

TOWN OF STERLINGTON
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2019

**TOWN OF STERLINGTON
STERLINGTON, LOUISIANA**

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February 20, 2024

Mayor Talbert and
the Board of
Aldermen
Town of Sterlington, Louisiana

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Sterlington, 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

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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.

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 risk 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, we 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit report, 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 Sterlington, 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 the information listed below to supplement the basic financial statements.

- Management's Discussion and Analysis
- Budgetary Comparison Information

Such information, although not a part of the basic financial statements, is required by the Government 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. We 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 our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We 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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Sterlington's basic financial statements. The other supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplementary information is the responsibility of management and was derived from and relates 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 our opinion, the other supplementary information is fairly stated, in all material respects, in relation to the basic financials statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 20, 2024, on our consideration of the Town of Sterlington's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit in accordance with *Government Auditing Standards* in considering the Town of Sterlington's internal control over financial reporting and compliance.

HEARD, McELROY & VESTAL, L.L.C.

Shreveport, Louisiana

REQUIRED SUPPLEMENTAL INFORMATION(PART A)

TOWN OF STERLINGTON, LOUISIANA

Management's Discussion and Analysis Year Ended December 31, 2019

As management of the Town of Sterlington, we offer readers of the financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended December 31, 2019. We encourage readers to consider the information presented here in conjunction with the accompanying basic financial statements. The intent of this discussion and analysis is to look at the Town's financial performance as a whole.

FINANCIAL HIGHLIGHTS

- The assets of the Town of Sterlington exceeded its liabilities at the close of the most recent fiscal year by \$2,169,682 (*net position*). Of this amount, \$5,739,217 represented *net investment in capital assets*, \$26,923 was restricted for public works, and \$99,654 was restricted for debt service. The amount of \$(3,696,112) is available for spending at the government's discretion (*unrestricted net position*).
- The government's total net position decreased by \$42,188.
- As of the close of the current fiscal year, the Town of Sterlington's Governmental Funds reported an ending fund balance of \$259,839, an increase of \$182,095 in comparison with the prior year. The amount of \$200,912 is available for spending at the government's discretion (*unassigned fund balance*).
- The Town of Sterlington's total debt decreased by approximately \$500,000 during the current fiscal year. During 2019, the Town didn't issue any new debt.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

The government-wide financial statements can be found on pages 9 and 10 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Sterlington, 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 of Sterlington 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 fiscal year. Such information may be useful in evaluating a government's near-term financing 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 Town'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 the governmental funds and governmental activities.

The Town of Sterlington maintains five individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, Road Construction and Maintenance Fund, Recreation Sales Tax Fund, and Sports Complex Capital Project Fund, all of which are considered to be major funds. The Capital Projects Fund is presented as a nonmajor funds in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances as "Aggregate Remaining Funds."

The governmental funds financial statements can be found on pages 11 through 14 of this report.

The Town of Sterlington adopts an annual appropriated budget for its General Fund, Road Construction and Maintenance Fund, Sports Complex Sales Tax Fund, and the Sports Complex Fund. Budgetary comparison statements have been provided on pages 37 through 39 to demonstrate compliance with the budgets.

Proprietary funds. The Town of Sterlington maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

The proprietary fund financial statements can be found on pages 18 through 20 of this report.

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

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Town of Sterlington’s compliance with budgets for its major fund.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. In the case of the Town of Sterlington, assets exceeded liabilities by \$2,630,890 at the close of the most recent fiscal year.

The largest amount (\$5,729,853) of the Town of Sterlington’s net position reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The Town of Sterlington uses these capital assets to provide services to citizens. Consequently, these assets are *not* available for future spending. Although the Town of Sterlington’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 Sterlington
Condensed Statement of Net Position
For the Years Ended December 31, 2019 and 2018**

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 487,215	\$ 292,813	\$ 742,244	\$ 1,085,518	\$ 1,229,459	\$ 1,378,331
Capital assets	13,326,749	13,418,184	4,736,332	5,062,436	18,063,081	18,480,620
Total assets	<u>13,813,964</u>	<u>13,710,997</u>	<u>5,478,376</u>	<u>6,147,954</u>	<u>19,292,540</u>	<u>19,858,951</u>
Deferred outflows of resources	-	-	33,545	38,336	38,336	38,336
Current and other liabilities	282,271	243,588	195,543	538,836	413,217	782,424
Long-term liabilities	7,587,532	7,896,896	9,091,057	9,381,630	16,742,382	17,278,526
Total liabilities	<u>7,869,803</u>	<u>8,140,484</u>	<u>9,286,600</u>	<u>9,920,466</u>	<u>17,155,599</u>	<u>18,060,950</u>

Net Assets:						
Net investment in capital assets	5,739,217	5,521,288	-	-	5,739,217	5,521,288
Restricted	58,927	78,541	67,650	115,955	126,577	194,496
Unrestricted	146,017	(29,316)	(3,842,129)	(3,474,598)	(3,696,112)	(3,503,914)
Total net position	\$ <u>5,944,161</u>	\$ <u>5,570,513</u>	\$ <u>(3,774,479)</u>	\$ <u>(3,358,643)</u>	\$ <u>2,169,682</u>	\$ <u>2,211,870</u>

In 2019, total net position of the Town decreased by \$42,188. The changes in net position are discussed later in this MD&A.

The results of this year's operations for the primary government as a whole are reported in the Statement of Activities as follows:

Town of Sterlington
Condensed Statement of Activities
For the Years Ended December 31, 2019 and 2018

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues						
Program Revenues						
Charges for services	\$ 558,602	\$ 502,628	\$ 692,672	\$ 525,800	\$ 1,251,274	\$ 1,028,428
Operating grants and contributions	29,323	-	-	-	29,323	-
Capital grants and contributions	385,000	812,953	-	-	385,000	812,953
General Revenues						
Property taxes	175,720	156,185	-	-	175,720	156,185
Sales taxes	1,046,197	1,015,271	-	-	1,046,197	1,015,271
Other general revenues	103,168	137,611	1,332	850,787	104,500	988,398
Transfers	188,584	2,682,566	(188,584)	(2,682,567)	-	(1)
Total revenues	<u>2,486,594</u>	<u>5,307,214</u>	<u>505,420</u>	<u>(1,305,980)</u>	<u>2,992,014</u>	<u>4,001,234</u>
Expenses						
General government	510,627	543,310	-	-	510,627	543,310
Public safety	285,317	505,149	-	-	285,317	505,149
Public works	218,700	327,863	-	-	218,700	327,863
Culture and Recreation	695,026	691,655	-	-	695,026	691,655
Interest on long-term debt	403,276	283,635	314,972	333,528	718,248	617,163
Sewer	-	-	606,284	1,735,114	606,284	1,735,114
Total expenses	<u>2,112,946</u>	<u>1,586,692</u>	<u>921,526</u>	<u>2,068,642</u>	<u>3,034,202</u>	<u>4,420,254</u>
Increase (decrease) in net position	\$ <u>373,648</u>	\$ <u>(246,231)</u>	\$ <u>(415,836)</u>	\$ <u>(3,374,622)</u>	\$ <u>(42,188)</u>	\$ <u>(419,020)</u>

Governmental Activities

Governmental activities increased the Town of Sterlington's net position by \$373,648. Key elements of the changes in net position are as follows:

Expenses are classified by functions/programs. General government expenses accounted for \$510,627 in 2019. Public safety accounted for \$285,317 while public works accounted for \$218,700 for fiscal 2019. Culture and recreation accounted for \$695,026 in 2019. Interest on long-term debt accounted for \$403,276 in 2019.

The related program revenues for fiscal 2019 directly related to these expenses totaled \$972,925 which resulted in net program expenses of \$1,140,021. The remaining balance of expenses represents the cost to the taxpayers. The costs of governmental activities exceeding restricted state grants are paid primarily from the following sources:

- Sales tax revenues are the largest and most significant source of revenue for the Town of Sterlington, providing approximately \$1,046,197 of revenues, an increase of \$30,926 (3%) as compared to 2018. Of the \$1,046,197, \$627,728 is allocated to the General Fund, \$209,250 to the Road Construction and Maintenance Fund, and \$209,219 to the Sports Complex Sales Tax Fund.
- Ad valorem taxes are the next largest revenue source to the Town, generating \$175,720, an increase of \$19,535 (13%) in General Fund revenue.
- Fines and forfeitures of \$92,281, a decrease of \$132,572 (59%) from 2018's \$224,853 recognized by the Town.

Business-Type Activities. Business-type activities (Consolidated Sewer District) decreased the Town of Sterlington's net position by approximately \$416,000. This decrease was primarily attributable to depreciation expense on capital assets.

Financial Analysis of the Government's Funds

As noted earlier, the Town of Sterlington uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The focus of the Town of Sterlington'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 of Sterlington's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

General Fund, Road Construction and Maintenance Fund, and Recreation Sales Tax Budgetary Highlights

In accordance with Louisiana Revised Statutes Title 39, Chapter 9, Louisiana Local Government Budget Act (LSA- R.S 39:1301 et seq), the Town of Sterlington must adopt a budget for the General Fund and all Special Revenue funds prior to December 31. The original budget for the Town was adopted on December 27, 2018, and there were no amendments to the budget.

Capital Asset and Debt Administration

Capital Assets. The Town of Sterlington's investment in capital assets for its governmental and business type activities as of December 31, 2019, amounts to \$18,063,081 (net of accumulated depreciation), which decreased by approximately \$417,500 over the prior year due primarily to depreciation expense in the current year of \$800,058.

The \$18.0 million investment in capital assets includes land, construction in progress, buildings and system improvements, and machinery and equipment.

Town of Sterlington Capital Assets December 31, 2019

Land	\$	1,664,517
Construction in progress		23,288
Building and improvements		206,146
Sports Complex and improvements		10,514,025
Land improvements		162,850
Vehicles and equipment		1,412,606
Fire Protection system		581,981
Drainage		475,472
Streets		1,487,444
Sewer system		<u>7,595,482</u>
Total		24,123,811
Less: accumulated depreciation		<u>(6,060,730)</u>
Total Capital Assets	\$	<u><u>18,063,081</u></u>

As of December 31, 2019, the Town of Sterlington's outstanding long-term debt of \$16,678,589 consists of the following:

Town of Sterlington Long-term Obligations December 31, 2019

Long-term Obligations		Balance December 31, 2019
Revenue bonds	\$	16,643,302
Deferred discount		(7,245)
Compensated absences		<u>42,532</u>
	\$	<u><u>16,678,589</u></u>

During fiscal year 2019, the Town did not issue any additional debt.

Requests for Information

This financial report is designed to provide a general overview of the Town of Sterlington's finances for all of 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 the Town Clerk, 503 Highway 2, Sterlington, Louisiana 71280.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

TOWN OF STERLINGTON
STERLINGTON, LOUISIANA
STATEMENT OF NET POSITION
DECEMBER 31, 2019

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
<u>Assets</u>			
Cash and Cash Equivalents	\$ 56,457	\$ 207,224	\$ 263,681
Receivables, Net	331,233	78,621	409,854
Due from Other Governments	263	-	263
Restricted Cash	2,167	360,497	362,664
Restricted Investments	97,095	-	97,095
Notes Receivable, Net	-	95,902	95,902
Capital Assets, Net:	13,326,749	4,736,332	18,063,081
<u>Total Assets</u>	<u>13,813,964</u>	<u>5,478,576</u>	<u>19,292,540</u>
<u>Deferred Outflows of Resources</u>	<u>-</u>	<u>33,545</u>	<u>33,545</u>
<u>Liabilities</u>			
Accounts Payable	222,552	13,748	236,300
Accrued Liabilities	59,719	64,597	124,316
Customer Deposits	-	117,198	117,198
Current Portion of Long-Term Obligations	268,067	451,384	719,451
Non-Current Portion of Long-Term Obligations	7,319,465	8,639,673	15,959,138
<u>Total Liabilities</u>	<u>7,869,803</u>	<u>9,286,600</u>	<u>17,156,403</u>
<u>Net Position</u>			
Net Investment in Capital Assets	5,739,217	-	5,739,217
Restricted for Public Works	26,923	-	26,923
Restricted for Debt Service	32,004	67,650	99,654
Unrestricted	146,017	(3,842,129)	(3,696,112)
<u>Total Net Position</u>	<u>\$ 5,944,161</u>	<u>\$ (3,774,479)</u>	<u>\$ 2,169,682</u>

See accompanying notes to basic financial statements.

TOWN OF STERLINGTON
STERLINGTON, LOUISIANA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

Function/Program Activities	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Government Activities:				
General Government	\$ 510,627	\$ 140,678	\$ 9,444	\$ -
Public Safety	285,317	92,281	19,879	-
Highways and Streets	218,700	-	-	-
Cultural and Recreation	695,026	325,643	-	385,000
Interest on Long-Term Debt	403,276	-	-	-
Total Governmental Activities	2,112,946	558,602	29,323	385,000
 Business-Type Activities:				
Consolidated Sewer District	606,284	692,672	-	-
Interest on Long-Term Debt	314,972	-	-	-
Total Business-Type Activities	921,256	692,672	-	-
Total Government	\$ 3,034,202	\$ 1,251,274	\$ 29,323	\$ 385,000

General Revenues:

Taxes:
Property Taxes
Sales Taxes
Franchise Taxes
Investment Earnings
Transfers
Miscellaneous

Total General Revenues

Changes in Net Position

Net Position - Beginning

Net Position - Ending

Net (Expense) Revenues and
Changes in Net Position
Primary Government

Governmental Activities	Business-Type Activities	Total
\$ (360,505)	\$ -	\$ (360,505)
(173,157)	-	(173,157)
(218,700)	-	(218,700)
15,617	-	15,617
(403,276)	-	(403,276)
<u>(1,140,021)</u>	<u>-</u>	<u>(1,140,021)</u>
-	86,388	86,388
-	(314,972)	(314,972)
<u>-</u>	<u>(228,584)</u>	<u>(228,584)</u>
(1,140,021)	(228,584)	(1,368,605)
175,720	-	175,720
1,046,197	-	1,046,197
68,139	-	68,139
4,466	1,332	5,798
188,584	(188,584)	-
30,563	-	30,563
<u>1,513,669</u>	<u>(187,252)</u>	<u>1,326,417</u>
373,648	(415,836)	(42,188)
<u>5,570,513</u>	<u>(3,358,643)</u>	<u>2,211,870</u>
<u>\$ 5,944,161</u>	<u>\$ (3,774,479)</u>	<u>\$ 2,169,682</u>

See accompanying notes to basic financial statements.

FUND FINANCIAL STATEMENTS

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

	Major Funds				Total Governmental Funds
	General Fund	Special Revenue Funds		Capital Projects	
		Road Construction and Maintenance	Recreation Sales Tax	Sports Complex	
<u>Assets</u>					
Cash and Cash Equivalents	\$ 51,272	\$ 3,603	\$ 422	\$ 1,160	\$ 56,457
Receivables					
Ad Valorem Taxes - Net	158,588	-	-	-	158,588
Sales Taxes	94,745	31,582	31,582	-	157,909
Other	14,736	-	-	-	14,736
Cash - Restricted	-	-	-	2,167	2,167
Investments - Restricted	92,075	5,020	-	-	97,095
Due from Other Governments	263	-	-	-	263
Due From Other Funds	-	-	-	-	-
<u>Total Assets</u>	<u>411,679</u>	<u>40,205</u>	<u>32,004</u>	<u>3,327</u>	<u>487,215</u>
<u>Liabilities</u>					
Accounts Payable	74,967	13,282	-	134,303	222,552
Accrued Expenses	4,824	-	-	-	4,824
<u>Total Liabilities</u>	<u>79,791</u>	<u>13,282</u>	<u>-</u>	<u>134,303</u>	<u>227,376</u>
<u>Fund Balances</u>					
Restricted	-	26,923	32,004	-	58,927
Unassigned	331,888	-	-	(130,976)	200,912
<u>Total Fund Balances</u>	<u>331,888</u>	<u>26,923</u>	<u>32,004</u>	<u>(130,976)</u>	<u>259,839</u>
<u>Total Liabilities and Fund Balances</u>	<u>\$ 411,679</u>	<u>\$ 40,205</u>	<u>\$ 32,004</u>	<u>\$ 3,327</u>	<u>\$ 487,215</u>

See accompanying notes to basic financial statements.

TOWN OF STERLINGTON
STERLINGTON, LOUISIANA
RECONCILIATION OF GOVERNMENTAL
FUND BALANCE TO STATEMENT OF NET POSITION
DECEMBER 31, 2019

Total Governmental Fund Balances \$ 259,839

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Governmental Capital Assets	15,871,272	
Less: Accumulated Depreciation	<u>(2,544,523)</u>	13,326,749

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds.

Accrued Interest Payable	(54,895)	
Bonds Payable	(7,545,000)	
Compensated Absences	<u>(42,532)</u>	<u>(7,642,427)</u>

Net Position of Governmental Activities \$ 5,944,161

See accompanying notes to basic financial statements.

TOWN OF STERLINGTON
STERLINGTON, LOUISIANA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

	Major Funds				Total Governmental Funds
	General Fund	Special Revenue Funds		Capital Projects	
		Road Construction and Maintenance	Recreation Sales Tax	Sports Complex	
<u>Revenues</u>					
Property Taxes	\$ 175,720	\$ -	\$ -	\$ -	\$ 175,720
Sales Taxes	627,728	209,250	209,219	-	1,046,197
Franchise Taxes	68,139	-	-	-	68,139
Licenses and Permits	138,778	700	-	-	139,478
Intergovernmental	29,323	-	-	385,000	414,323
Fees	-	-	-	325,643	325,643
Charges for Services	1,200	-	-	-	1,200
Fines and Forfeitures	92,281	-	-	-	92,281
Use of Money and Property	3,878	561	19	8	4,466
Miscellaneous	26,428	600	-	3,535	30,563
Total Revenues	1,163,475	211,111	209,238	714,186	2,298,010
<u>Expenditures</u>					
General Government	483,411	-	-	-	483,411
Public Safety	256,102	-	-	-	256,102
Public Works	13,039	91,330	-	-	104,369
Culture and Recreation	-	-	-	411,367	411,367
Capital Outlay	-	-	-	372,350	372,350
Debt Service:					
Principal Payments	78,133	56,934	52,850	112,083	300,000
Interest and Other	98,161	71,528	66,398	140,813	376,900
Total Expenditures	928,846	219,792	119,248	1,036,613	2,304,499
<u>Excess (Deficiency) of Revenues</u>					
<u>Over Expenditures</u>	234,629	(8,681)	89,990	(322,427)	(6,489)
<u>Other Financing Sources and (Uses)</u>					
Transfers In	173,690	2,973	-	293,410	470,073
Transfers Out	(177,593)	(24,158)	(79,738)	-	(281,489)
Total Other Financing	(3,903)	(21,185)	(79,738)	293,410	188,584
<u>Net Change in Fund Balance</u>	230,726	(29,866)	10,252	(29,017)	182,095
<u>Fund Balance - Beginning</u>	101,162	56,789	21,752	(101,959)	77,744
<u>FUND BALANCE - ENDING</u>	\$ 331,888	\$ 26,923	\$ 32,004	\$ (130,976)	\$ 259,839

See accompanying notes to basic financial statements.

TOWN OF STERLINGTON
STERLINGTON, LOUISIANA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

Net Change in Fund Balances - Total Governmental Funds \$ 182,095

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

Government funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital Outlay - Net	372,350	
Depreciation expense	<u>(463,785)</u>	(91,435)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayments of the principal of a long-term debt consumes the current financial resources of governmental funds. Neither transactions, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The detail of these differences in the treatment of long-term debt and related items is as follows:

Principal Payments		300,000
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Decrease in Compensated Absences	9,364	
Increase in Accrued Interest	<u>(26,376)</u>	<u>(17,012)</u>

Change in Net Position in Governmental Activities		<u>\$ 373,648</u>
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See accompanying notes to basic financial statements.

TOWN OF STERLINGTON
STERLINGTON, LOUISIANA
STATEMENT OF NET POSITION
BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUND
UTILITY FUND
DECEMBER 31, 2019

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 207,224
Accounts Receivable, Net	78,621
Cash and Cash Equivalents - Restricted	360,497
Total Current Assets	<u>646,342</u>

Non-Current Assets

Notes Receivable, Net	95,902
-----------------------	--------

Capital Assets:

Land and Land Improvements	74,225
Water Reservoir and Treatment Plant	7,595,482
Equipments	582,832
Less: Accumulated Depreciation	<u>(3,516,207)</u>
Total Capital Assets	<u>4,736,332</u>

TOTAL ASSETS

5,478,576

Deferred Outflows of Resources

33,545

LIABILITIES

Current Liabilities (Payable from Current Assets)

Accounts Payable	13,748
Customer Deposits	117,198
Total Current Liabilities (Payable from Current Assets)	<u>130,946</u>

Current Liabilities (Payable from Restricted Assets)

Accrued Interest on Revenue Bonds	64,597
Current Portion of Long-Term Debt	451,384
Total Current Liabilities (Payable from Restricted Assets)	<u>515,981</u>

Total Current Liabilities

646,927

Noncurrent Liabilities

Bonds and Notes Payable	<u>8,639,673</u>
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TOTAL LIABILITIES

9,286,600

Net Position

Invested in Capital Assets Net of Related Debt	-
Restricted for Debt Service	67,650
Unrestricted	<u>(3,842,129)</u>
Total Net Position	<u>\$ (3,774,479)</u>

See accompanying notes to basic financial statements.

TOWN OF STERLINGTON
STERLINGTON, LOUISIANA
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUND
UTILITY FUND
FOR THE YEAR ENDED DECEMBER 31, 2019

Operating Revenues

User Fees	\$ 689,497
Other Operating Revenues	3,175
Total Operating Revenues	<u>692,672</u>

Operating Expenses

Depreciation and Amortization	336,273
Insurance	12,647
Maintenance and Repairs	40,186
Material and Supplies	16,168
Office Supplies	6,089
Other Operating Expenses	98,105
Professional Fees	2,905
Salaries and Related Benefits	45,565
Utilities and Communications	43,555
Total Operating Expenses	<u>601,493</u>

Net Operating Income (Loss)	91,179
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Nonoperating Revenues (Expenses)

Interest Earnings	1,332
Amortization Expense	(4,791)
Interest Expense	(314,972)
Total Nonoperating Revenues (Expenses)	<u>(318,431)</u>

Income (Loss) Before Transfers	(227,252)
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Transfers Out	<u>(188,584)</u>
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Change in Net Position	(415,836)
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Total Net Position, Beginning	<u>(3,358,643)</u>
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Total Net Position, Ending	<u><u>\$ (3,774,479)</u></u>
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See accompanying notes to basic financial statements.

TOWN OF STERLINGTON
STERLINGTON, LOUISIANA
STATEMENT OF CASH FLOWS
UTILITY FUND
FOR THE YEAR ENDED DECEMBER 31, 2019

Cash Flows From Operating Activities

Receipts from Customers	\$ 638,665
Payments to Supplies	(267,898)
Payments to Employers and Employee Benefits	(57,409)
Net Cash Provided by Operating Activities	313,358

Cash Flows From Noncapital Financing Activities

Customer Deposits	16,691
Due To/From Other Funds	283,052
Transfer to Other Funds	(188,584)
Net Cash Provided (Used) by Noncapital Financing Activities	111,159

Cash Flows From Capital and Related Financing Activities

Purchase of Capital Assets	(10,169)
Principal Paid on Debt	(212,000)
Interest Paid	(317,909)
Net Cash Provided (Used) by Capital and Related Financing Activities	(540,078)

Cash Flows From Investing Activities

Loans to Contractors (Net)	8,000
Interest Earned on Investments	1,332
Net Cash Provided by Investing Activities	9,332

Net Increase (Decrease) in Cash and Cash

<u>Equivalents</u>	(106,229)
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Cash and Cash Equivalents - Beginning of Year

673,950

Cash and Cash Equivalents - End of Year

\$ 567,721

Unrestricted Cash and Cash Equivalents, End of Year

207,224

Restricted Cash and Cash Equivalents, End of Year

360,497

Total Cash and Cash Equivalents, End of Year

567,721

Continued on next page.

See accompanying notes to basic financial statements.

TOWN OF STERLINGTON
STERLINGTON, LOUISIANA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

Reconciliation of Operating Income (Loss)

to Net Cash Flows from Operating Activities

Net Operating Income (Loss)	91,179
Adjustments to Reconcile Net Income (Loss) to Net Cash Used by Operating Activities	
Depreciation	336,273
(Increase) Decrease in Accounts Receivable	(54,007)
Increase (Decrease) in Accounts Payable	(49,048)
Increase (Decrease) in Compensated Absences	(11,843)
Net Cash Provided (Used) by Operating Accounts	<u>\$ 312,554</u>

See accompanying notes to basic financial statements.

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

Note 1 - Summary of Significant Accounting Policies

A. Financial Reporting Entity

The accompanying financial statements include all funds of the Town of Sterlington, Louisiana (the Town). The accompanying financial statements of the Town have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The Town consists of an executive branch of government headed by a mayor and a legislative branch of government consisting of five aldermen. The Town's major operations include police protection, street and drainage maintenance, wastewater collection and treatment, and administrative services.

As the governing authority for the municipality, the Town is the reporting entity for the municipality. The financial reporting entity consists of (a) the primary government (the Town), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

GASB Statement Number 61, *The Financial Reporting Entity: Omnibus-An Amendment of GASB Statements No. 14 and No. 34*, establishes criteria for determining which component units should be considered part of the Town for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is accountability. These criteria include:

1. Appointing a voting majority of an organization's governing body and the ability of the Town to impose its will on that organization and/or the potential for the organization to provide specific financial benefits to or impose specific financial burdens on the Town.
2. Organizations for which the Town does not appoint a voting majority, but are fiscally dependent on the Town.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature and significance of the relationship.

Based on the foregoing criteria, the financial statements of the Sterlington Consolidated Sewerage District (a proprietary fund type - enterprise fund - the District) have been included in this report using a blended presentation because the District's accounting records are maintained by the Town and the District's Board of Commissioners include the Mayor and two Aldermen.

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

Note 1 - Summary of Significant Accounting Policies (continued)

B. Basis of Presentation

The Town's basic financial statements consist of the government-wide statements on all activities of the government and the fund financial statements. The statements are prepared in accordance with accounting principles generally accepted in the United States of America as applied to governmental units and promulgated by the Governmental Accounting Standards Board (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*. Both the entity-wide financial statements and the proprietary fund financial statements follow the guidance included in GASB Statement No. 62-*Codification of Accounting and Financial Reporting Guidance Contained In Pre-November 30, 1989 FASB and AICPA Pronouncements*.

Government-wide Financial Statements

The government-wide financial statements include the Statement of Net Position and the Statement of Activities for all activities of the government. As a general rule, the effect of interfund activity has been removed from these statements. The government-wide presentation focuses primarily on the sustainability of the Town as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

Governmental Activities represent programs which normally are supported by taxes and intergovernmental revenues.

Business-type Activities are financed in whole or in part by fees charged to external parties for goods and services.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and (2) grants and contributions that are restricted to meeting operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

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

Note 1 - Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Fund Financial Statements

The Town uses funds to report on its financial position and the results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate.

Emphasis of fund reporting is on the major fund level in either the governmental or business-type categories. Non-major funds (by category) or fund type are summarized into a single column in the basic financial statements.

Funds are classified into three categories: governmental, proprietary, and fiduciary. Each category, in turn, is divided into separate "fund types". Governmental funds are used to account for a government's general activities, where the focus of attention is on the provision of services to the public as opposed to proprietary funds where the focus of attention is on recovering the cost of providing services to the public or other agencies through service charges or user fees. Fiduciary funds are used to account for assets held for others. The Town's current operations require the use of the governmental and proprietary categories. The fund types used by the Town are described as follows:

Governmental activities presented as Governmental Funds in the fund financial statements:

Major Funds:

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

Road Construction & Maintenance - This special revenue fund is used to account for resources and activities associated with proceeds from the one-half of one percent (0.50%) sales and use tax.

Recreation Sales Tax - This special revenue fund is used to account for resources and activities associated with the proceeds from the one half of one percent (0.50%) sales and use tax related to recreational activities.

Sports Complex - The capital project fund is used to account for the construction of a recreational sports complex and its related debt funding and repayments.

NonMajor Funds:

Capital Projects - This fund is used to account for resources and activities associated with capital outlay for General Government and some Sewer projects.

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

Note 1 - Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Fund Financial Statements (continued)

Business-type activities presented as Enterprise Funds in the fund financial statements:

Enterprise Fund - This fund is used to account for operations (a) that are financed or operated in a manner similar to private business enterprises - where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods and 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 revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. Capital projects for the Enterprise fund that use part or all of general government resources to fund the capital project is normally accounted for in a Capital Projects fund. If the Enterprise fund is financing a portion of the cost, then a transfer is made from the Enterprise fund to the Capital Projects fund for the Enterprise fund's portion of the cost. At the end of each year, the Enterprise fund recognizes a capital contribution for the amount of Construction in Progress for that year. The Enterprise fund depreciates the asset when it is complete and goes in production. The Enterprise fund is presented in the business-type activities column in government-wide financial statements and is considered a major fund in the Enterprise Fund statements.

Governmental Funds

Revenues:

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Town considers all revenues available if they are collected within 60 days after year-end.

The Sheriff of Ouachita Parish, as provided by state law, bills and collects property taxes on behalf of the Town using the assessed values determined by the tax assessor of Ouachita Parish. Billed taxes become delinquent on January 1 of the year following the year in which the taxes are due.

Sales taxes are recognized as revenue when in the hand of the vendor.

Interest earnings on time deposits are recognized as revenue when the time deposits have matured and interest is available. Substantially all other revenues are recognized when actually received by the Town.

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

Note 1 - Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Fund Financial Statements (continued)

Expenditures:

Expenditures in the governmental funds are generally recognized under the modified accrual basis of accounting when the liability is incurred except for unmatured interest on long-term debt which is recognized when due, and certain claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

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

Proprietary Funds

The Proprietary Fund is accounted for using the accrual method of accounting. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

Revenues:

The Town distinguishes operating revenues and expenses from non-operating items. The principle operating revenues are charges to customers for services. The Town also recognizes as operating revenues charges to customers for connecting to the sewer system.

Expenses:

Operating expenses consist of amounts paid for wages and related benefits, contractual services, supplies used, equipment and facility maintenance and operations, depreciation, and other items directly or indirectly required for the provision of services. All expenses not meeting the previously mentioned definitions are reported as nonoperating expenses.

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

C. Budgets and Budgetary Accounting

The Town follows these procedures in establishing the budgetary data reflected in these financial statements.

1. The proposed budget is submitted to the Board of Aldermen in December. Notice of the location and availability of the proposed budget for public inspection and the date of the public hearing to be conducted on the budget is then advertised in the official journal of the Town.

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

Note 1 - Summary of Significant Accounting Policies (continued)

C. Budgets and Budgetary Accounting (continued)

2. After the public hearing, the budget is adopted by passing an ordinance approving the budget at the selected December board meeting.
3. Budgetary amendments involving the transfer of funds from one department, program or function to another or involving increases in expenditures resulting from revenues exceeding amounts estimated require the approval of the Board of Aldermen.
4. All legally adopted budgets of the Town are adopted on a basis consistent with GAAP. Encumbrance accounting is not used by the Town.

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Equity

Cash, Cash Equivalents, and Investments

Under state law, the Town may deposit in demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law or national banks having their principal offices in Louisiana. For the purpose of the Statement of Cash Flows, cash equivalents include all highly liquid investments (including restricted assets) with a maturity date of three months or less when purchased. Deposits with maturity dates greater than three months are classified as investments.

Interfund Receivables and Payables

Short term cash loans between funds are considered temporary in nature. These amounts are reported as "due from/due to other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Capital Assets

Capital assets, which include land, building, other improvements, machinery and equipment, vehicles, furniture and fixtures, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

As permitted by GASB Statement No. 34, the Town has elected not to report infrastructure assets retroactively but began accounting for them prospectively in the year ended December 31, 2010. The accounting and reporting treatment applied to the fixed assets associated with a particular fund is determined by the fund's measurement focus.

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

Note 1 - Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Equity (continued)

All purchased capital assets are recorded at cost where historical records are available and at estimated cost where historical records are not available. The Town considers assets with an individual cost of \$500 or more and an estimated useful life of one year or more a capital asset. Donated fixed assets are valued at fair market value at the date of the gift. Major additions are capitalized while maintenance and repairs that do not improve or extend the life of the respective assets are charged to expense.

Capital assets are depreciated over the estimated useful lives of the assets using the straight-line method. Estimated useful lives are as follows:

Buildings	10 to 30 years
Vehicles and equipment	3 to 10 years
Fire protection system	50 years
Sewer systems	20 to 40 years
Infrastructure	20 years

Long-Term Liabilities

In the government-wide statement of net position and in the proprietary fund type financial statements, long-term debt and compensated absences are reported as liabilities. Bond issuance costs are reported as expense in the year of debt issuance. Bonded debt premiums, discounts, and gains (losses) on refunding are deferred and amortized over the life of the bonds using the straight line method. Bonds payable is reported net of the applicable bond premium or discount. Gains (losses) on refunding are reported as deferred outflows/inflows of resources.

Bad Debts

The Town uses the allowance method for recording bad debts associated with ad valorem taxes, customer utility accounts receivable, and notes receivable. As of December 31, 2019, an allowance of \$2,349 was recorded for uncollectible ad valorem taxes receivable deemed uncollectible and \$1,523 was recorded for uncollectible notes receivable associated with a zero-interest loan to a local utility provider deemed to not be fully collectible. Uncollectible amounts for customers' sewer charges are generally not significant. Therefore, the direct write-off method of recognizing bad debts is used. Under this method, the receivable is charged to expense when the account is deemed to be uncollectible and the result is substantially the same as that provided by use of the allowance method.

Fund Equity of Fund Financial Statements

GASB 54 - Fund Balance Reporting and Governmental Fund Type Definitions requires the fund balance amounts to be reported within the fund balances categories as follows:

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

Note 1 - Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Equity (continued)

Nonspendable - Fund balance that is not in spendable form or is legally or contractually required to be maintained intact. This category includes items that are not easily convertible to cash such as prepaid expenses.

Restricted- Portions of fund equity reported in the Fund Financial Statements are restricted by local, state or Federal grant regulations for future use and are, therefore, not available for future appropriation or expenditure.

Committed - Committed fund balances indicate the Town's tentative plans for the use of financial resources in a future period. Fund balance commitments are made by Board approved resolutions. The Town does not have any such fund balances in the current fiscal year.

Assigned - The Board of Aldermen can assign the General Fund's unassigned fund balance as they determine needed for the payment of future commitments. The Board of Aldermen has not established a formal policy regarding the order of spending fund balances that are restricted, committed, or assigned. The Town's informal policy for the spending prioritization of fund balances is that restricted would receive top priority followed by committed. Assigned balances receive the least priority and would be authorized to be spent only if adequate funds were available. If expenditures incurred exceed the amount that has been committed or assigned to a specific purpose, amounts unassigned would be reduced to eliminate the deficit. The Town does not have any assigned fund balances in the current fiscal year.

Unassigned - The unassigned portion of fund balance is the amount not in other spendable classifications. The Town has not established benchmarks for unassigned fund balance requirements.

The Board of Aldermen has not established a formal policy regarding the order of spending fund balances that are restricted, committed, or assigned. The Town's informal policy for the spending prioritization of fund balances is that restricted would receive top priority followed by committed. Assigned balances receive the least priority and would be authorized to be spent only if adequate funds were available. If expenditures incurred exceed the amount that would have been committed or assigned to a specific purpose, amounts unassigned would be reduced to eliminate the deficit.

Net Position

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

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

Note 1 - Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Equity (continued)

Net investment in capital assets: Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of these assets.

Restricted net position: Consists of net resources with constraints placed on their use by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provision or enabling legislation.

Unrestricted net position: All other net resources that do not meet the definition of "restricted" or "net investment in capital assets."

The Board of Aldermen has not established a formal policy regarding the order of spending net position when both restricted and unrestricted resources are available for use but informally, restricted resources are used first and followed by unrestricted if needed. Restricted net position reported in the Statement of Net Position as restricted for debt service and restricted for depreciation and contingency are as a result of externally imposed restrictions by its creditors.

Deferred Outflows/Inflows of Resources

The statement of financial position will often report a separate section for deferred outflows and (or) deferred inflows of financial resources. Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

All of the Town's deferred outflows of resources on the statement of net position are a result of deferrals concerning bonded debt. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. Deferred amount on refunding of debt is reported in the deferred inflows or deferred outflow sections of the statement of position and is being amortized over thirteen years beginning in 2014.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of the assets and liabilities and disclosure of the contingent assets and liabilities the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

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

Note 2 - Cash and Investments

Custodial Credit Risk – Deposits

The custodial credit risk is the risk that in the event of a bank failure, the Town’s deposits may not be returned to it. The Town’s policy to ensure there is no exposure to this risk is to require each financial institution to pledge its own securities to cover any amount in excess of Federal Depository Insurance Coverage. Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the Town that the fiscal agent bank has failed to pay deposited funds upon demand. Accordingly, the Town did have custodial risk related to its deposits at December 31, 2019.

At December 31, 2019, the Town has cash and cash equivalents (book balances net of overdrafts) in the amount of \$626,345.

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) 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 by both parties. Cash and cash equivalents (bank balances) at December 31, 2019, are secured as follows:

Bank Balances	\$ <u>632,098</u>
Federal Deposits Insurance	\$ 514,896
Pledged Securities (Uncollateralized)	<u>117,202</u>
<u>TOTAL</u>	<u>\$ 632,098</u>
Governmental Funds Cash	\$ 58,624
Enterprise Funds Cash	<u>567,721</u>
<u>TOTAL BOOK BALANCES BY FUND TYPE</u>	<u>\$ 626,345</u>

The FDIC issued an updated description of the explanation of savings deposits as follows: (The insurance coverage of public unit accounts depends upon the type of deposit and location of the insured depository institution. All time and savings deposits owned by a public unit and held by the same official custodian in an insured depository institution within the state in which the public unit is located are added together and insured up to \$250,000. Separately, all demand deposits owned by the public unit and held by the same official custodian in an insured depository institution within the state in which the public unit is located are added together and insured up to \$250,000. For the purpose of these rules, the term “savings deposits” includes NOW accounts, money market deposit accounts, and other interest-bearing checking accounts.)

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

Note 2 - Cash and Investments (continued)

Even though the pledged securities are considered uncollateralized (Category 3) under the provision of GASB Statement 3, R.S.39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the municipality that the fiscal agent has failed to pay deposited funds upon demand.

Investments

Custodial Credit Risk – Investments

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town had no custodial credit risk related to its investments on December 31, 2019.

Under state law, the Town may invest funds in obligations of the United States, in federally insured investments, or in time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana. The forbearance agreement with Argent allows a portion of the sales tax collections to be invested until all reserves are met on the debts. At December 31, 2019, the Town had the restricted investments held by Argent of \$97,095.

Note 3 - Receivables/Allowance for Doubtful Accounts

Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Property taxes, franchise taxes, licenses, and interest associated within the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Receivables at December 31, 2019, consist of the following:

	<u>Governmental Funds</u>	<u>Proprietary Funds</u>	<u>Total</u>
Ad Valorem Taxes (Net)	\$ 158,588	\$ -	\$ 158,588
Sales Taxes	157,909	-	157,909
Accounts Receivable	-	78,621	78,621
Other	<u>14,736</u>	<u>-</u>	<u>14,736</u>
Total	<u>\$ 331,233</u>	<u>\$ 78,621</u>	<u>\$ 409,854</u>

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

Note 4 - Capital Assets

Capital asset activity for the year ended June 30, 2023, is as follows:

	<u>1/1/2019</u> <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>12/31/2019</u> <u>Balance</u>
Government Activities:				
Non-Depreciable Assets:				
Land	\$ 1,590,292	\$ -	\$ -	\$ 1,590,292
Construction in Process	<u>23,288</u>	<u>-</u>	<u>-</u>	<u>23,288</u>
Total Non-Depreciable Assets	1,613,580	-	-	1,613,580
Depreciable Assets:				
Sports Complex	10,143,905	372,350	-	10,516,255
Buildings	203,916	-	-	203,916
Land Improvements	162,850	-	-	162,850
Vehicles and Equipment	829,774	-	-	829,774
Fire Protection System	581,981	-	-	581,981
Infrastructure: Drainage	475,472	-	-	475,472
Infrastructure: Streets	<u>1,487,444</u>	<u>-</u>	<u>-</u>	<u>1,487,444</u>
Total at Historical Cost	13,885,342	372,350	-	14,257,692
Less Accumulated Depreciation	<u>(2,080,738)</u>	<u>(463,785)</u>	<u>-</u>	<u>(2,544,523)</u>
<u>Government Activities Capital Assets, Net</u>	<u>\$ 13,418,184</u>	<u>\$ (91,435)</u>	<u>\$ -</u>	<u>\$ 13,326,749</u>
 Business-Type Activities:				
Non-Depreciable Assets:				
Land	\$ 74,225	\$ -	\$ -	\$ 74,225
Depreciable Assets:				
Sewer Plant	7,585,313	10,169	-	7,595,482
Equipment	<u>582,832</u>	<u>-</u>	<u>-</u>	<u>582,832</u>
Totals at Historical Cost	8,168,145	10,169	-	8,178,314
Less Accumulated Depreciation	<u>(3,179,934)</u>	<u>(336,273)</u>	<u>-</u>	<u>(3,516,207)</u>
Total Depreciable Assets, net	<u>4,988,211</u>	<u>(326,104)</u>	<u>-</u>	<u>4,662,107</u>
<u>Business-Type Activities Capital Assets, Net</u>	<u>\$ 5,062,436</u>	<u>\$ (326,104)</u>	<u>\$ -</u>	<u>\$ 4,736,332</u>

Depreciation expense for the year ended December 31, 2019, was charged to functions of the Town as follows:

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

Note 4 - Capital Assets (continued)

Government Activities:	
General Government	\$ 19,208
Public Safety	38,566
Public Works	122,352
Culture and Recreation	<u>283,659</u>
Total Depreciation Expense - Governmental Activities	<u>463,785</u>
Business-Type Activities:	
Sewer	\$ 336,273

Note 5 - Long-Term Debt

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

Long-term Obligations	Balance 1/1/2019	Additions	Deductions	Balance 12/31/2019	Amounts Due Within One Year
General long-term obligations					
Compensated absences	\$ 51,896	\$ 23,424	\$ (32,788)	\$ 42,532	\$ 22,967
Long-term debt	<u>7,845,000</u>	<u>-</u>	<u>(300,000)</u>	<u>7,545,000</u>	<u>245,100</u>
Subtotal - General	<u>7,896,896</u>	<u>23,424</u>	<u>(332,788)</u>	<u>7,587,532</u>	<u>268,067</u>
Enterprise Fund					
Compensated absences	11,843	-	(11,843)	-	-
Long-term debt	9,310,302	-	(212,000)	9,098,302	452,188
Deferred discount	<u>(8,049)</u>	<u>-</u>	<u>804</u>	<u>(7,245)</u>	<u>(804)</u>
Subtotal - Enterprise	<u>9,314,096</u>	<u>-</u>	<u>(223,039)</u>	<u>9,091,057</u>	<u>451,384</u>
Grand Total	<u>\$ 17,210,992</u>	<u>\$ 23,424</u>	<u>\$ (555,827)</u>	<u>\$ 16,678,589</u>	<u>\$ 719,451</u>

The Town has the following debt issues:

On February 27, 2017, the Town issued \$4,000,000, of Sales Tax Revenues Bonds, Series 2017. These bonds are payable over 20 years with interest at the rate of 3.78% per annum.

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

Note 5 - Long-Term Debt (continued)

On August 11, 2016, the Town issued \$2,000,000, in the aggregate, of Sales Tax Revenue Bonds, Series 2016 in three separate series; A, B, and C. The Series 2016A bonds were issued in the amount of \$500,000 and are payable over 20 years, maturing on June 1, 2036. These bonds carry an interest rate of 5%. The Series 2016B bonds were issued in the amount of \$1,000,000 and are payable over 10 years, maturing on June 1, 2026. These bonds carry an interest rate of 6.5%. Finally, the Series 2016C bonds were issued in the amount of \$500,000 and are payable over 10 years, maturing on June 1, 2026. These bonds carry an interest rate of 2.5%. All three series are to be funded and secured by the proceeds of a one-half percent sales tax. Series 2016A and 2016B are also secured by land purchased for use as a sports complex.

On April 16, 2018, the Town issued \$2,000,000 Series 2018A Revenue Bonds. The bonds are payable over 25 years and carry an interest rate of 5.0%.

Sales tax bond principal and interest payments to maturity are as follows:

<u>Year Ending December 31,</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Principal and Interest</u>
2020	\$ 245,000	\$ 329,367	\$ 574,367
2021	270,000	315,770	585,770
2022	300,000	304,515	604,515
2023	310,000	285,188	595,188
2024	330,000	273,048	603,048
2025-2029	1,995,000	1,113,170	3,108,170
2030-2034	2,280,000	684,863	2,964,863
2035-2039	1,300,000	242,343	1,542,343
2040-2043	515,000	53,125	568,125
Total	<u>\$ 7,545,000</u>	<u>\$ 3,601,389</u>	<u>\$ 11,146,389</u>

The Town has the following enterprise fund long-term obligations:

The 2011 Series Department of Environmental Quality (DEQ) Sewer Revenue Bonds were issued on May 9, 2011, in the amount of \$696,000. These bonds are payable over 20 years with interest at the rate of .45% per annum.

The 2013 Series DEQ Taxable Sales Tax Bonds were issued August 28, 2013, in the amount of \$350,000. These bonds are payable over 20 years at an interest rate of 0.45% per annum.

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

Note 5 - Long-Term Debt (continued)

The 2013 Series Revenue Refunding Bonds were issued on September 24, 2013, in the amount of \$2,710,000 with an average interest rate ranging from 2.00%-4.75% per annum payable over 15 years. The net proceeds from the issuance of the bonds were used to purchase government securities which were deposited in an irrevocable trust with an escrow agent to provide debt service until the bonds are called. The advance refund met the requirement of an in-substance debt defeasance, and the defeased portion of the bonds was removed from the Town's financial statements.

The Series 2014 Wastewater and Utilities Revenue Bonds were issued on August 13, 2014 in the amount of \$600,000. These bonds are being serviced by Marion State Bank and Cross Keys Bank whereby each bank is servicing \$300,000 with an interest rate of 5.00% per annum payable over 20 years.

On September 28, 2015, the Town incurred new debt of \$1,200,000 in Series 2015 Wastewater and Sewer Treatment Utilities Revenue Bonds for the purpose of acquiring, constricting, and installing improvements, extensions, and additions to the wastewater and sewer treatment system. These bonds are being serviced by Cross Keys. At an initial interest rate of 2.30%, adjusted annually at a rate equal to 2.10% plus the rate of the one year United States Treasury Yield or Constant Maturity Treasury beginning on March 1, 2016 and annually on that date thereafter. Interest is not to exceed 6.00%. Interest is paid semi-annually on March 1 and September 1. One principal payment of \$1,200,000 is due on September 1, 2018. These bonds were part of a refunding during 2018.

On September 28, 2015, the Town incurred new debt of \$500,000 in Series 2015 Water Treatment Utilities Revenue Bonds for the purpose of acquiring, constructing, and installing a new water treatment facility with related infrastructure improvements, extensions, modifications and additions to the wastewater and sewer treatment system. These bonds are being serviced by Ouachita Independent Bank at an initial interest rate of 2.39%, adjusted annually at a rate equal to 2.10% plus the rate of the one year United States Treasury Yield or Constant Maturity Treasury beginning on December 1, 2015 and annually on that date thereafter. Interest is not to exceed 6.00%. Interest is paid quarterly on March 1, June 1, September 1 and December 1. One principal payment of \$500,000 is due on September 1, 2018. These bonds were part of a refunding in 2018.

On April 27, 2017, the Town issued \$4,000,000, in the aggregate, of Utility Revenue Bonds, Series 2017 in two separate series; A and B. The Series 2017A bonds were issued in the amount of \$3,500,000 and are payable over 20 years, maturing on December 1, 2036. These bonds carry an interest rate of 3.11%. The Series 2017B taxable bonds were issued in the amount of \$500,000 and are payable over 10 years, maturing on December 1, 2026. These bonds carry an interest rate of 1.55%.

On September 28, 2018, the Town issued \$1,845,000, in the aggregate, of Sewer System Revenue Refunding Bonds, Series 2019. The bonds are payable over 20 years, maturing on December 1, 2038. These bonds carry an interest rate of 4.85%.

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

Note 5 - Long-Term Debt (continued)

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

Revenue Bonds	Issue Date	Original Borrowing	Interest Rates to Maturity	Interest to Maturity	Final Maturity	Outstanding 12/31/2019
Series 2011 DEQ Sewer	05/09/11	\$696,000	0.45%	\$25,182	06/01/31	\$442,585
Series 2013 DEQ Taxable	08/28/13	\$350,000	0.45%	16,728	12/01/33	240,717
Series 2013 Refunding Revenue Bonds	09/19/13	\$2,710,000	2.00% - 4.75%	401,815	06/01/28	2,110,000
Series 2014 Wastewater	08/13/14	\$300,000	5.00%	121,750	09/01/34	245,000
Series 2014 Wastewater	08/13/14	\$300,000	5.00%	121,750	09/01/34	245,000
Series 2017 Wastewater	04/27/17	\$4,000,000	3.11%	1,285,783	12/01/36	3,985,000
Series 2018 Sewer Refunding	09/28/18	\$4,000,000	2.10% plus US Treasury Yield	962,830	12/01/38	1,830,000
Total				\$2,814,088		\$9,098,302

Bond principal and interest are due in total, to maturity, as follows:

Year Ending December 31,	Principal Payments	Interest Payments	Principal and Interest
2020	\$ 452,188	\$ 320,081	\$ 772,269
2021	540,364	303,104	843,468
2022	559,850	284,872	844,722
2023	574,660	265,677	840,337
2024	588,806	245,640	834,446
2025-2029	2,782,977	908,618	3,691,595
2030-2034	2,140,887	486,115	2,627,002
2035-2038	1,458,570	108,476	1,567,046
Total	\$ 9,098,302	\$ 2,922,583	\$ 12,020,885

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

Note 5 - Long-Term Debt (continued)

The loan agreements provide for the establishment of the following bank accounts:

1. Bond and Interest Redemption Fund / Sinking Fund – to provide for the accumulation of monies for the purpose of paying principal and interest. The Series 2011 DEQ Revenue Bonds require the establishment of a “Sewer Revenue Bond Debt Service Fund,” whereby monthly transfers will be made into the account on or before the 20th day of each month of each year, a sum equal to one-sixth (1/6th) of the interest falling due on the next interest payment date and one-twelfth (1/12th) of the principal falling due on the next principal payment date. As of December 31, 2019, the balance in the Series 2011 DEQ was \$59, which was underfunded.

The agreement for the 2013 DEQ Bonds states that funds must be transferred from the Sales Tax Fund to the Sinking Fund, monthly in advance on or before the 20th day of each month of each year, a sum equal to the pro-rata amount of interest falling due on the bonds and any additional parity bonds on the next interest payment date and the pro-rata amount of the principal falling due on the bonds and any additional parity bonds on the next principal date, together with such additional proportionate sum as may be required to pay said principal and interest as the same respectively come due. As of December 31, 2019, the balance in the Series 2013 DEQ was \$1,209, which was underfunded.

The 2013 Refunding Bonds are subject to mandatory Sinking Fund redemption prior to maturity, including interest accrued to the redemption date on an annual basis commencing June 1, 2014, and continuing each June 1 thereafter until maturity. For the year 2014, the Town will be required to have \$15,000 deposited into the Sinking Fund, and in subsequent years, the deposited amount increases to \$110,000. As of December 31, 2019, the balance in the account was \$0, which was underfunded.

The agreement for the 2014 Wastewater and Utilities Revenue Bonds requires the establishment of a "Wastewater and Utilities Revenue Bonds, Series (2014) Sinking Fund," whereby monthly deposits shall be made into the account on or before the 20th day of each month (commencing the first 20th day of the month following delivery of the bonds), a sum equal to one-sixth (1/6th) of the interest falling due on the next interest payment date and a sum equal to one-twelfth (1/12th) of the principal falling due on the next principal payment date. As of December 31, 2019, the balance in the account was \$80, which was underfunded.

2. Revenue Bond Reserve Fund - to provide for the accumulation of monies for the purpose of paying principal and interest on notes which would otherwise be in default.

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

Note 5 - Long-Term Debt (continued)

The agreement for the Series 2011 DEQ Bonds provides that at least 20% of the reserve fund requirement must be deposited into the reserve fund each bond year so that the reserve fund is fully funded no later than five years after the delivery date. As of December 31, 2019, the balance in the fund totaled \$21,349.

The agreement for the Series 2013 DEQ Bonds provides that at least 25% of the amount required to be paid into the sinking fund must be deposited into the reserve fund on or before the 20th day of each month of each year until such time as there has been accumulated therein a sum equal to the reserve fund requirement. As of December 31, 2019, the balance in the account was \$44,334.

3. Depreciation and Contingency Fund - to provide for repairs and improvements to the sewer system, with approval of the lender.

The agreement for the 2011 DEQ Bonds provides that, on or before the 20th day of each month of each year, a sum equal to five (5%) of the preceding month's Net Revenues as provided in the agreement for the preceding month shall be transferred to this account, provided that such sum is available provision is made. Payments in this fund shall continue until such time as \$50,000 has accumulated in this fund, whereby such payments may cease and need be resumed only if the total amount of money on deposit is reduced below \$50,000. This fund had an ending balance of \$443 at December 31, 2019.

Note 6 - Ad-valorem Taxes

The Town considers ad valorem taxes receivable at December 31st and recognizes income in the year of assessment. For the year ended December 31, 2019, taxes of 9.25 mills were levied on properties with assessed valuations totaling \$18,744,535 and were not dedicated to any particular purpose. The total taxes originally levied were \$173,387 at December 31, 2019.

The property tax calendar is as follows:

Assessment date	January 1, 2019
Levy date	November 15, 2019
Date taxes are due	December 31, 2019
Lien date	January 1, 2020

The Ouachita Parish Tax Assessor establishes the assessed values each year on a uniform basis at the following ratios to fair market value.

10% Land	15% Machinery
10% Residential improvements	15% Commercial improvements
15% Industrial improvements (excluding land)	25% Public service property

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

Note 7 - On-Behalf Payments

Certain Town employees in the Police Department receive supplemental pay from the state of Louisiana. In accordance with GASB Statement No. 24 "Accounting and Financial Reporting for Certain Grants and Other Financial Assistance," the Town has recorded revenues and expenditures for these payments in the General Fund in the amounts of \$19,879 during the year ended December 31, 2019.

Note 8 - Interfund Receivables and Payables

There were no due to/from balances at December 31, 2019.

Note 9 - Interfund Transfers

The following transfers were made between the various funds of the Town during 2019:

	Transfers Out				Total
	Governmental Funds				
	General	Road Construction and Maintenance	Sports Tax	Enterprise	
<u>Transfers In</u>					
Governmental Funds					
Major Funds					
General Fund	\$ -	\$ -	\$ -	\$ 173,690	\$173,690
Road Const & Maintenance	2,973	-	-	-	2,973
Recreation Sales Tax	-	-	-	-	-
Sports Complex	174,620	24,158	79,738	14,894	293,410
Total	<u>\$ 177,593</u>	<u>\$ 24,158</u>	<u>\$79,738</u>	<u>\$ 188,584</u>	<u>\$ 470,073</u>

These transfers resulted from transactions for goods and services among funds and from financing of capital project costs by other funds.

Note 10 - Retirement Plan

During 2015, the Town began a defined-contribution plan for all full-time employees. The Town contributes up to 3% of salaries into a Savings Incentive Match Plan for Employees of Small Employers Individual Retirement Account (SIMPLE IRA) Plan. All contributions made by the Town are fully vested and non-forfeitable. The maximum contribution to the plan is the lesser of 100% of earned income up to the contribution limit for each calendar year. Employees are immediately eligible to participate upon employment with the Town. During 2019, the Town contributed \$7,522 into this retirement plan.

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

Note 11 - Risk Financing Activities

The Town is a participating member in the Louisiana Risk Management Agency's Group Self-Insurance Fund for Municipal Liability Risk Sharing and Group Self-Insurance Fund for Workmen's compensation and Employer Liability (the Agency). The Agency functions as a Public Entity Risk Pool formed to pool the risk of public liability exposure to its members. The Town insures its law enforcement officers' comprehensive liability and errors and omissions risk through its participation in the Agency pools. The coverage provided by the pools is subject to \$1,000 deductibles for certain coverages and provides coverages up to \$500,000 for each type of insured risk. Premiums for coverage are retroactively rated based on experience and premiums are calculated based on the ultimate cost of the experience to date of the pool participants.

Note 12 - Litigation and Claims

Risk Management handles all defense for the Town. The Town has a pending lawsuit involving a lease purchase agreement. The Town believes it will be successful in its defense of the lawsuit and the results will not have a material effect on the Town's financial position.

Note 13 - Restricted Fund Balances (FFS Level Only)

The following Governmental Fund's fund balance is legally restricted for the following purposes:
Road maintenance (\$26,923).

The following Governmental Fund's fund balance is legally restricted for the following purposes:
Sales tax sports complex (\$32,004).

The following Governmental Fund's fund balance is legally restricted for the following purposes:
Sports complex (\$-130,976).

Note 15 - Deficit Net Position

At December 31, 2019, an unrestricted net position deficit of \$3,696,112 exists for the town.

Of the \$3,503,914 deficit of unrestricted net position, \$3,842,129 is for business-type activities which includes the utility fund. In prior years debt was issued related to sewerage system and sports complex. These assets were transferred to the Sports Complex during 2018, resulting in a large deficit for that year and an overall large deficit in unrestricted net position.

The Town has an unrestricted net position of \$146,017 in governmental activities.

**REQUIRED SUPPLEMENTAL INFORMATION
(PART B)**

TOWN OF STERLINGTON, LOUISIANA
STERLINGTON, LOUISIANA
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE (GAAP BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original Budget</u>	<u>Final Budget</u>		
BUDGETARY FUND BALANCE BEGINNING OF YEAR	\$ 962	\$ 962	\$ 101,162	\$ 100,200
Resources				
Ad Valorem Taxes	155,000	155,000	175,720	20,720
Sales and Other Taxes	575,000	575,000	695,867	120,867
Charges for Services	4,200	4,200	1,200	(3,000)
Licenses and Permits	122,503	122,503	138,778	16,275
Intergovernmental	77,296	77,296	29,323	(47,973)
Fees	34,865	34,865	-	(34,865)
Fines and Forfeitures	260,275	260,275	92,281	(167,994)
Use of Money and Property	-	-	3,878	
Contributions	100	100	-	(100)
Miscellaneous	-	-	26,428	
Transfers From Other Funds	-	-	173,690	
Total Resources	<u>1,229,239</u>	<u>1,229,239</u>	<u>1,337,165</u>	<u>107,926</u>
Amounts available for appropriations	<u>1,230,201</u>	<u>1,230,201</u>	<u>1,438,327</u>	<u>208,126</u>
Charges to appropriations				
Current				
General government	470,759	470,759	483,411	(12,652)
Public Safety	518,780	518,780	256,102	262,678
Public Works	77,506	77,506	13,039	64,467
Debt Service	-	-	176,294	(176,294)
Transfers To Other Funds	162,825	162,825	177,593	(14,768)
Total Charges to appropriations	<u>1,229,870</u>	<u>1,229,870</u>	<u>1,106,439</u>	<u>123,431</u>
BUDGETARY FUND BALANCE END OF YEAR	<u>\$ 331</u>	<u>\$ 331</u>	<u>\$ 331,888</u>	<u>\$ 331,557</u>

See accompanying independent auditors' report.

TOWN OF STERLINGTON
STERLINGTON, LOUISIANA
SPECIAL REVENUES - ROAD CONSTRUCTION AND MAINTENANCE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (GAAP) AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2019

	Original Budget	Amended Budget	Actual Year to Date	Favorable (Unfavorable)
BUDGETARY FUND BALANCE				
BEGINNING OF YEAR	\$ 38,199	\$ 38,199	\$ 56,789	\$ 18,590
Resources				
Sales and Other Taxes	190,000	190,000	209,250	19,250
Licenses and Permits	2,100	2,100	700	(1,400)
Use of Money and Property	400	400	561	161
Miscellaneous Income	650	650	600	(50)
Transfers In	-	-	2,973	2,973
Total Revenues	<u>193,150</u>	<u>193,150</u>	<u>214,084</u>	<u>20,934</u>
Amounts available for appropriations	<u>231,349</u>	<u>231,349</u>	<u>214,084</u>	<u>20,934</u>
Charges to Appropriations				
Public Works	136,002	136,002	91,330	44,672
Capital Outlay	-	-	-	-
Debt Service	-	-	128,462	(128,462)
Transfers Out	23,290	23,290	24,158	(868)
Total Charges to appropriations	<u>159,292</u>	<u>159,292</u>	<u>243,950</u>	<u>(84,658)</u>
BUDGETARY FUND BALANCE				
END OF YEAR	<u>\$ 33,858</u>	<u>\$ 33,858</u>	<u>\$ 26,923</u>	<u>\$ (6,935)</u>

See accompanying independent auditors' report.

TOWN OF STERLINGTON
STERLINGTON, LOUISIANA
SPECIAL REVENUES - RECREATION SALES TAX FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (GAAP) AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual Year to Date</u>	<u>Favorable (Unfavorable)</u>
BUDGETARY FUND BALANCE				
BEGINNING OF YEAR	\$ 169	\$ 169	\$ 21,752	\$ 21,583
Resources				
Sales and Other Taxes	188,775	188,775	209,219	20,444
Use of Money and Property	100	100	19	(81)
Total Revenues	<u>188,875</u>	<u>188,875</u>	<u>209,238</u>	<u>20,363</u>
Amounts available for appropriations	<u>189,044</u>	<u>189,044</u>	<u>209,238</u>	<u>20,363</u>
Charges to Appropriations				
Debt Service - Principal	-	-	52,850	(52,850)
Debt Service - Interest	-	-	66,398	(66,398)
Transfers Out	188,775	188,775	79,738	109,037
Total Charges to appropriations	<u>188,775</u>	<u>188,775</u>	<u>198,986</u>	<u>(10,211)</u>
BUDGETARY FUND BALANCE				
END OF YEAR	<u>\$ 100</u>	<u>\$ 100</u>	<u>\$ 32,004</u>	<u>\$ 31,904</u>

See accompanying independent auditors' report.

OTHER SUPPLEMENTAL INFORMATION

TOWN OF STERLINGTON, LOUISIANA
SCHEDULE OF COMPENSATION, BENEFITS
AND OTHER PAYMENTS TO AGENCY HEAD
DECEMBER 31, 2019

Agency Head	<u>Mayor Caesar Valazquez</u>
Salary	\$ 66,777
Travel	852
Meals	<u>148</u>
Total	<u><u>\$ 67,777</u></u>

See accompanying independent auditors' report.

TOWN OF STERLINGTON, LOUISIANA
SCHEDULE OF COMPENSATION PAID TO COUNCIL MEMBERS
FOR THE YEAR ENDED DECEMBER 31, 2019

The schedule of compensation paid to board of aldermen is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of Louisiana Legislature. Compensation of the board of aldermen is included in the general government expenditures of the General Fund. The board of adlermen received a per diem of \$250 per month with the exception of the Mayor Pro Tempore, who received a per diem of \$350 per month. In addition, they receive a per diem of \$1 per month for each month they attend a special meeting.

Ronald Hill	\$	4,100
Benjamin Hobson		3,000
Zachary Howse		3,000
Brian McCarthy		3,000
Matt Talbert		3,000
	<u>\$</u>	<u>16,100</u>

See accompanying independent auditors' report.

OTHER REPORTS



REGIONS TOWER
333 TEXAS STREET, SUITE 1525 | SHREVEPORT, LOUISIANA 71101
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February 20, 2024

Mayor Talbert and
and the Board of Aldermen
Town of Sterlington, Louisiana

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*

We 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 Sterlington, Louisiana (the Town), 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 and have issued our report thereon dated February 20, 2024.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting (internal control) as a basis for designing 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, we do not express an opinion on the effectiveness of Town of Sterlington, Louisiana's internal control.

Our 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 and responses, we identified certain deficiencies in internal control that we consider to be a material weakness.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the organization's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies, identified as 2019-01 and 2019-02 described in the accompanying schedule of findings and responses to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings and responses as items 2019-01, 2019-02 and 2019-03.

Town of Sterlington, Louisiana's Response to Findings

Town of Sterlington, Louisiana's response to the findings identified in our engagement is described in the accompanying schedule of findings and responses. Town of Sterlington, Louisiana's response was not subjected to the auditing procedures applied in the engagement to audit the financial statements and, accordingly, we 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 Town'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.

Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

HEARD, McELROY & VESTAL, L.L.C.

Shreveport, Louisiana

TOWN OF STERLINGTON, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2019

A. Summary of Audit Results

1. The auditor's report expresses an unmodified opinion on the basic financial statements as a whole of the Town of Sterlington, Louisiana.
2. Two material weaknesses were disclosed relating to the audit of the basic financial statements.
3. Three instances of noncompliance relating to the basic financial statements of the Town of Sterlington, Louisiana was disclosed during the audit.
4. No federal single audit was required under the Uniform Guidance relating to the financial statements of the Town of Sterlington, Louisiana.

B. Findings – Financial Statement Audit

2019-1: Late Filing of Audit Report:

The audit report was not submitted to the Legislative Auditor within 180 days of the close of the entity's fiscal year as required by state statute.

2019-2: Town Placed Under Fiscal Administration:

The Town was placed under fiscal administration by the 4th Judicial District Court for the Parish of Ouachita on August 6, 2019 as a result of being unable to pay certain debt obligations coming due. The Louisiana Legislative Auditor issued an investigative report dated November 14, 2019 containing details concerning these matters, noting the following issues for previous period under audit (FYE 2018).

- 1) Incorrect Financial Information Used to Obtain Bonds
- 2) Improper Use of Bond Proceeds
- 3) Lease Purchases Were Not Publicly Bid

Also, the Securities and Exchange Commission issued an order dated June 2, 2022, instituting cease-and-desist-proceedings in relations to these matters for previous period under audit (FYE 2018).

- 1) Misconduct in the issuance of municipal bonds which violated Section 17(a) of the Securities Act and Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

2019-3: Debt Covenant Non-Compliance:

At December 31, 2019, the Town had not adequately funded the cash accounts for certain bonds as described in footnote No. 5 (Long-Term Debt) to the financial statements.

TOWN OF STERLINGTON, LOUISIANA
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2019

2018-1: Accounting Staff:

Status: Resolved.

2018-2: Internal Control over Various Components:

Status: Resolved.

2018-3: LLA Investigative Report:

Status: Partially resolved – repeated as 2019-2.

2018-4: SEC Administrative Proceeding:

Status: Partially resolved – repeated as 2019-2.

TOWN OF STERLINGTON, LOUISIANA
MANAGEMENT'S CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED DECEMBER 31, 2019

2019-1: Late Filing of Audit Report:

The current mayor has worked with the LLA, CPA and auditor to put together a plan to complete 2019-2023 audits that are late and be caught up in 2024.

2019-2: Town Placed Under Fiscal Administration:

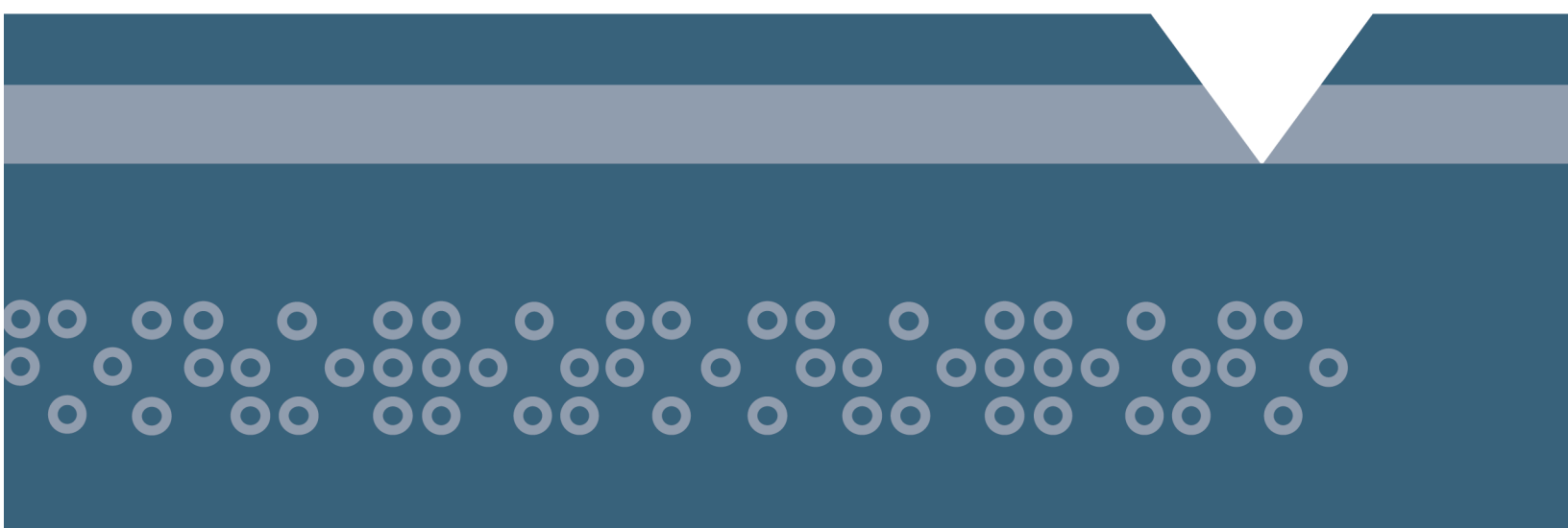
1. The current administration has and will continue to follow all laws and regulations as it pertains to Bonds.
2. The Town will follow all laws, regulations, and bond ordinances.
3. Any future lease purchases will be publicly bid as defined by state law.

2019-3: Debt Covenant Non-Compliance:

The Town met with our bonding attorney in late 2023; at that time all of the cash accounts were funded as directed by the bond ordinances.

Town of Sterlington, Louisiana

Agreed-Upon Procedures Report
January 1, 2019 through December 31, 2019



CERTIFIED PUBLIC
ACCOUNTANTS



REGIONS TOWER
333 TEXAS STREET, SUITE 1525 | SHREVEPORT, LOUISIANA 71101
318.429.1525 (P) | 318.429.2124 (F)

February 20, 2024

Mayor Talbert and
The Board of Aldermen
Town of Sterlington, Louisiana

Louisiana Legislative Auditor
Baton Rouge, Louisiana

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

We have performed the procedures enumerated below on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's (LLA's) Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2019 through December 31, 2019. The Town of Sterlington's (Town's) management is responsible for those C/C areas identified in the SAUPs.

The Town has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the C/C areas identified in LLA's SAUPs for the fiscal period January 1, 2019, through December 31, 2019. Additionally, LLA has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories if applicable to public funds and the entity's operations:
 - a) **Budgeting**, including preparing, adopting, monitoring, and amending the budget.
 - b) **Purchasing**, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the Public Bid Law; and (5) documentation required to be maintained for all bids and price quotes.
 - c) **Disbursements**, including processing, reviewing, and approving.
 - d) **Receipts/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g., periodic confirmation with

outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).

- e) **Payroll/Personnel**, including (1) payroll processing, (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee(s) rate of pay or approval and maintenance of pay rate schedules.
- 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 (R.S.) 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) a requirement that documentation is maintained to demonstrate that all employees and officials were notified of any changes to 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) **Information Technology 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.

Findings: *The Town provided us with a policy and procedures manual from 2018, but it did not apply to any of the above requirements. Therefore, none of the above attributes could be tested.*

Management's Response: *The Town has Policy & Procedures from 2021. The Policy & Procedures were amended in 2023. We assume the prior administration used the 2018 Policy & Procedures for 2019.*

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.
 - 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, quarterly budget-to-actual, at a minimum, on proprietary funds, and semi-annual budget- to-actual, at a minimum, on all special revenue funds.

- c) For governmental entities, obtain the prior year audit report and observe the unassigned fund balance in the general fund. If the general fund had a negative ending unassigned 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 unassigned fund balance in the general fund.

Findings: *One exception noted for one month during the year where budget information was not presented or discussed.*

Management's Response: *In July of 2019, a fiscal administrator was appointed to the Town. Budgets and financials were not presented to the Board during that month. We believe fiscal administrator was reviewing the budgets and at that time they were not complete.*

Bank Reconciliations

- 3. Obtain a listing of entity 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 each selected account, and observe that:
 - a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated or electronically logged);
 - 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
 - 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.

Findings: *Five exceptions noted where there was not evidence to show that bank reconciliations were being reviewed and approved by management who does not handle cash or issue checks. Three exceptions noted where there was no documentation of research being done for reconciling items that were over 12 months old.*

Management's Response: *Bank reconciliations are now being reviewed and approved by the current administration.*

Collections (excluding electronic funds transfers)

- 4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).
- 5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e., 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:
 - a) Employees that are responsible for cash collections do not share cash drawers/registers.

- 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.
 - 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.
 - 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/official verifies the reconciliation.
6. Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe that the bond or insurance policy for theft was enforced during the fiscal period.
 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 and the cash is stored securely in a locked safe or drawer).
 - e) Trace the actual deposit per the bank statement to the general ledger.

Findings: *The Town was unable to provide information for employees and their job duties for this section. Therefore, this testing could not be performed. Three exceptions noted where there was no documentation of the date the receipt was received. Therefore, we were unable to determine if the deposit was made within one business day of the receipt.*

Management's Response: *Management has and will continue to make daily deposits in a timely manner. Management is ensuring daily deposits are made.*

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

8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).
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.
- b) At least two employees are involved in processing and approving payments to vendors.
- 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.
- 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.

[Note: Exceptions to controls that constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); should not be reported.]]

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 itemized invoice, and that supporting documentation indicates that deliverables included on the invoice were received by the entity.
 - b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

Findings: *The Town was unable to provide information about employees and their job duties for this section. Therefore, this testing could not be performed. Two exceptions noted where there was no invoice to document the disbursement.*

Management’s Response: *Currently, all disbursements are required to have documentation before payment can be issued.*

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

11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management’s representation that the listing is complete.
12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:
 - a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing (or electronically approved), by someone other than the authorized card holder. [Note: requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]]
 - b) Observe that finance charges and late fees were not assessed on the selected statements.
13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e., each card should have 10 transactions

subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and note whether management had a compensating control to address missing receipts, such as a “missing receipt statement” that is subject to increased scrutiny.

Findings: *The Town was unable to provide the requested statements for testing. Therefore this testing could not be performed.*

Management’s Response: *These records could not be found to provide to the auditor.*

Travel and Travel-Related Expense Reimbursements (excluding card transactions)

14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management’s representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:

- a) If reimbursed using a per diem, observe that the approved reimbursement rate is no more than those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).
- b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
- c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).
- d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Findings: *The Town was unable to provide us with the requested information for four of the five selections. One exception noted where the reimbursement was not reviewed and approved by someone other than the person receiving the reimbursement.*

Management’s Response: *The Town now requires preapproval for all travel and related expenses. Receipts must be turned in after completing the approved travel.*

Contracts

15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management’s representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner’s contract, and:

- a) Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.
- b) Observe that the contract was approved by the governing body/board, if required by policy or law (e.g., Lawrason Act, Home Rule Charter).

- c) If the contract was amended (e.g., change order), observe that the original contract terms provided for such an amendment and that amendments were made in compliance with the contract terms (e.g., if approval is required for any amendment, the documented approval).
- 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.

Findings: *The Town was unable to provide a listing of contracts in effect for the fiscal year being tested. Therefore, this testing could not be performed.*

Management's Response: *No contracts could be located for 2019 to provide to the auditor.*

Payroll and Personnel

- 16. Obtain a listing of employees and officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees or officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.
- 17. Randomly select one pay period during the fiscal period. For the 5 employees or officials selected under #17 above, obtain attendance records and leave documentation for the pay period, and:
 - a) Observe that all selected employees or officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, officials are not eligible to earn leave and do not document their attendance and leave. However, if the official is earning leave according to a policy and/or contract, the official should document his/her daily attendance and leave.)
 - b) Observe that supervisors approved the attendance and leave of the selected employees or officials.
 - c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.
- 18. Obtain a listing of those employees or officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees or officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations and the entity policy on termination payments. Agree the hours to the employee or officials' cumulative leave records, agree the pay rates to the employee or officials' authorized pay rates in the employee or officials' personnel files, and agree the termination payment to entity policy.
- 19. Obtain management's representation that employer and employee portions of third-party payroll related amounts (e.g., payroll taxes, retirement contributions, health insurance premiums, garnishments, workers' compensation premiums, etc.) have been paid, and any associated forms have been filed, by required deadlines.

Findings: *The Town was unable to provide documentation of the selected employees' pay rates, leave records, or any information for the selected terminated employees. Therefore, we were unable to perform the testing that involved those items. No exceptions were noted on the other steps that we were able to perform.*

Management's Response: *These records could not be located to provide to the auditors. Certain selected records were from umpires and day workers at the Sports Complex.*

Ethics

20. Using the 5 randomly selected employees/officials from procedure #17 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.
 - b. Observe that the entity maintains documentation which demonstrates each employee and official was notified of any changes to the entity's ethics policy during the fiscal period, as applicable.

Findings: *The Town was unable to provide documentation of any changes to the Town's ethics policy. Therefore, that testing could not be performed. One exception was noted where the selected employee did not have documentation that the employee had completed one hour of ethics training during the fiscal period. The Town was unable to provide us with any information on one employee. Therefore, that testing could not be performed.*

Management's Response: *All employees are required to complete ethics training. Certain selected employees were umpires and day workers at the Sports Complex.*

Debt Service

21. Obtain a listing of bonds/notes and other debt instruments issued during the fiscal period and management's representation that the listing is complete. Select all debt instruments on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each debt instrument issued as required by Article VII, Section 8 of the Louisiana Constitution.
22. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants (including contingency funds, short-lived asset funds, or other funds required by the debt covenants).

Findings: *No exceptions noted.*

Fraud Notice

23. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled as required by R.S. 24:523.
24. Observe that the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

Findings: *No exceptions noted.*

We were engaged by the Town to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. We were not engaged to and did not conduct an examination or review engagement, 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.

We are required to be independent of the Town` and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended 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.

HEARD, MELROY & VESTAL, L.L.C.