 2019, the State of Louisiana made on-behalf payments in the form of supplemental pay to the Town's policemen. In accordance with GASB 24, the Town recorded \$6,000 of on-behalf payments as revenue and as an expenditure in the General Fund.

**NOTE 17 - SUBSEQUENT EVENTS**

On February 6, 2020, the board approved for the mayor to sign an agreement for the conveyance of the water system assets to East Feliciana Rural Water System, Inc.

In January 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a "Public Health Emergency of International Concern," which has spread throughout the world and has adversely impacted global commercial activity and contributed to significant declines and volatility in financial markets. The outbreak could have a continued material adverse impact on economic and market conditions. There continues to be no prediction as to the ultimate material adverse impact of the coronavirus outbreak. Nevertheless, the outbreak presents uncertainty and risk with respect to the Town and its financial results.

There were no other events subsequent to year-end through November 17, 2020, 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, 2019**

REVENUES	General Fund				Streets and Sidewalks			
	Budgeted Amounts		Actual Amounts	Variance Favorable (Unfavorable)	Budgeted Amounts		Actual Amounts	Variance Favorable (Unfavorable)
	Original	Final			Original	Final		
Fines and other court costs	\$ 205,920	\$ 148,175	\$ 123,998	\$ (24,177)	\$ -	\$ -	\$ -	\$ -
Franchise fees	85,744	133,223	92,962	(40,261)	-	-	-	-
Interest earned	1,552	182	272	90	-	-	-	-
Intergovernmental	-	-	6,000	6,000	-	-	-	-
Licenses and permits	117,423	168,244	117,803	(50,441)	-	-	-	-
Other revenues	152,274	98,029	96,709	(1,320)	-	-	-	-
Taxes-beer	3,298	4,596	3,237	(1,359)	-	-	-	-
Taxes-property	403,700	403,700	401,643	(2,057)	-	-	-	-
Taxes-sales	121,272	187,364	152,829	(34,535)	215,159	237,547	232,479	(5,068)
<b>Total Revenues</b>	<b>1,091,183</b>	<b>1,143,513</b>	<b>995,453</b>	<b>(148,060)</b>	<b>215,159</b>	<b>237,547</b>	<b>232,479</b>	<b>(5,068)</b>
<b>EXPENDITURES</b>								
General government	283,735	310,262	352,640	(42,378)	-	-	-	-
Public safety:				-				
Police	540,176	568,440	477,638	90,802	-	-	-	-
Fire	10,800	10,209	7,792	2,417	-	-	-	-
Public works	-	-	-	-	-	-	-	-
Debt service	-	-	91,976	(91,976)	-	-	-	-
Lease Payments	-	-	-	-	151,524	176,003	184,155	8,152
Capital outlay	-	-	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>\$ 834,711</b>	<b>888,911</b>	<b>\$ 930,046</b>	<b>\$ (41,135)</b>	<b>\$ 151,524</b>	<b>\$ 176,003</b>	<b>\$ 184,155</b>	<b>\$ 8,152</b>

See Independent Auditor's Report

**TOWN OF CLINTON, LOUISIANA**  
**BUDGETARY COMPARISON SCHEDULE (Continued)**  
**GENERAL AND SPECIAL REVENUE FUNDS**  
**YEARS ENDED DECEMBER 31, 2019**

	General Fund				Streets and Sidewalks			
	Budgeted Amounts		Actual Amounts	Variance Favorable (Unfavorable)	Budgeted Amounts		Actual Amounts	Variance Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>			<u>Original</u>	<u>Final</u>		
Deficiency of Revenues over Expenditures Before Other Financing Sources (Uses)	\$ 256,472	\$ 254,602	\$ 65,407	\$ (189,195)	\$ 63,635	\$ 61,544		\$ 3,084
<u>OTHER FINANCING SOURCES (USES)</u>								
Grants and other contributions		-	95,055	95,055	-	-	-	-
Sale of capital assets				-				-
Operating transfers, net	-	-	-	-	-	-	-	-
Net Other Financing Sources (Uses)	-	-	95,055	95,055	-	-	-	-
Change in Fund Balances	256,472	254,602	160,462	(94,140)	63,635	61,544	-	3,084
Fund Balances, beginning	162,246	162,246	162,246	-	351,904	351,904	351,904	-
Fund Balances, ending	418,718	416,848	322,708	(94,140)	415,539	413,448	351,904	3,084

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>	<u>2019</u>
Employer's Proportion of the Net Pension Liability (Assets)	0.038612%	0.036825%	0.039351%	0.034297%
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ 361,903	\$ 321,498	\$ 332,676	\$ 311,474
Employer's Covered-Employee Payroll	\$ 94,798	\$ 116,919	\$ 109,282	\$ 100,521
Employer's Proportionate Share of the Net Position Liability (Asset) as a Percentage of its Covered-Employee Payroll	381.7623%	274.9750%	304.4187%	309.8596%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.7300%	70.0815%	71.8871%	71.0078%

\* 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>	<u>2019</u>
Employer's Proportion of the Net Pension Liability (Assets)	0.525980%	0.516852%	0.502858%	0.446652%
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ 435,990	\$ 447,197	\$ 425,333	\$ 390,737
Employer's Covered-Employee Payroll	\$ 331,755	\$ 361,309	\$ 397,617	\$ 354,112
Employer's Proportionate Share of the Net Position Liability (Asset) as a Percentage of its Covered-Employee Payroll	118.320000%	123.771343%	106.970522%	110.342801%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	68.710000%	63.490000%	65.598132%	64.675203%

\* 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

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Contractually required contribution	\$ 35,930	\$ 38,439	\$ 42,828	\$ 22,453
Contributions in relation to contractually required contributions	<u>35,930</u>	<u>38,439</u>	<u>42,828</u>	<u>22,453</u>
Contribution deficiency (excess)	-	-	-	-
Employer's Covered Employee Payroll	115,437	109,293	104,759	63,137
Contributions as a % of Covered Employee Payroll	31.1252%	35.1706%	40.8822%	35.5616%

*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

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Contractually required contribution	\$ 26,747	\$ 68,630	\$ 47,514	\$ 44,004
Contributions in relation to contractually required contributions	<u>26,506</u>	<u>68,630</u>	<u>47,514</u>	<u>44,004</u>
Contribution deficiency (excess)	241	-	-	-
Employer's Covered Employee Payroll	368,493	359,241	397,617	314,318
Contributions as a % of Covered Employee Payroll	7.1900%	19.104%	11.950%	14.000%

*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 STATEMENT OF NET POSITION  
 PROPRIETARY FUNDS  
 YEARS ENDED DECEMBER 31, 2019 AND 2018

<u>ASSETS</u>	<u>Enterprise Funds</u> <u>Utility</u> <u>2019</u>	<u>Enterprise Funds</u> <u>Utility</u> <u>2018</u>
Current Assets		
Cash and cash equivalents	\$ 58,268	\$ -
Receivables, net	74,335	72,809
Unbilled receivables	15,190	10,222
Grant receivable	1,057	-
Prepaid expenses	12,588	13,691
Total Current Assets	161,438	96,722
Restricted Assets		
Cash and cash equivalents	2,500	20,833
Total Restricted Assets	2,500	20,833
Capital Assets		
Land	11,970	11,970
Buildings	150,546	150,546
Equipment	104,934	104,934
Vehicles	29,482	29,482
Gas system	1,629,986	1,629,986
Water system	1,141,732	1,083,547
Sewer system	3,926,488	3,647,150
Less: Accumulated depreciation	(4,369,313)	(4,197,756)
Net Capital Assets	2,625,825	2,459,859
Total Assets	2,789,763	2,577,414
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	\$ 49,690	\$ 72,621
<u>LIABILITIES</u>		
Current Liabilities		
Payable from current assets:		
Accounts Payable	\$ 26,719	\$ 79,010
Bank overdraft	-	10,903
Accrued wages	2,388	4,848
Compensated absences	5,210	7,797
Due to other funds	137,285	33,866
Total Current Liabilities, Payable from Current Assets	171,602	136,424
Payable from restricted assets:		
Customer deposits	24,520	17,163
Total Current Liabilities, Payable from Restricted Assets	24,520	17,163
Total Current Liabilities	196,122	153,587
Long-term Liabilities		
Net pension liability	214,560	232,606
Total Liabilities	410,682	386,193
<u>DEFERRED INFLOWS OF RESOURCES</u>	24,191	14,609
<u>NET POSITION</u>		
Net investment in capital assets	2,625,825	2,459,859
Restricted for customer deposits	2,500	15,776
Restricted for grant activity	-	5,057
Unrestricted	(223,745)	(231,459)
Total Net Position	\$ 2,404,580	\$ 2,249,233

See independent auditor's report.

TOWN OF CLINTON, LOUISIANA  
 COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND  
 CHANGES IN FUND NET POSITION  
 PROPRIETARY FUNDS  
 YEARS ENDED DECEMBER 31, 2019 AND 2018

	Enterprise Funds	
	<u>2019</u>	<u>2018</u>
<u>OPERATING REVENUES</u>		
Gas sales and service	\$ 234,230	\$ 229,476
Water sales and service	323,828	251,978
Sewer sales and service	172,159	174,984
Intergovernmental	-	-
Late fees/penalties	17,725	21,778
Total Operating Revenues	747,942	678,216
<u>OPERATING EXPENSES</u>		
Cost of Gas Sold	111,168	118,822
Bad Debts	2,882	4,557
Compliance Services	63,000	-
Depreciaton	171,553	173,447
Employee Benefits	82,083	112,886
Insurance	42,991	41,404
Meter Reading	-	7,370
Gas System Expense	28,897	13,998
Professional Fees	11,042	21,482
Water System Expense	122,656	82,968
Waste Water System	20,078	36,600
Repairs and Maintenance	1,625	9,677
Salaries and Wages	202,952	234,923
Supplies	7,405	45,956
Utilities	10,128	8,679
Other	39,258	75,534
Total Operating Expenses	917,718	988,302
Operating Income (Loss)	(169,776)	(310,086)
<u>NON-OPERATING REVENUES (EXPENSES)</u>		
Grants and other contributions	325,125	11,867
Other revenues	-	-
Operating transfers, net	-	-
Total Non-Operating Revenues (Expenses)	325,125	11,867
Change in Net Position	155,349	(298,219)
Total Net Position, beginning	2,249,233	2,547,452
Total Net Position, ending	\$ 2,404,582	\$ 2,249,233

See independent auditor's report.

**TOWN OF CLINTON, LOUISIANA  
COMPARATIVE STATEMENTS OF CASH FLOWS  
PROPRIETARY FUNDS  
YEARS ENDED DECEMBER 31, 2019 AND 2018**

	<u>Enterprise Funds</u>	
	<u>2019</u>	<u>2018</u>
<u>Utility</u>		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	\$ 732,849	\$ 642,457
Cash paid to employees for services	(269,471)	(321,414)
Cash paid to suppliers for goods and services	(385,472)	(337,636)
Net Cash Provided by (Used for) Operating Activities	77,906	(16,593)
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
Loans/repayments made to/from other funds	(19,431)	(14,111)
Miscellaneous revenues received	-	-
Operating transfers	-	-
Net Cash Used for Non-Capital Financing Activities	(19,431)	(14,111)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition of capital assets	(337,521)	(3,513)
Cash received from grantors	318,981	4,961
Net Cash Provided by Capital and Related Financing Activities	(18,540)	1,448
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	-	-
Decrease in Cash and Cash Equivalents	39,935	(29,256)
Cash and Cash Equivalents, beginning	20,833	50,089
Cash and Cash Equivalents, ending	60,768	20,833
<b>CASH PRESENTATION OF STATEMENTS OF NET ASSETS:</b>		
Current Assets: Cash and cash equivalents	58,268	-
Restricted Assets: Cash and cash equivalents	2,500	20,833
Cash and Cash Equivalents, end of year	\$ 60,768	\$ 20,833

See independent auditor's report.



TOWN OF CLINTON, LOUISIANA  
 CHANGES IN FUND NET POSITION  
 COMPARATIVE STATEMENTS OF CASH FLOWS (Continued)  
 PROPRIETARY FUNDS  
 YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:		
Operating income/(loss)	\$ (169,776)	\$ (310,086)
Adjustments to Reconcile Operating Loss to Net Cash Provided by (Used for) Operating Activities:		
Depreciation	171,553	172,447
(Increase) decrease in assets:		
Accounts receivable	(6,493)	21,190
Grants receivable	(1,057)	-
Prepaid expenses	1,102	9,967
Increase (decrease) in liabilities:		
Accounts payable	(52,291)	45,559
Accrued Wages	(2,460)	4,848
Compensated Absences	(2,586)	7,796
Bank Overdraft	(10,903)	10,903
Due to/from other funds	127,936	
Deferred Inflows-Outflows-Pensions	32,512	34,876
Customer deposits	7,358	(2,136)
Net pension liability and related resources	(18,046)	(11,957)
	<u>\$ 77,906</u>	<u>\$ (16,593)</u>
Net Cash Provided by (Used for) Operating Activities	<u>\$ 77,906</u>	<u>\$ (16,593)</u>

See independent auditor's report.

**TOWN OF CLINTON, LOUISIANA**  
**SCHEDULE OF COMPENSATION PAID TO GOVERNING MEMBERS**  
**YEARS ENDED DECEMBER 31, 2019**

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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	\$	16,500
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**Board Members**

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

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Total Paid	\$	30,000
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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, 2019**

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**Agency Head**

Lori A. Bell  
Mayor

<b>Purpose</b>	<b>Amount</b>
Salary	\$ 16,500
FICA	1,262
Municipal retirement	1,890
Mileage	23
	<hr/>
Total Compensation, Benefits and Other Payments	\$ <u>19,675</u>

Mayor Bell resigned on November 22, 2019. In December 2019, Mark Kemp was appointed interim mayor until a special election could held.

See Independent Auditor's Report

# *Minda B. Raybourn*

Certified Public Accountant  
Limited Liability Company

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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 Mark Kemp  
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, 2019, and the related notes to the financial statements, which collectively comprise Town's basic financial statements and have issued my report thereon dated November 17, 2020.

### **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 2019-001, 2019-002, 2019-004, 2019-005, 2019-006, and 2019-007).

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 2019-003 and 2019-008.)

## **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 2019-009, 2019-010, 2019-011, 2019-0012 and 2019-013.

## **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  
November 17, 2020

**TOWN OF CLINTON, LOUISIANA  
FOR THE YEAR ENDED DECEMBER 31, 2019  
SCHEDULE OF CURRENT YEAR FINDINGS AND RESPONSES**

I have audited the financial statements of the Town of Clinton, Louisiana as of and for the year ended December 31, 2019, and have issued my report thereon dated November 17, 2020. 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, 2019, 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**

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**2019-001 Utility Accounts Receivable and Revenues (Repeat Finding)**

*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 \$7,389.06 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, reconciling the monthly revenues, and reconciling the accounts receivable each month, misappropriation of Town resources could occur.

*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

**TOWN OF CLINTON, LOUISIANA  
FOR THE YEAR ENDED DECEMBER 31, 2019  
SCHEDULE OF CURRENT YEAR FINDINGS AND RESPONSES**

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 Response:* We will implement the auditor's recommendation.

**2019-002 Customer Deposits (Repeat Finding)**

*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 per the utility billing system are not reconciled against the customer deposits liability on the general ledger.

Since the prior year audit report, the Town has opened a customer deposit bank account with \$2,500 reported at the end 2019. The customer deposit liability reported at the end of 2019 is \$24,520.

*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:* Monthly, the Town should reconcile the customer deposit liability cash account with the customer deposit liability. The customer deposits received, refunded, and the month end balance should be reconciled between the Town's general ledger and billing system.

*Management Response:* We will implement the auditor's recommendation.

**Finding 2019-003 Payment of Accrued Leave (Repeat Finding)**

*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:* During the prior audit year of 2018, 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.

**TOWN OF CLINTON, LOUISIANA  
FOR THE YEAR ENDED DECEMBER 31, 2019  
SCHEDULE OF CURRENT YEAR FINDINGS AND RESPONSES**

*Cause:* The town has not properly followed the policy and procedure on payment of leave upon resignation, retirement, or termination.

*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 Response:* We will implement the auditor's recommendation.

**Finding 2019-004 Ticket Revenue (Repeat Finding)**

*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. Audit procedures showed that ticket collections per the police collection tracking software are not reconciled with the general ledger postings. It was discovered that \$26,287 in tickets were deposited to the town's general fund account but were not reported in the police collection tracking software.

*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 misappropriations 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 Response:* We will implement the auditor's recommendation.

**Finding 2019-005 Losses in Utility Fund (Repeat Finding)**

*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 fourth consecutive year. In 2019, the Town had operating losses (before grants, operating transfers, and other revenues) as below:

2016	(\$172,930)
2017	(\$314,236)
2018	(\$310,086)
2019	(\$169,776)



**TOWN OF CLINTON, LOUISIANA  
FOR THE YEAR ENDED DECEMBER 31, 2019  
SCHEDULE OF CURRENT YEAR FINDINGS AND RESPONSES**

*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 Response:* We will implement the auditor's recommendation.

**Finding 2019-006 Funds Owed to Special Revenue Fund (Repeat Finding)**

*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 \$130,735. 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.

*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 Response:* We will implement the auditor's recommendation.

**Finding 2019-007 Outstanding Checks**

*Criteria:* The bank reconciliations must be reviewed for outstanding checks that are old. Outstanding checks should be researched and either cancelled and reissued, voided, or submitted to the Louisiana State Treasurer as unclaimed property

*Condition:* On the December 31, 2019, bank reconciliations, there were checks that were outstanding that had not been researched. The checks were either erroneous entries or duplicate payments that had not cleared. Auditing entries had to be recorded at year end to reverse these checks that should not have been outstanding. The dollar amount of the entries was for the general fund: \$32,315.52, utility fund: \$19,907.41, and sales tax fund \$6,197.00.

*Cause:* The outstanding checks were not researched and corrected on the bank reconciliations during the year and at year end.

*Effect:* The town's bank accounts and expenditures will be misstated.

**TOWN OF CLINTON, LOUISIANA  
FOR THE YEAR ENDED DECEMBER 31, 2019  
SCHEDULE OF CURRENT YEAR FINDINGS AND RESPONSES**

*Recommendation:* The town should research outstanding items on its bank reconciliations each month that are old.

*Management Response:* We will implement the auditor's recommendation.

**Finding 2019-008 Property Tax Reconciliations**

*Criteria:* Proper internal controls must allow for the reconciliation of property tax revenues collected and recorded.

*Condition:* The property taxes are recoded in a software program that matches payments with the taxpayer's assessment. Collections are posted in the general ledger as property tax revenues. Reports from the program are not reconciled with collection postings to the general ledger.

*Cause:* The town does not have a reconciliation process to verify property tax collections received each month.

*Effect:* Property tax revenues could be misstated.

*Recommendation:* The town should develop a reconciliation process to balance the collections between the tax program and the general ledger.

*Management Response:* We will implement the auditor's recommendation.

**TOWN OF CLINTON, LOUISIANA  
FOR THE YEAR ENDED DECEMBER 31, 2019  
SCHEDULE OF CURRENT YEAR FINDINGS AND RESPONSES**

**Compliance Findings**

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**Finding 2019-009 Delinquent Payment of Federal Payroll Taxes (Repeat Finding)**

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

*Condition:* The federal payroll taxes for November and December 2019 were not paid until February 3, 2020. The town is a semiweekly tax depositor.

*Cause:* Unknown.

*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.

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

*Management Response:* We will implement the auditor's recommendation.

**Finding 2019-010 Delinquent Payment of Retirement System Expenditures (Repeat Finding)**

*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:* The submittals for the Municipal Police Retirement System for the month of January was three days late and for the month of February was nine days late. In addition, the month of December 2019 was not paid until February 29, 2020.

The submittals for the Municipal Employee Retirement System for the month of February was nine days late. The month of December 2019 was not paid until February 29, 2020.

*Cause:* The Town did not have sufficient funds on hand at the required due date to pay the systems during January and February 2019. It is not known why December 2019 was late.

*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 Response:* We will implement the auditor's recommendation.

**TOWN OF CLINTON, LOUISIANA  
FOR THE YEAR ENDED DECEMBER 31, 2019  
SCHEDULE OF CURRENT YEAR FINDINGS AND RESPONSES**

**Finding 2019-011 Debit Card Purchases**

*Criteria:* All disbursements using a credit, debit, or purchase card should have an itemized receipt to support the business purpose.

*Condition:* The town received a donation in the amount of \$6,000 from a local movie production company filming in the area. The description on the check stub received stated “0911 Toy Drive Donation-City of Clinton.” When asked, the town could not find any other documentation available for this donation. It was received October 8, 2019.

The town spent the funds at the following using the town’s debit card:

Vendor	Date	Location	Cost
Wal-Mart	10/11/2019	Zachary, La	973.23
Wal-Mart	10/15/2019	Baton Rouge, LA	451.95
Wal-Mart.com	10/15/2019		1,156.38
Wal-Mart	10/16/2019	Baker, LA	249.40
Wal-Mart	10/16/2019	Baker, LA	1,960.00
Wal-Mart	10/18/2019	Zachary, La	984.00
Wal-Mart	10/31/2019	Zachary, La	248.00
		Total	<u>6,022.96</u>

I asked the current mayor for supporting itemized receipts. A search was done and the receipts could not be found. He spoke with former mayor who stated that there was a file folder with the information. The folder could not be found.

While it was verbally stated the purchases were for the toy drive, supporting itemized receipts to back up the assertion could not be found.

A review of the town’s final adopted budget (adopted December 30, 2019) shows no budgeted amounts for the money received as a donation or the money spent for the toy drive.

*Cause:* The town has a credit card purchasing policy that required that receipts must be turned into accounting for any and all purchases on Town of Clinton credit cards. There appears to be a lack of control over the documentation of the debit card.

*Effect:* A lack of strong controls over all cards will cause fraudulent transactions to go undetected. Fraudulent reporting on the transactions will occur.

*Recommendation:* The town needs to educate all personnel on the importance of providing itemized receipts on all card purchases. The town needs to implement policies and procedures on the cards are to be controlled, the required approvers, and a strong monitoring process.

*Management Response:* We will implement the auditor’s recommendation.

**TOWN OF CLINTON, LOUISIANA  
FOR THE YEAR ENDED DECEMBER 31, 2019  
SCHEDULE OF CURRENT YEAR FINDINGS AND RESPONSES**

**Finding 2019-012 Allegations Regarding Public Records Requests and Budget**

*Criteria:* Per R.S. 39:1305, The budget must include the following:

- (1) A budget message that is signed by the budget preparer and that contains:
  - a summary description of the proposed financial plan, policies, and objectives, assumptions, budgetary basis, and
  - a discussion of the most important features.
  
- (2) A statement for the general fund and each special revenue fund showing the:
  - estimated fund balances at the beginning of the year;
  - estimates of all receipts and revenues to be received;
  - revenues itemized by source;
  - recommended expenditures itemized by agency, department, function, and character;
  - other financing sources and uses by source and use; and
  - the estimated fund balance at the end of the fiscal year.

In addition to the estimates previously required by R.S. 39:1305(C)(2)(a), estimates after January 1, 2011 shall also include: A clearly presented side-by-side detailed comparison of such information for the current year, including the fund balances at the beginning of the year, year-to-date actual receipts and revenues received and estimates of all receipts and revenues to be received the remainder of the year; estimated and actual revenues itemized by source; year-to-date actual expenditures and estimates of all expenditures to be made the remainder of the year itemized by agency, department, function, and character; other financing sources and uses by source and use, both year-to-date actual and estimates for the remainder of the year; the year-to-date actual and estimated fund balances as of the end of the fiscal year; and the percentage change for each item of information.

The budget must be completed and submitted for public inspection 15 days prior to the beginning of the fiscal year (R.S. 39:1306) and must be published in the official journal (R.S. 39:1307(B)). A public hearing must be held no sooner than 10 days after publication (R.S. 39:1307(A)(C)). Adoption of the budget must be held at an open meeting before the end of the prior fiscal year (R.S. 39:1309).

If, at the end of any fiscal year, the appropriations necessary for the support of the Town for the ensuing fiscal year have not been made, then 50% of the amounts appropriated in the appropriation ordinance or resolution for the last validly passed budget year shall be deemed re-appropriated for the several objects and purposes specified in the ordinance or resolution. This 50% limitation will continue until a new budget is approved.

*Condition:* I received an allegation that the budget for 2019 was not prepared in accordance with R.S. 39:1305. The budget for 2019 was not approved at the meeting on December 11, 2018. Notification of a meeting to be held on January 29, 2019, was made on January 17, 2019. It was alleged that a document was provided for this meeting for discussion of adoption of the budget. The document showed the proposed budget for the general fund, special revenue fund, and the utility fund. The document contained the general ledger account, the proposed budget, and proposed percentage of revenues. It was alleged that on January 25, 2019, another document was emailed to the

**TOWN OF CLINTON, LOUISIANA  
FOR THE YEAR ENDED DECEMBER 31, 2019  
SCHEDULE OF CURRENT YEAR FINDINGS AND RESPONSES**

aldermen to be used for discussion of the budget on January 29, 2019. It contained for the general fund, special revenue fund, and utility fund, the last adopted budget, proposed budget, and percentage of revenues by general ledger account. It was alleged that a third document was available for the meeting. This document was the statement of income and expenditures for the month of December 2018 and year to date December 2018 for all three funds. It was alleged that a question was raised regarding the missing information per R.S. 39:1305. The person was told everything had been provided as necessary. In the minutes for the January 29, 2019, it was noted the 2019 budget was approved 3-2.

I received a separate allegation dated January 8, 2019, that the town was operating without a budget and was unable to cover its payroll in October 2018.

The budget presented for the January 29, 2019 meeting does not conform to R.S. 39:1305. Inspection of the budget documents presented for the original 2019 budget do not show fund balances at the beginning of the year, year to date actual receipts and revenues received and estimates of all receipts and revenues to be received the remainder of the year, year to date actual expenditures and estimates for all expenditures to be made the remainder of the year, other financing sources and uses by source and use, year to date actual and estimates for the remainder of the year, year to date actual and estimated fund balances as of the end of the fiscal year, and percentage changes. A budget message was not provided.

Regarding the allegation that the town was operating without a budget, the last adopted budget before January 2019 was adopted on October 9, 2018 for the 2018 fiscal year. A budget for 2019 was presented at the December 11, 2018 meeting. Discussion was held regarding the budget but it was not adopted. The budget was adopted at the January 31, 2019 meeting.

The original budget for 2020 and the amended budget for 2019 was approved December 30, 2019. It contained original budget for 2019, beginning fund balances, year to date actual receipts and revenues received, estimate of all receipts and revenues to be received the remainder of the year, estimates and actual revenues itemized by sources, year to date actual expenditures and estimates of all expenditures to be made the remainder of the year itemized by department, function, and character, both year to date actual and estimates for the remainder of the year, estimated fund balances at the end of the fiscal year, and percentage of change between the last adopted budget and projected actual result.

It did not include the last adopted budget for 2019 and the percentage of change between the projected actual results and proposed budget. A budget message was not provided. Further review revealed the original budget for 2019 and last adopted budget for 2019 reported on the prepared 2020 budget did not match what was actually adopted.

*Cause:* Management is not aware of all of the requirements of R.S. 39:1305 on the preparation of the budget.

*Effect:* The budgets are not prepared according to R.S. 39:1305.

**TOWN OF CLINTON, LOUISIANA  
FOR THE YEAR ENDED DECEMBER 31, 2019  
SCHEDULE OF CURRENT YEAR FINDINGS AND RESPONSES**

*Recommendation:* Immediately, management needs to review the state law requirements covering budget messages, budget preparation, and the timeline requirements. Management needs to become familiar with these requirements to ensure that the budget prepared is accurate and correct.

*Management Response:* We will implement the auditor's recommendation.

**Finding 2019-0013 Allegations Regarding Movie Detail Wages**

*Criteria:* Strong internal controls state that payroll expenditures must be supported by time and attendance records such as time cards and time sheets. Payroll must be reviewed and approved by management.

*Condition:* I received an allegation regarding a police officer from the Village of Wilson that was logging hours for detail provided on a movie production filming in Clinton. The town of Clinton was reimbursed by the movie production company for all detail that was paid. It was alleged the officer also logged hours as a police officer with the Village of Wilson at the same time she was on the clock for the Town of Clinton.

I brought this allegation to the attention of Mayor Mark Kemp. He pulled all invoices paid for the movie detail for this officer as well as all town employees that were employed by the town that had worked on the movie set as police detail. I reviewed his analysis.

It was determined there are multiple instances where the dates and times the town employees logged as being on the town's payroll overlapped with the times and dates the employees were paid for movie detail. This occurred on multiple employees.

In addition, the town has a time clock system. However, on multiple time sheets, time card reports were not attached. This made verifying the town time compared to the movie detail time difficult.

On the officer from the village in question, on 7/24, the officer was paid from 8:00 AM to 3:00 PM. Per the Village of Wilson time sheets, she was paid 7 hours on this date. However, it is not known if it was a day or night shift. On 8/7, the officer was paid from 7:00 AM to 5:30 PM. Per the Village of Wilson time sheets, she was paid from 6:30 to 8:30. The time sheets do not reflect if this was a day shift or night shift.

*Cause:* The town has a lack of internal controls over payroll. It is not enforcing the use of the town clock system. Pages 3 thru 5 of the town's policies and procedures explain the required use of the clock system.

*Effect:* Without strong internal controls over payroll, the town could have losses due to misappropriation and fraud.

**TOWN OF CLINTON, LOUISIANA  
FOR THE YEAR ENDED DECEMBER 31, 2019  
SCHEDULE OF CURRENT YEAR FINDINGS AND RESPONSES**

*Recommendation:* The town needs to use a time clock system for all employees. Time clock reports or time cards should be logged on a time sheet for payroll. Time clock documentation should then be compared against the time sheets for accuracy. Time sheets should be signed by the employee and approved by the supervisor.

Before disbursing payroll, payroll documentation and payroll checks should be compared to one another to ensure the correct time is being paid. I would recommend the mayor or a member of the board perform this function.

*Management Response:* We will implement the auditor's recommendation.



**TOWN OF CLIFTON, LOUISIANA  
SCHEDULE OF PRIOR 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 19, 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**

C. 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

D. 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 CLIFTON, LOUISIANA**  
**SCHEDULE OF PRIOR 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.

*Status:* Not resolved.

**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.

*Status:* Not resolved.

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

**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).

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.

*Status:* Not resolved.

**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.

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

*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 2019. 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.

*Status:* Not resolved.

**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)

20189 (\$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.

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

*Status:* Not resolved.

**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.

*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.

*Status:* Not resolved.

**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.

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

Management did present an amended budget in November of 2019, 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.

*Status:* Variances have been resolved.

**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.

*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.

*Status:* Not resolved.

**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.

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

*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 2018.

*Status:* Not resolved.

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

*Status:* The 2019 report is past the due date due to the worldwide COVID 19 pandemic and its effects on office closures.

# *Minda B. Raybourn*

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Member  
LCPA

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

To the Mayor Mark Kemp  
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, 2019 through December 31, 2019. 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***

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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.
- k) *Disaster Recovery/Business Continuity*, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

**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.**

**Disaster Recovery/Business Continuity-The town does not have policies and procedures in place to address disaster recovery and business continuity.**

*Management Response: We will implement the policies and procedures noted above.*

### ***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: We will include the comparisons in the minutes.*

### ***Bank Reconciliations***

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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 is has researched items that have been outstanding for more than 12 months at the end of the fiscal year. A year end audit adjustment was recorded to void the checks.**

*Management Response: We will research all items outstanding and have management approve the reconciliations.*

### *Collections*

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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).

**A listing of deposits sites and management's representation was obtained.**

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)*

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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: We will have management approval all disbursements for payment.**

***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.***

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11. 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 listing of all travel and travel-related expense reimbursements was obtained. Management's representation was obtained.**

- 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](http://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.

**No exceptions noted.**

### ***Contracts***

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12. 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 list of all agreements/contracts was obtained. Management's representation was obtained.**

- 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.

**No exceptions noted for a) – d).**

### ***Payroll and Personnel***

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13. 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.**

14. 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.**

15. 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’

cumulate leave records, and agree the pay rates to the employee/officials' authorized pay rates in the employee/officials' personnel files.

**Two employees were tested. One employee was paid leave. The other was not.**

16. 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 November and December 2019 were not paid until February 3, 2020. During the fiscal year, the submittals for the Municipal Police Retirement System for the months of July 2019 through December 2019 were late. The submittals for the Municipal Employee Retirement System for the months of August 2019 through December 2019 were late. The time the submittals were late ranged from 17 to 60 days.**

*Management's Response: We will implement calendar reminders on all payroll taxes and retirement contributions payment due dates.*

### *Ethics*

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17. 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.**

*Management Response: We will implement annual signature verifications on all employees and officials.*

### *Debt Service*

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18. 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.**



19. 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*

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20. 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.**

21. 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.



Minda Raybourn CPA  
Franklinton, LA

November 17, 2020