

TOWN OF STERLINGTON
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2018

**TOWN OF STERLINGTON
STERLINGTON, LOUISIANA**

**TABLE OF CONTENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018**

	Page
INDEPENDENT AUDITOR'S REPORT	1-3
REQUIRED SUPPLEMENTARY INFORMATION (PART A)	
Management's Discussion and Analysis	4-9
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements:	
Statement of Net Position	10
Statement of Activities	11
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	12
Reconciliation of the Governmental Funds' Balance Sheet to the Statement of Net Position	13
Statement of Revenues, Expenditures, and Changes in Fund Balances	14
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of the Governmental Funds to the Statement of Activities	15
Enterprise Fund - Utility Fund:	
Statement of Net Position	16
Statement of Revenues, Expenses, and Changes in Net Position	17
Statement of Cash Flows	18
Notes to Financial Statements	19-35
REQUIRED SUPPLEMENTARY INFORMATION (PART B)	
Budgetary Comparison Schedule:	
General Fund	36
Road Construction and Maintenance Special Revenue Fund	37
Recreation Sales Tax Special Revenue Fund	38
OTHER SUPPLEMENTARY INFORMATION	
Schedule of Compensation Paid to Board of Aldermen	39
Schedule of Compensation, Benefits, and Other Payments to Agency Head or Chief Executive Officer	40
OTHER REPORTS	
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 <i>Government Auditing Standards</i>	41-42
Schedule of Findings and Responses	43-44
Schedule of Prior Year Findings	45
Management's Corrective Action Plan	46



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

October 12, 2023

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, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for The Financial Statements

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

Auditor's Responsibility

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.

Basis for Qualified Opinions on Major Business-Type Fund (Utility Fund)

The Town misappropriated certain bond funds in the Utility Fund and accordingly, the misuse of those funds could represent a material departure to the capital asset balances and expenditures balances.

Qualified Opinions

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinions on Major Business-Type Fund (Utility Fund), the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities (Utility Fund) of the Town of Sterlington, Louisiana, as of December 31, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, General Fund, Special Revenue Funds, Capital Projects Fund, and the aggregate remaining fund information of the Town of Sterlington, Louisiana, as of December 31, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require 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 financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2023, 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 internal control over financial reporting or on compliance. That report is an integral part of an engagement 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)

MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)
DECEMBER 2018

As management of the Town of Sterlington, we offer readers of the Town of Sterlington's financial statements this narrative overview and analysis of the financial activities of the Town of Sterlington for the fiscal year ended December 31, 2018. It is designed to assist the reader in focusing on significant financial issues, identify changes in the Town's financial position, and identify material deviations and individual fund issues or concerns.

Financial Highlights

1. The assets of the Town of Sterlington exceeded its liabilities at the close of the most recent fiscal year by \$2,211,870 (net position). Of this amount, \$5,521,288 represented net investment in capital assets, \$56,789 was restricted for public works, \$137,707 was restricted for debt service, and \$-0- was restricted for capital projects. The amount of \$(3,503,914) is available for spending at the government's discretion (unrestricted net position).
2. The government's total net position decreased by \$419,020.
3. As of the close of the current fiscal year, the Town of Sterlington's Governmental Funds reported an ending fund balance of \$77,744, a decrease of \$378,282 in comparison with the prior year. The amount of \$(797) is available for spending at the government's discretion (unassigned fund balance).
4. The Town of Sterlington's total debt increased by approximately \$1,878,000 during the current fiscal year. During 2018, the Town issued \$2,000,000 in sales tax revenue bonds and \$1,845,000 in utility revenue bonds. The sales tax revenue bonds have an interest rate of 5.00% and the utility revenue bonds have an interest rate of 4.85%.

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 include general government, public safety, and public works.

The business-type activity of the Town of Sterlington includes a sewer system 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.

The government-wide financial statements can be found on pages 10 and 11 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 fund 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 12 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 page 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 (\$2,214,060) 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, 2018 and 2017

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 292,813	\$ 868,767	\$ 1,085,518	\$ 1,926,965	\$ 1,378,331	\$ 2,795,732
Capital assets	13,418,184	8,124,060	5,062,436	7,808,443	18,480,620	15,932,503
Total assets	<u>13,710,997</u>	<u>8,992,827</u>	<u>6,147,954</u>	<u>9,735,408</u>	<u>19,858,951</u>	<u>18,728,235</u>
Deferred outflows of resources	-	-	38,336	43,129	38,336	43,129
Current and other liabilities	243,588	433,548	538,836	395,549	782,424	829,097
Long-term liabilities	7,896,896	5,944,368	9,381,630	9,367,009	17,278,526	15,311,377
Total liabilities	<u>8,140,484</u>	<u>6,377,916</u>	<u>9,920,466</u>	<u>9,762,558</u>	<u>18,060,950</u>	<u>16,140,474</u>
Net Assets:						
Net investment in capital assets	5,521,288	2,214,060	-	-	5,521,288	2,214,060
Restricted	78,541	412,929	115,955	160,892	194,496	573,821
Unrestricted	(29,316)	(12,078)	(3,474,598)	(144,913)	(3,503,914)	(156,991)
Total net position	<u>\$ 5,570,513</u>	<u>\$ 2,614,911</u>	<u>\$ (3,358,643)</u>	<u>\$ 15,979</u>	<u>\$ 2,211,870</u>	<u>\$ 2,630,890</u>

In 2017, total net position of the Town decreased by \$397,941. 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, 2018 and 2017

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues						
Program Revenues						
Charges for services	\$ 502,628	\$ 639,819	\$ 525,800	\$ 469,695	\$ 1,028,428	\$ 1,109,514
Operating grants and contributions	-	77,613	-	-	-	77,613
Capital grants and contributions	812,953	511,344	-	-	812,953	511,344
General Revenues						
Property taxes	156,185	153,297	-	-	156,185	153,297
Sales taxes	1,015,271	942,687	-	-	1,015,271	942,687
Other general revenues	137,611	9,413	850,787	74,584	988,398	83,997
Transfers	2,682,566	(131,948)	(2,682,567)	131,948	(1)	-
Total revenues	<u>5,307,214</u>	<u>2,202,225</u>	<u>(1,305,980)</u>	<u>676,227</u>	<u>4,001,234</u>	<u>2,878,452</u>
Expenses						
General government	543,310	580,175	-	-	543,310	580,175
Public safety	505,149	662,136	-	-	505,149	662,136
Public works	327,863	403,313	-	-	327,863	403,313
Culture and Recreation	691,655	9,845	-	-	691,655	9,845
Interest on long-term debt	283,635	229,949	333,528	309,474	617,163	539,423
Sewer	-	-	1,735,114	1,081,501	1,735,114	1,081,501
Total expenses	<u>2,351,612</u>	<u>1,885,418</u>	<u>2,068,642</u>	<u>1,390,975</u>	<u>4,420,254</u>	<u>3,276,393</u>
Increase (decrease) in net position	<u>\$ 2,955,602</u>	<u>\$ 316,807</u>	<u>\$ (3,374,622)</u>	<u>\$ (714,748)</u>	<u>\$ (419,020)</u>	<u>\$ (397,941)</u>

Governmental Activities

Governmental activities increased the Town of Sterlington's net position by \$2,955,602. Key elements of the changes in net position are as follows:

Expenses are classified by functions/programs. General government expenses accounted for \$543,310 in 2018. Public safety accounted for \$505,149 while public works accounted for \$327,863 for fiscal 2018. Culture and recreation accounted for \$691,655 in 2018. Interest on long-term debt accounted for 283,635 in 2018.

The related program revenues for fiscal 2018 directly related to these expenses totaled \$1,315,581 which resulted in net program expenses of \$1,036,031. 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 \$1,015,271 of revenues, an increase of \$72,584 (7.7%) as compared to 2017. Of the \$1,015,271, \$609,446 is allocated to the General Fund, \$202,948 to the Road Construction and Maintenance Fund, and \$202,877 to the Sports Complex Sales Tax Fund.

Fines and forfeitures are the next largest revenue source to the Town, generating \$242,531, a decrease of \$235,800 (49%) in General Fund revenue.

Ad valorem taxes of \$156,185, an increase of \$2,888 (1.9%) from 201's \$153,297 recognized by the Town.

Business-Type Activities

Business-type activities (Consolidated Sewer District) decreased the Town of Sterlington's net position by approximately \$3,374,622. This decrease was primarily attributable to transfer of sports complex capital assets to governmental type 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 21, 2017, and the final amended budget was adopted on December 27, 2018.

The total difference between the original General Fund budget and the final amended budget was a decrease in revenues by \$175,835 from \$1,409,643 to \$1,233,809 due to an anticipated decrease in fines and forfeitures. Expenditures decreased by \$96,512 from the original budget's \$1,372,455 to \$1,275,943.

With respect to the Road Construction and Maintenance (Road Construction) special revenue fund, the total difference between the original Road Construction budget and the final amended budget was a decrease in anticipated revenues of \$20,490. Expenditures were originally budgeted at \$216,329 and was revised to \$159,292 due to anticipated decrease in public works expenditures.

The total difference between the original Recreation Sales Tax Fund budget and the final amended budget was a decrease in revenues by \$20,125 from \$209,000 to \$188,875. Expenditures increased by \$310,163 from the original budget's \$414,685 to \$337,740 due to anticipated decrease in debt service payments.

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, 2018, amounts to \$18,480,620 (net of accumulated depreciation), which increased by approximately \$2,500,000 over the prior year due primarily to capital expenditures for the sports complex. Collectively, these additions were offset by depreciation expense in the current year of \$772,588.

The \$18.5 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, 2018**

Land	\$	1,664,517
Construction in progress		23,288
Building and improvements		10,347,821
Land improvements		162,850
Vehicles and equipment		1,412,606
Fire protection system		581,981
Drainage		475,472
Streets		1,487,444
Sewer system		7,585,313
Total		23,741,292
Less: accumulated depreciation		(5,260,672)
Total Capital Assets	\$	18,480,620

As of December 31, 2018, the Town of Sterlington's outstanding long-term debt of \$17,210,992 consists of the following:

**Town of Sterlington Long-term Obligations
December 31, 2018**

Long-term Obligations		Balance December 31, 2018
Revenue bonds	\$	17,155,302
Deferred discount		(8,049)
Compensated absences		63,739
	\$	17,210,992

During fiscal year 2018, the Town issued \$2,000,000 in 2018 Sales Tax Revenue Bonds in order to finance the sports complex project and \$1,845,000 in Utility Revenue Bonds for the water and sewer projects as discussed in the Financial Highlights section above.

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, LOUISIANA

Statement of Net Position

December 31, 2018

Assets	Primary government		
	Governmental activities	Business-type activities	Total
Cash and cash equivalents	\$ 177,264	71,291	248,555
Receivables, net	390,173	24,614	414,787
Due from other governmental units	8,428	—	8,428
Restricted cash	—	602,659	602,659
Internal balances	(283,052)	283,052	—
Notes receivable, net	—	103,902	103,902
Capital assets, net	13,418,184	5,062,436	18,480,620
Total assets	<u>13,710,997</u>	<u>6,147,954</u>	<u>19,858,951</u>
Deferred Outflows of Resources			
Deferred amount on refunding	—	38,336	38,336
Liabilities			
Accounts payable	203,515	62,796	266,311
Accrued expenses	40,073	—	40,073
Deposits held	—	100,507	100,507
Noncurrent liabilities:			
Due within one year	227,939	375,533	603,472
Due in more than one year	7,668,957	9,006,097	16,675,054
Total liabilities	<u>8,140,484</u>	<u>9,544,933</u>	<u>17,685,417</u>
Net Position			
Net investment in capital assets	5,521,288	—	5,521,288
Restricted for:			
Public works	56,789	—	56,789
Debt service	21,752	115,955	137,707
Capital projects	—	—	—
Unrestricted	(29,316)	(3,474,598)	(3,503,914)
Total net position	<u>\$ 5,570,513</u>	<u>(3,358,643)</u>	<u>2,211,870</u>

See accompanying notes to basic financial statements.

TOWN OF STERLINGTON, LOUISIANA

Statement of Activities
Year ended December 31, 2018

Functions/programs	Program revenues				Net (expenses) revenues and changes in net position		
	Expenses	Charges for services	Operating grants and contributions	Capital grants and contributions	Primary government		Total
					Governmental activities	Business-type activities	
Primary government:							
Governmental activities:							
General government	\$ 543,310	128,651	—	—	(414,659)	—	(414,659)
Public safety	505,149	242,531	—	—	(262,618)	—	(262,618)
Highways and streets	327,863	—	—	—	(327,863)	—	(327,863)
Cultural and recreation	691,655	131,446	—	812,953	252,744	—	252,744
Interest and other charges on long-term debt	283,635	—	—	—	(283,635)	—	(283,635)
Total governmental activities	<u>2,351,612</u>	<u>502,628</u>	<u>—</u>	<u>812,953</u>	<u>(1,036,031)</u>	<u>—</u>	<u>(1,036,031)</u>
Business-type activities:							
Consolidated sewer district	1,735,114	525,800	—	—	—	(1,209,314)	(1,209,314)
Interest and other chargers on long-term debt	333,528	—	—	—	—	(333,528)	(333,528)
Total business-type activities	<u>2,068,642</u>	<u>525,800</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(1,542,842)</u>	<u>(1,542,842)</u>
Total primary government	<u>\$ 4,420,254</u>	<u>1,028,428</u>	<u>—</u>	<u>812,953</u>	<u>(1,036,031)</u>	<u>(1,542,842)</u>	<u>(2,578,873)</u>
General revenues:							
Taxes:							
Property taxes					\$ 156,185	—	156,185
Sales taxes					1,015,271	—	1,015,271
Grants and contributions not restricted to specific purposes							
Investment earnings					122,871	39,630	162,501
Capital contributions					4,439	3,465	7,904
Miscellaneous					—	—	—
Transfers					10,301	807,692	817,993
					2,682,566	(2,682,567)	(1)
Total general revenues and transfers					<u>3,991,633</u>	<u>(1,831,780)</u>	<u>2,159,853</u>
Change in net position					<u>2,955,602</u>	<u>(3,374,622)</u>	<u>(419,020)</u>
Net position, beginning					<u>2,614,911</u>	<u>15,979</u>	<u>2,630,890</u>
Net position, ending					<u>\$ 5,570,513</u>	<u>(3,358,643)</u>	<u>2,211,870</u>

See accompanying notes to basic financial statements.

FUND FINANCIAL STATEMENTS

TOWN OF STERLINGTON, LOUISIANA

Balance Sheet
Governmental Funds
December 31, 2018

	Major Funds				Nonmajor Governmental Funds	Total Governmental Funds
	General	Special Revenue Funds		Capital Projects		
Assets		Road Construction and Maintenance	Recreation Sales Tax	Sports Complex		
Cash and cash equivalents	\$ 80,717	58,427	23,814	9,726	4,580	177,264
Receivables						
Ad valorem taxes - net	147,545	—	—	—	—	147,545
Sales taxes	215,827	—	—	—	—	215,827
Other receivables	26,801	—	—	—	—	26,801
Due from other governmental units	8,428	—	—	—	—	8,428
Due from other funds	22,978	50,934	58,165	—	10,480	142,557
Total assets	<u>\$ 502,296</u>	<u>109,361</u>	<u>81,979</u>	<u>9,726</u>	<u>15,060</u>	<u>718,422</u>
Liabilities, Deferred Inflows, and Fund Balance						
Liabilities:						
Accounts payable	\$ 80,204	19,544	—	103,767	—	203,515
Accrued liabilities	11,554	—	—	—	—	11,554
Due to other funds	309,376	33,028	60,227	7,918	15,060	425,609
Total liabilities	<u>401,134</u>	<u>52,572</u>	<u>60,227</u>	<u>111,685</u>	<u>15,060</u>	<u>640,678</u>
Fund balance (deficit):						
Restricted	—	56,789	21,752	—	—	78,541
Unassigned	101,162	—	—	(101,959)	—	(797)
Total fund balance	<u>101,162</u>	<u>56,789</u>	<u>21,752</u>	<u>(101,959)</u>	<u>—</u>	<u>77,744</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 502,296</u>	<u>109,361</u>	<u>81,979</u>	<u>9,726</u>	<u>15,060</u>	<u>718,422</u>

See accompanying notes to basic financial statements.

TOWN OF STERLINGTON, LOUISIANA

Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position

December 31, 2018

Fund balances – total governmental funds		\$	77,744
Amounts reported for governmental activities in the statement of net position are different because of the following:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds:			
Governmental capital assets	\$	15,498,922	
Less accumulated depreciation		<u>(2,080,738)</u>	13,418,184
Long-term liabilities including bonds payable are not due and payable in the current period and, therefore, are not reported in the governmental funds:			
Compensated absences		(51,896)	
Accrued interest on bonds		(28,519)	
Bonds payable		<u>(7,845,000)</u>	(7,925,415)
Elimination of interfund assets and liabilities			
Interfund assets		(142,557)	
Interfund liabilities		425,609	
Interfund balances		<u>(283,052)</u>	<u>—</u>
Net position of governmental activities			<u>\$ 5,570,513</u>

See accompanying notes to basic financial statements.

TOWN OF STERLINGTON, LOUISIANA
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
Year ended December 31, 2018

Revenues	Major Funds			Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
	General	Road Construction and Maintenance	Recreation Sales Tax			
Taxes	\$					
Ad valorem	156,185	—	—	—	—	156,185
Sales	609,446	202,948	202,877	—	—	1,015,271
Charges for services	4,000	—	—	—	—	4,000
Licenses and permits	122,551	2,100	—	—	—	124,651
Intergovernmental	87,783	—	—	725,170	—	812,953
Fees	17,678	—	—	131,446	—	149,124
Fines and forfeitures	224,853	—	—	—	—	224,853
Use of money and property	3,813	522	104	—	—	4,439
Contributions	3,670	—	—	119,201	—	122,871
Miscellaneous	8,209	649	—	1,443	—	10,301
Total revenues	<u>1,238,188</u>	<u>206,219</u>	<u>202,981</u>	<u>977,260</u>	<u>—</u>	<u>2,624,648</u>
Expenditures						
Current:						
General government	511,455	—	—	—	—	511,455
Public safety	461,939	—	—	—	—	461,939
Public works	70,168	135,063	—	—	—	205,231
Culture and recreation	—	—	—	431,407	—	431,407
Debt service:						
Principal retirement	—	—	65,000	—	—	65,000
Interest and other charges	—	—	134,498	149,137	—	283,635
Bond Issuance Costs	—	—	—	56,350	—	56,350
Capital outlay	—	—	—	5,670,479	—	5,670,479
Total expenditures	<u>1,043,562</u>	<u>135,063</u>	<u>199,498</u>	<u>6,307,373</u>	<u>—</u>	<u>7,685,496</u>
Excess (deficiency) of revenues over (under) expenditures	<u>194,626</u>	<u>71,156</u>	<u>3,483</u>	<u>(5,330,113)</u>	<u>—</u>	<u>(5,060,848)</u>
Other financing sources (uses):						
Bonds issued	—	—	—	2,000,000	—	2,000,000
Payment to refund bonds	—	—	—	—	—	—
Premium on bonds	—	—	—	—	—	—
Proceeds from sale of capital assets	—	—	—	—	—	—
Transfers in	—	—	18,200	2,837,835	—	2,856,035
Transfers out	(136,561)	(18,708)	—	(18,200)	—	(173,469)
Total other financing sources and uses	<u>(136,561)</u>	<u>(18,708)</u>	<u>18,200</u>	<u>4,819,635</u>	<u>—</u>	<u>4,682,566</u>
Net change in fund balances	58,065	52,448	21,683	(510,478)	—	(378,282)
Fund balances, beginning	43,097	4,341	69	408,519	—	456,026
Fund balances, ending	\$ <u>101,162</u>	<u>56,789</u>	<u>21,752</u>	<u>(101,959)</u>	<u>—</u>	<u>77,744</u>

See accompanying notes to basic financial statements.

TOWN OF STERLINGTON, LOUISIANA

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and
Changes in Fund Balances to the Statement of Activities

Year ended December 31, 2018

Net change in fund balances – total governmental funds	\$	(378,282)
Amounts reported for governmental activities in the statement of activities are different because of the following:		
Governmental funds report capital outlays as expenditures.		
However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:		
Capital outlay	\$ 5,740,621	
Depreciation expense	<u>(446,497)</u>	5,294,124
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, 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 and related items is as follows:		
Bonds Issued	(2,000,000)	
Principal payments	<u>65,000</u>	(1,935,000)
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:		
Increase in compensated absences	(17,528)	
Increase in accrued interest	<u>(7,712)</u>	<u>(25,240)</u>
Change in net position of governmental activities	\$	<u><u>2,955,602</u></u>

See accompanying notes to basic financial statements.

TOWN OF STERLINGTON, LOUISIANA

Statement of Net Position

Business-type Activities - Enterprise Fund

Utility Fund

December 31, 2018

Assets

Current assets:	
Cash and cash equivalents	\$ 71,291
Accounts receivable	24,614
Due from other funds	293,532
Restricted:	
Cash and cash equivalents	<u>602,659</u>
Total current assets	<u>992,096</u>
Noncurrent assets:	
Restricted:	
Notes receivable, net of allowance for doubtful accounts of \$2,117	103,902
Total noncurrent assets	
Capital assets:	
Land and land improvements	74,225
Water reservoir and treatment plant	7,585,313
Equipments	582,832
Construction in progress	—
Less accumulated depreciation	<u>(3,179,934)</u>
Total capital assets (net of accumulated depreciation)	<u>5,062,436</u>
Total assets	<u>6,158,434</u>

Deferred Outflows of Resources

Deferred amount on refunding	<u>38,336</u>
Total deferred outflows	<u>38,336</u>

Liabilities

Current liabilities (payable from current assets):	
Accounts payable	62,796
Accrued liabilities	—
Due to other funds	10,480
Customer deposits	<u>100,507</u>
Total current liabilities (payable from current assets)	<u>173,783</u>
Current liabilities (payable from restricted assets):	
Accrued interest on revenue bonds	67,533
Current portion of long-term debt	<u>308,000</u>
Total current liabilities (payable from restricted assets)	<u>375,533</u>
Total current liabilities	<u>549,316</u>
Noncurrent liabilities:	
Compensated absences	11,844
Bonds and notes payable	<u>8,994,253</u>
Total noncurrent liabilities	<u>9,006,097</u>
Total liabilities	<u>9,555,413</u>

Deferred inflows of resources	<u>—</u>
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Net position

Net investment in capital assets	
Restricted	
Debt service	115,513
Depreciation and contingency	442
Unrestricted	<u>(3,474,598)</u>
Total net position	<u>\$ (3,358,643)</u>

See accompanying notes to basic financial statements.

TOWN OF STERLINGTON, LOUISIANA
Statement of Revenues, Expenses, and Changes in Net Position
Business-type Activities - Enterprise Fund
Utility Fund
Year ended December 31, 2018

Operating Revenues		
User fees		525,800
Other operating revenues		807,692
	Total operating revenues	<u>1,333,492</u>
Operating Expenses		
Depreciation and amortization		332,752
Insurance		12,505
Maintenance and repairs		27,918
Material and supplies		9,789
Office supplies		4,756
Other operating expenses		972,301
Professional fees		151,303
Salaries and related benefits		180,509
Utilities and communications		43,281
	Total operating expenses	<u>1,735,114</u>
	Operating income (loss)	<u>(401,622)</u>
Nonoperating Revenues (Expenses)		
Interest earnings		3,465
Contributions		39,630
Interest expense		(333,528)
	Total nonoperating revenues (expenses)	<u>(290,433)</u>
	Income (loss) before transfers	<u>(692,055)</u>
Transfers in		116,964
Transfers out		(2,799,531)
		<u>(2,682,567)</u>
	Change in net position	(3,374,622)
	Total net position, beginning	<u>15,979</u>
	Total net position, ending	<u>\$ (3,358,643)</u>

See accompanying notes to basic financial statements.

TOWN OF STERLINGTON, LOUISIANA

Statement of Cash Flows

Utility Fund

Year ended December 31, 2018

Cash flows from operating activities:	
Receipts from operations	\$ 1,369,227
Payments to suppliers	(1,454,186)
Payments to employees	(176,225)
Other receipts	—
Net cash provided by (used in) operating activities	(261,184)
Cash flows from noncapital financing activities:	
Contributions	39,630
Due from other funds	27,119
Transfers in	116,964
Net cash provided by (used in) noncapital financing activities	183,713
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(352,976)
Bond proceeds	1,845,000
Principal paid on debt	(1,902,000)
Interest paid	(333,528)
Net cash (used in) capital and related financing activities	(743,504)
Cash flows from investing activities:	
Loans to contractors (net)	6,260
Interest received	3,465
Net cash provided by (used in) investing activities	9,725
Net increase (decrease) in cash and cash equivalents	(811,250)
Cash and cash equivalents, beginning of year	1,485,200
Cash and cash equivalents, end of year	\$ 673,950
Unrestricted cash and cash equivalents, end of year	
	71,291
Restricted cash and cash equivalents, end of year	
	602,659
Total cash and cash equivalents, end of year	
	673,950
Reconciliation of operating income to net cash provided by operating activities:	
Operating income (loss)	\$ (401,622)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation and amortization	332,752
Decrease (increase) in assets:	
Accounts receivable	(3,182)
Accounts payable	(231,333)
Customer deposits	38,917
Compensated absences	3,284
Total adjustments	140,438
Net cash provided by (used in) operating activities	\$ (261,184)

TOWN OF STERLINGTON

NOTES TO THE FINANCIAL STATEMENTS

AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018

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 (GASE) 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, garbage and trash collection, waste water 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.

GASE Statement Number 61, *The Financial Reporting Entity: Omnibus-An Amendment of GASE 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.

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 (GASE) *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 GASE Statement No. 62- *Codification of Accounting and Financial Reporting Guidance Contained In Pre-November 30, 1989 FASE 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.

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.

1. Summary of Significant Accounting Policies (Continued)

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.

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

1. Summary of Significant Accounting Policies (Continued)

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.

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.

1. Summary of Significant Accounting Policies (Continued)

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.
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 GASE 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.

1. **Summary of Significant Accounting Policies (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, 2018, an allowance of \$6,477 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

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

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.

1. Summary of Significant Accounting Policies (Continued)

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:

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.

1. Summary of Significant Accounting Policies (Continued)

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.

2. Cash and Investments

At December 31, 2018, the Town had cash and equivalents totaling \$851,214, as follows:

Petty Cash	\$	831
Demand Deposits		850,383
Total	\$	<u>851,214</u>

Custodial credit risk – deposits. These deposits are stated at cost, which approximates market. Under state law, these deposits (or 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 pledged securities plus the federal deposit insurance must at all times equal the amount of deposit with the fiscal agent. These securities are held in the Town's name in a holding or custodial bank that is mutually acceptable to both parties.

Cash (bank balances other than these backed by the U.S. government) at December 31, 2018, is secured as follows:

Bank Balances	\$	<u>858,020</u>
Federal deposit insurance	\$	634,242
Pledged Securities		223,778
Total	\$	<u>858,020</u>

The Town did not have any investments at December 31, 2018.

3. Receivables

Receivables of \$414,787 at December 31, 2018, consist of the following:

Fund Type	Ad		Accounts	Other	Total
	Valorem Taxes (net)	Sales Tax			
General	\$ 147,545	\$ 215,827	\$ -	\$ 26,801	\$ 390,173
Enterprise	-	-	24,614	-	24,614
Total	\$ 147,545	\$ 215,827	\$ 24,614	\$ 26,801	\$ 414,787

Consolidated Sewer District

At December 31, 2018, the Town had 961 residential and 58 commercial sewer customers. The rate charged for residential sewer service by the Town is \$33.50 per month up to 4,000 gallons of water consumed plus \$1 per 2,000 gallons over 4,000. The rates charged for commercial customers are \$60 per month up to 8,000 gallons of water consumed plus \$2.25 per thousand gallons over 8,000 for large businesses and \$49 per month up to 4,000 gallons of water consumed plus \$2.25 per thousand gallon over 4,000 for small businesses.

4. Changes in Capital Assets

The changes in capital assets are as follows:

	Balance 1/1/2018	Additions and Transfers	Retirements and Transfers	Balance 12/31/2018
Governmental activities:				
Non depreciable assets:				
Land	\$ 1,590,292	\$ -	\$ -	\$ 1,590,292
Construction in progress	4,464,887	3,057,675	(7,499,274)	23,288
Total non depreciable assets	<u>6,055,179</u>	<u>3,057,675</u>	<u>(7,499,274)</u>	<u>1,613,580</u>
Depreciable assets:				
Sports complex	-	10,143,905	-	10,143,905
Buildings	193,416	10,500	-	203,916
Land improvements	162,850	-	-	162,850
Vehicles and equipment	801,959	27,815	-	829,774
Fire protection system	581,981	-	-	581,981
Infrastructure: Drainage	475,472	-	-	475,472
Infrastructure: Streets	1,487,444	-	-	1,487,444
Total depreciable assets	<u>3,703,122</u>	<u>10,182,220</u>	<u>-</u>	<u>13,885,342</u>
Less accumulated depreciation	<u>(1,634,241)</u>	<u>(446,497)</u>	<u>-</u>	<u>(2,080,738)</u>
Total depreciable assets, net	<u>2,068,881</u>	<u>9,735,723</u>	<u>-</u>	<u>11,804,604</u>
Total governmental activities capital assets, net	<u>\$ 8,124,060</u>	<u>\$ 12,793,398</u>	<u>\$ (7,499,274)</u>	<u>\$ 13,418,184</u>

4. Changes in Capital Assets (Continued)

	Balance 1/1/2018	Additions and Transfers	Retirements and Transfers	Balance 12/31/2018
Business-type activities:				
Non depreciable assets:				
Land	\$ 74,225	\$ -	\$ -	\$ 74,225
Construction in progress	2,767,522	-	(2,767,522)	-
Total non depreciable assets	<u>2,841,747</u>	<u>-</u>	<u>(2,767,522)</u>	<u>74,225</u>
Depreciable assets:				
Sewer plant	7,237,677	347,636	-	7,585,313
Equipment	581,799	1,033	-	582,832
Total depreciable assets	7,819,476	348,669	-	8,168,145
Less accumulated depreciation	(2,852,780)	(327,154)	-	(3,179,934)
Total depreciable assets, net	<u>4,966,696</u>	<u>21,515</u>	<u>-</u>	<u>4,988,211</u>
Total business-type capital assets, net	<u>\$ 7,808,443</u>	<u>\$ 21,515</u>	<u>\$ (2,767,522)</u>	<u>\$ 5,062,436</u>

Depreciation charged to governmental activities during 2018 is as follows:

General government	\$ 20,407.00
Public safety	43,210.00
Public works	122,632.00
Culture and recreation	260,248.00
Total	<u>\$ 446,497.00</u>

Depreciation of \$327,154 was charged to expense in the business-type activities during 2018.

5. Long-term Debt

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

Long-term Obligations	Balance 1/1/2018	Additions	Deductions	Balance 12/31/2018	Amounts Due Within One Year
General long-term obligations					
Compensated absences	\$ 34,368	\$ 33,575	\$ (16,047)	\$ 51,896	\$ 27,939
Long-term debt	5,910,000	2,000,000	(65,000)	7,845,000	200,000
Subtotal - General	<u>5,944,368</u>	<u>2,033,575</u>	<u>(81,047)</u>	<u>7,896,896</u>	<u>227,939</u>
Enterprise Fund					
Compensated absences	8,560	3,560	(277)	11,843	6,395
Long-term debt	9,367,302	1,845,000	(1,902,000)	9,310,302	308,000
Deferred discount	(8,853)	-	804	(8,049)	(804)
Subtotal - Enterprise	<u>9,367,009</u>	<u>1,848,560</u>	<u>(1,901,473)</u>	<u>9,314,096</u>	<u>313,591</u>
Grand Total	<u>\$ 15,311,377</u>	<u>\$ 3,882,135</u>	<u>\$ (1,982,520)</u>	<u>\$ 17,210,992</u>	<u>\$ 541,530</u>

5. Long-term Debt (Continued)

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. As of December 31, 2018, the Town had drawn \$4,000,000 of the available \$4,000,000, leaving \$-0- in additional draws available to be drawn.

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 youth 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:

Year Ending December 31,	Principal Payments	Interest Payments	Principal and Interest
2019	\$ 200,000	\$ 342,230	\$ 542,230
2020	245,000	332,795	577,795
2021	295,000	320,780	615,780
2022	325,000	307,440	632,440
2023	335,000	292,950	627,950
2024-2028	1,925,000	1,211,433	3,136,433
2029-2033	2,230,000	783,806	3,013,806
2034-2038	1,660,000	318,197	1,978,197
2039-2043	630,000	81,750	711,750
Total	\$ <u>7,845,000</u>	\$ <u>3,991,381</u>	\$ <u>11,836,381</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.

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 2018. The bonds are payable over 20 years, maturing on December 1, 2038. These bonds carry an interest rate of 4.85%.

5. Long-term Debt (Continued)

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

<u>Revenue Bonds</u>	<u>Issue Date</u>	<u>Original Borrowing</u>	<u>Interest Rates to Maturity</u>	<u>Interest to Maturity</u>	<u>Final Maturity</u>	<u>Outstanding 12/31/2018</u>
Series 2011 DEQ Sewer	05/09/11	\$ 696,000	0.45%	\$ 29,557	06/01/31	\$ 478,585
Series 2013 DEQ Taxable	08/28/13	\$ 350,000	0.45%	19,152	12/01/33	256,717
Series 2013 Refunding Revenue Bonds	09/19/13	\$ 2,710,000	2.00% - 4.75%	488,328	06/01/28	2,240,000
Series 2014 Wastewater	08/13/14	\$ 300,000	5.00%	133,250	09/01/34	245,000
Series 2014 Wastewater	08/13/14	\$ 300,000	5.00%	133,250	09/01/34	245,000
Series 2017 Sewer	04/27/17	\$ 4,000,000	3.11%	1,312,096	12/01/36	4,000,000
Series 2018 Sewer Refunding	09/28/18	\$ 1,845,000	4.85%	1,222,855	12/01/38	1,845,000
Total				<u>\$ 3,338,488</u>		<u>\$ 9,310,302</u>

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

<u>Year Ending December 31,</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Principal and Interest</u>
2019	\$ 308,000	\$ 319,549	\$ 627,549
2020	428,000	311,452	739,452
2021	508,000	296,928	804,928
2022	533,000	281,374	814,374
2023	559,000	264,579	823,579
2024-2028	2,870,000	1,035,848	3,905,848
2029-2033	2,194,302	602,817	2,797,119
2034-2038	<u>1,910,000</u>	<u>184,392</u>	<u>2,094,392</u>
Total	<u>\$ 9,310,302</u>	<u>\$ 3,296,939</u>	<u>\$ 12,607,241</u>

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, 2018, the balance in the Series 2011 DEQ was \$95, 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, 2018, the balance in the Series 2013 DEQ was \$1,219, 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, 2018, the balance in the account was \$48,461.

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, 2018, the balance in the account was \$100, 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.

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, 2018, the balance in the fund totaled \$21,266.

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, 2018, the balance in the account was \$44,172.

5. Long-term Debt (Continued)

- 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 \$442 at December 31, 2018.

6. Ad-valorem Taxes

The Town considers ad valorem taxes receivable as December 31st and recognizes income in the year of assessment. For the year ended December 31, 2018, taxes of 9.25 mills were levied on properties with assessed valuations totaling \$17,585,052 and were not dedicated to any particular purpose. The total taxes originally levied were \$162,662 at December 31, 2018.

The property tax calendar is as follows:

Assessment date	January 1, 2018
Levy date	November 15, 2018
Date taxes are due	December 31, 2018
Lien date	January 1, 2019

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

7. On-Behalf Payments

Certain Town employees in the Police Department receive supplemental pay from the state of Louisiana. In accordance with GASE 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 \$51,310 during the year ended December 31, 2018.

8. Interfund Receivables and Payables

Individual balances due to/from other funds at December 31, 2018, are as follows:

	Interfund Receivable						
	Governmental Funds						
	Major Funds					Enterprise	Total
	General	Road Construction & Maintenance	Recreation Sales Tax	Nonmajor Capital Project			
<u>Interfund Payable</u>							
Governmental Funds							
Major Funds							
General Fund	\$ -	\$ 50,934	\$ 58,165	\$ -	\$ 200,277	\$ 309,376	
Recreation Sales Tax	-	-	-	-	60,227	60,227	
Sports Complex	7,918	-	-	-	-	7,918	
Road Construction & Maintenance	-	-	-	-	33,028	33,028	
NonMajor Funds							
Capital Projects	15,060	-	-	-	-	15,060	
Enterprise Fund	-	-	-	10,480	-	10,480	
Total	<u>\$ 22,978</u>	<u>\$ 50,934</u>	<u>\$ 58,165</u>	<u>\$ 10,480</u>	<u>\$ 293,532</u>	<u>\$ 436,089</u>	

Balances result from interfund transactions for services which result in reimbursable expenditures.

9. Interfund Transfers

The following transfers were made between the various funds of the Town during 2018:

	Transfers Out					
	Governmental Funds					
<u>Transfers In</u>	Road Construction and Maintenance			Sports Complex	Enterprise	Total
	General					
Governmental Funds						
Major Funds						
Road Const & Maintenance	-	-	-	-	-	-
Recreation Sales Tax	-	-	18,200	-	-	18,200
Sports Complex	38,305	-	-	2,799,531	-	2,837,836
Enterprise Fund	98,256	18,708	-	-	-	116,964
Total	<u>\$ 136,561</u>	<u>\$ 18,708</u>	<u>\$ 18,200</u>	<u>\$ 2,799,531</u>	<u>\$ 2,973,000</u>	

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

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 2018, the Town contributed \$6,895 into this retirement plan.

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.

12. Litigation and Claims

The Town was not involved nor was the Town aware of any unasserted claims.

13. Restricted Fund Balances (FFS Level Only)

The following Governmental Fund's fund balance is legally restricted for the following purposes: Road maintenance (\$56,789).

The following Governmental Fund's fund balance is legally restricted for the following purposes: Sales tax sports complex (\$21,752).

The following Governmental Fund's fund balance is legally restricted for the following purposes: Sports complex (-\$101,959).

14. Deficit Net Position

At December 31, 2018, an unrestricted net position deficit of \$(3,503,914) exists for the town.

Of the \$3,503,914 deficit of unrestricted net position, \$3,474,598 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 the current year and an overall large deficit in unrestricted net position.

The Town has an unrestricted net position deficit of \$29,316 in governmental activities mostly due to costs incurred and debt issued to build the sports complex. The Town hasn't seen the increase in sales tax revenues that was expected which could lead to future problems paying the debt it incurred to do the construction.

**REQUIRED SUPPLEMENTAL INFORMATION
(PART B)**

TOWN OF STERLINGTON, LOUISIANA

General Fund

Schedule of Revenues, Expenditures, and Changes
in Fund Balance – Budget and Actual

Year ended December 31, 2018

(Unaudited)

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
Revenues:				
Ad valorem taxes	\$ 150,000	155,000	156,185	1,185
Sales and other taxes	662,400	575,000	609,446	34,446
Charges for services	2,400	4,200	4,000	(200)
Licenses and permits	120,300	122,503	122,551	48
Intergovernmental revenue	85,396	87,855	87,783	(72)
Fines and forfeitures	383,372	289,150	242,531	(46,619)
Use of money and property	2,800	—	3,813	3,813
Contributions	1,000	100	3,670	3,570
Miscellaneous	1,975	—	8,209	8,209
Total revenues	<u>1,409,643</u>	<u>1,233,808</u>	<u>1,238,188</u>	<u>4,380</u>
Expenditures – current – culture and recreation:				
General government	572,504	473,148	511,455	(38,307)
Public safety	602,791	541,449	461,939	79,510
Public works	111,287	74,521	70,168	4,353
Capital Outlay	1,000	1,000	—	1,000
Total expenditures	<u>1,287,582</u>	<u>1,090,118</u>	<u>1,043,562</u>	<u>46,556</u>
Excess of expenditures over revenues	122,061	143,690	194,626	50,936
Other financing sources:				
Transfers out	(81,895)	(185,825)	(136,561)	49,264
Net change in fund balance	<u>40,166</u>	<u>(42,135)</u>	<u>58,065</u>	<u>100,200</u>
Fund balance, beginning of year	<u>43,097</u>	<u>43,097</u>	<u>43,097</u>	<u>—</u>
Fund balance, end of year	<u>\$ 83,263</u>	<u>962</u>	<u>101,162</u>	<u>100,200</u>

See accompanying independent auditors' report.

TOWN OF STERLINGTON, LOUISIANA

Special Revenue Fund
Road Construction and Maintenance

Schedule of Revenues, Expenditures, and
Changes in Fund Balance – Budget and Actual

Year Ended December 31, 2018

(Unaudited)

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
Revenues:				
Sales and other taxes	\$ 209,440	190,000	202,948	12,948
Licenses and permits	4,000	2,100	2,100	—
Use of money and property	200	400	522	122
Miscellaneous	—	650	649	(1)
Total revenues	<u>213,640</u>	<u>193,150</u>	<u>206,219</u>	<u>13,069</u>
Expenditures – current – culture and recreation:				
Public works	187,276	136,002	135,063	939
Capital Outlay	—	—	—	—
Total expenditures	<u>187,276</u>	<u>136,002</u>	<u>135,063</u>	<u>939</u>
Excess of expenditures over revenues	26,364	57,148	71,156	14,008
Other financing sources:				
Transfers out	<u>(29,053)</u>	<u>(23,290)</u>	<u>(18,708)</u>	<u>4,582</u>
Net change in fund balance	(2,689)	33,858	52,448	18,590
Fund balance, beginning of year	<u>4,341</u>	<u>4,341</u>	<u>4,341</u>	<u>—</u>
Fund balance, end of year	<u>\$ 1,652</u>	<u>38,199</u>	<u>56,789</u>	<u>18,590</u>

See accompanying independent auditors' report.

TOWN OF STERLINGTON, LOUISIANA

Special Revenue Fund
Recreation Sales Tax

Schedule of Revenues, Expenditures, and
Changes in Fund Balance – Budget and Actual

Year Ended December 31, 2018

(Unaudited)

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
Revenues:				
Sales and other taxes	\$ 209,400	188,775	202,877	14,102
Licenses and permits	—	—	—	—
Use of money and property	180	100	104	4
Miscellaneous	—	—	—	—
Total revenues	<u>209,580</u>	<u>188,875</u>	<u>202,981</u>	<u>14,106</u>
Expenditures – current – culture and recreation:				
Debt service - principal	165,000	65,000	65,000	—
Debt service - interest	249,685	123,775	134,498	(10,723)
Total expenditures	<u>414,685</u>	<u>188,775</u>	<u>199,498</u>	<u>(10,723)</u>
Excess of expenditures over revenues	(205,105)	100	3,483	3,383
Other financing sources:				
Transfers in	—	—	18,200	18,200
Net change in fund balance	(205,105)	100	21,683	21,583
Fund balance, beginning of year	69	69	69	—
Fund balance, end of year	<u>\$ (205,036)</u>	<u>169</u>	<u>21,752</u>	<u>21,583</u>

See accompanying independent auditors' report.

See accompanying independent auditors' report.

OTHER SUPPLEMENTAL INFORMATION

TOWN OF STERLINGTON
Schedule of Compensation Paid to Board of Aldermen
For the Year Ended December 31, 2018

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 aldermen 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.

Name	2018 Amount
Lucy Holtzclaw (Mayor Pro Tempore)	\$ 4,200.00
Miranda Russ	3,000.00
Ron Hill	3,000.00
Cesar Velasquez	3,000.00
Kerry Elee	2,325.00
Lanie Whittington	500.00
Total	\$ 16,025.00

TOWN OF STERLINGTON
Schedule of Compensation, Benefits and Other Payments to
Agency Head or Chief Executive Officer
For the Year Ended December 31, 2018

Chief Executive Officer: Vern Breland, Mayor

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 66,780
Benefits - Retirement	-
Benefits -	
Travel	4,301
Meals and entertainment	2,195

OTHER REPORTS



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

October 12, 2023

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, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated October 12, 2023.

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 2018-01, 2018-02, 2018-03 and 2018-04 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 item 2018-03 and 2018-04.

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, 2018

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, except the Utility Fund, for which a qualified opinion is expressed.
2. Four material weaknesses were disclosed relating to the audit of the basic financial statements.
3. Two instances of noncompliance relating to the basic financial statements of the Town of Sterlington, Louisiana were 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

2018-1: Accounting Staff:

As is common in small operations, management has chosen to engage the auditor to propose certain year-end adjusting journal entries and to prepare the Town's annual financial statements. Consistent with this decision, internal controls over the preparation of year-end adjusting entries and annual financial statements, complete with notes, in accordance with generally accepted accounting principles have not been established, nor does management have the ability to perform these functions in-house. Under generally accepted auditing standards, this condition represents a control deficiency that is also considered to be a material weakness in internal controls. This condition is intentional and results from management balancing the Town's financial complexity with the appropriate level of accounting expertise. Whether or not it would be cost effective to correct a control deficiency is not a factor in applying SAS 115's reporting requirements. Because prudent management requires that the potential benefit from an internal control must exceed its cost, it may not be practical to correct all deficiencies reported under SAS 115.

2018-2: Internal Control over various Components:

As a result of audit procedures, it was noted a general lack of internal control in various components of the control environment, risk assessment, information and communication, monitoring and control activities.

TOWN OF STERLINGTON, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2018

2018-3: LLA Investigative Report:

The Louisiana Legislative Auditor issued an investigative report dated November 14, 2019 noting the following issues for the period under audit:

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

2018-4: SEC Administrative Proceeding:

The Securities and Exchange Commission issued an order dated June 2, 2022, instituting cease-and-desist-proceedings related to certain issues for the period under audit:

- 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.

TOWN OF STERLINGTON, LOUISIANA
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2018

2017-1: Failure in Multiple Elements of Internal Control:

Status: Unresolved – repeated as 2018-2.

2017-2: Louisiana Legislative Auditor Investigation:

Status: Partially resolved – repeated as 2018-3.

TOWN OF STERLINGTON, LOUISIANA
MANAGEMENT'S CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED DECEMBER 31, 2018

2018-1: Accounting Staff:

The Town has engaged a consulting CPA to provide assistance to the staff. Further, the CPA will prepare financial statements and make any adjustments necessary at year end.

2018-2: Internal Control Over Various Components:

The Town has changed the policies and procedures over the accounting processes; this will provide more oversight by someone independent of the accounting functions.

2018-3: Louisiana Legislative Auditor Investigation:

The Town no longer uses the financial advisor used during the time the bonds were applied for. In the future, the Town's bond attorney will be consulted when issuing bond funds. In respect to the public bid law, the Town will use best practices in accordance with the Public Bid Law.

2018-4: SEC Administrative Proceeding:

The Town has implemented new policies and procedures including:

1. Purchase orders are required before any purchase.
2. Mayor and an Alderman must both sign checks.
3. An oversight committee was created to review monthly financial reports.

TOWN OF STERLINGTON, LOUISIANA

**STATEWIDE AGREED-UPON
PROCEDURES REPORT**

YEAR ENDED DECEMBER 31, 2018



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

October 12, 2023

To the Honorable Mayor Caesar Velasquez
and the members of the City Council
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, which were agreed to by the Town of Sterlington (Town) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 01, 2018 through December 31, 2018. The City's management is responsible for those C/C areas identified in the SAUPs.

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

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):

Policies were adopted by the Board in December in March 2008. Additional policies were adopted in December 2017; however, the policies that were adopted by the Mayor were the

general guideline policies issued by the LLA on April 10, 2014. These policies were not tailored to meet the Town's operations.

- a) **Budgeting**, including preparing, adopting, monitoring, and amending the budget

Exception: The policy adopted in 2008 did discuss budgeting for capital assets; however, the budget policy adopted in December 2017 was not tailored to meet the Town's operations.

Management's response: Subsequent to 2018 the Town made major updates to its policies and procedures. The Town is still reviewing policies and procedures as it continues to tailor them to the Town's operations.

- 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.

Exception: The purchasing policy adopted in December 2017 was the general purchasing policy guideline issued by the LLA in 2014. It was not tailored to meet the Town's operations.

Management's response: Subsequent to 2018 the Town made major updates to its policies and procedures. The Town is still reviewing policies and procedures as it continues to tailor them to the Town's operations.

- c) **Disbursements**, including processing, reviewing, and approving

Exception: The disbursements policy adopted in December 2017 was the general disbursements policy guideline issued by the LLA in 2014. It was not tailored to meet the Town's operations.

Management's response: Subsequent to 2018 the Town made major updates to its policies and procedures. The Town is still reviewing policies and procedures as it continues to tailor them to the Town's operations.

- 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).

Exception: The receipts/collections policy adopted in December 2017 was the general receipts/collections policy guideline issued by the LLA in 2014. It was not tailored to meet the Town's operations.

Management's response: Subsequent to 2018 the Town made major updates to its policies and procedures. The Town is still reviewing policies and procedures as it continues to tailor them to the Town's operations.

- e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.

Exception: The entity does not have a written policy or procedure addressing payroll/personnel.

Management's response: Subsequent to 2018 the Town made major updates to its policies and procedures. The Town is still reviewing policies and procedures as it continues to tailor them to the Town's operations.

- 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.

Exception: The contracting policy adopted in December 2017 was the general contracting policy guideline issued by the LLA in 2014. It was not tailored to meet the Town's operations.

Management's response: Subsequent to 2018 the Town made major updates to its policies and procedures. The Town is still reviewing policies and procedures as it continues to tailor them to the Town's operations.

- 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)

Exception: The credit cards policy adopted in December 2017 was the general credit card policy guideline issued by the LLA in 2014. It was not tailored to meet the Town's operations.

Management's response: Subsequent to 2018 the Town made major updates to its policies and procedures. The Town is still reviewing policies and procedures as it continues to tailor them to the Town's operations.

- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers

Exception: The travel and expense reimbursement policy adopted in December 2017 was the general travel and expense reimbursement policy guideline issued by the LLA in 2014. It was not tailored to meet the Town's operations.

Management's response: Subsequent to 2018 the Town made major updates to its policies and procedures. The Town is still reviewing policies and procedures as it continues to tailor them to the Town's operations.

- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected

officials, annually attest through signature verification that they have read the entity's ethics policy.

Exception: The entity does not have a written policy or procedure addressing ethics.

Management's response: Subsequent to 2018 the Town made major updates to its policies and procedures. The Town is still reviewing policies and procedures as it continues to tailor them to the Town's operations.

- j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

Exception: The entity does not have a written policy or procedure addressing debt service.

Management's response: Subsequent to 2018 the Town made major updates to its policies and procedures. The Town is still reviewing policies and procedures as it continues to tailor them to the Town's operations.

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

Exception: The entity does not have a written policy or procedure addressing disaster recovery/business continuity.

Management's response: Subsequent to 2018 the Town made major updates to its policies and procedures. The Town is still reviewing policies and procedures as it continues to tailor them to the Town's operations.

Board or Finance Committee

2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
- a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.
- The entity's Town Council met monthly with a quorum.*
- b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general

fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds.

Budget to actual comparisons were referenced in all council monthly meetings.

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

Exception: The General Fund had a negative ending unrestricted fund balance in the prior year audit report. We did not identify any formal plan by management to eliminate the deficits.

Management's response: In 2019, the new Mayor took office and as a formal plan was being created, the state assigned a fiscal administrator.

Bank Reconciliations

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

A listing of client bank accounts for the fiscal period was obtained from management.

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

Bank statements evidenced the reconciliations are being prepared within two months of the statement date.

- 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

Bank statements evidenced the reconciliations are being reviewed monthly.

- 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.

Exception: Two bank statements tested has reconciling items that were outstanding for more than 12 months from the statement closing date and there was no evidence of management researching these reconciling items.

Management's response: In the future, management will review reconciling items and document items that are outstanding more than 12 months.

Collections

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

A listing of deposit locations was obtained from management. One deposit site was selected for testing.

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 listing of collection locations and policies was obtained from management.

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

For all the locations selected employees did 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.

All policies described adequate separation of duties regarding preparing/making bank deposits.

- 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.

Exception: There is no separation of duties between employees handling the cash collections and posting or reconciling the cash collections.

Management's responses: Limited personnel doesn't allow for much separation of duties. The Mayor and Clerk provide oversight over the collection process and the employees performing them.

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

Exception: There is no separation of duties between employees handling the cash collections and posting or reconciling the cash collections.

Management's response: Limited personnel doesn't allow for much separation of duties. The Mayor and Clerk provide oversight over the collection process and the employees performing them.

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

All employees are covered.

- 6. Randomly select two deposit dates for each of 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:

Bank statements were used to make selections for collections testing.

- a) Observe that receipts are sequentially pre-numbered.

Receipts were sequentially pre-numbered for all deposits selected except for the payment from Department of Administration Taxation & Revenue Division for taxes collected. No receipts were obtained. Due to the nature of the transaction, this appears reasonable.

- b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.

The sequentially pre-numbered receipts, system reports, and other related collection documentation were traced to the deposit slip for two out of the ten deposits selected. Six of the remaining eight deposits did not have individual receipts or deposit slips to agree. HMV agreed the tax collections report from the City of Monroe to the deposit listed per the bank statement. For the remaining two deposits, individual receipts were not obtained to agree to the deposit slips. HMV agreed the utility billing report total to the deposit slip.

Management's response: The Town will be investigating options to eliminate this exception in the future.

- c) Trace the deposit slip total to the actual deposit per the bank statement.

All deposit slips, other than monthly payment from Department of Administration Taxation & Revenue Division, agreed to the deposit per the bank statement without exception. For those payments from the Department of Administration Taxation & Revenue Division, no deposit slips or receipts were observed. This appears reasonable due to the nature of the transaction.

- 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).

All deposits, other than those that consisted of credit cards, were deposited within one business day of receipt at the collection location. For those deposits that solely consisted

of credit cards, this control was not considered applicable, as TOS does not have the means to control when the credit card company remits TOS their deposit.

- e) Trace the actual deposit per the bank statement to the general ledger.

All deposits per the bank statement were traced to the general ledger without exception.

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

- 7. Obtain from management the transaction detail listing that includes the beginning and ending check numbers for the ACH and check items. Randomly select 25 transactions for testing.

The transaction detail listing for the fiscal period was obtained from management.

- a) Trace information to check stub/ACH register and invoice noting and agreeing amount, date, recipient of goods or service, and client as addressee.

Amount, date, recipient of goods or service, and client as addressee on invoice and check stub/ACH agreed.

- b) Examine invoice noting proper cancellation to prevent duplicate payment and timely payment (check stub/bill payment attached to invoice).

Marilyn writes "paid" on the invoices that are paid with the check number that paid the invoice, check date, and amount paid.

- c) Examine invoice for management approval to pay, as indicated by signature.

Exception: Fifteen of the 25 disbursements tested lacked approval/signature on the corresponding invoice.

Management's response: The Town updated its policies and procedures to address this. Each disbursement is accompanied by a PO with the Mayor and a Board Member's signature on it.

- d) Examine invoice for appropriate general ledger coding.

Exception: No invoices were denoted with proper general ledger coding.

Management's response: The Town will start including GL coding on the invoices.

- e) Trace expense to recording in proper account per coding.

Expenses were recorded in proper account per coding.

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

8. 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 person who maintained possession of the cards. Obtain management's representation that the listing is complete.

A listing of all credit cards, bank debit cards, fuel cards, and P-cards for the fiscal period was obtained from management.

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

Exception: One of the five selections did not have approval.

Management's response: The Town addressed this issue when it updated its policies and procedures.

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

No finance charges or late fees were assessed on the selected statements.

9. Using the monthly statements or combined statements selected above, excluding fuel cards, randomly select 10 transactions subject to testing. For each transaction, observe that it is supported by:

- a) An original itemized receipt that identifies precisely what was purchased.

Original itemized receipts identified what was purchased.

- b) Written documentation of the business/public purpose.

Exception: No indication of written documentation for purpose.

Management's response: In the future, the Town will indicate the business/public purpose.

- c) Documentation of the individuals participating in meals (for meal charges only).

No meal charges were selected.

Travel and Travel-Related Expense Reimbursement

10. 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 documents. For each of the 5 reimbursements selected:

A listing of all travel and travel-related expense reimbursements for the fiscal period was obtained from management.

- a) If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).

No selections were reimbursed using a per diem.

- b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.

Original itemized receipts were provided to identify 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 (procedures #1h).

Business/public purpose was documented for all selections.

- d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Exception: Proper approval was missing for all selections. Policy states that BOD is to approve expenses for Mayor.

Management's response: The Town addressed this issue when it updated its policies and procedures.

Contracts

11. 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 is less than 5) from the listing, excluding the practitioner's contract, and:

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 was obtained from management.

- 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. If the entity has adopted the state Procurement Code, replace “Louisiana Public Bid Law” with “Louisiana Procurement Code.”

Exception: Four of the five selections did not have bids.

Management’s response: In the future, the Town will follow the Louisiana Public Bid Law and bid out any projects that are required to be bid under state 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).

Exception: Four of the five selections did not have approvals by the governing body/board.

Management’s response: The Town will get BOA approval going forward.

- c) If the contract was amended (e.g., change order), observe that the original contract terms provided for such an amendment.

No contracts selected were amended.

- d) Randomly selected 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.

Invoices and related payments agreed to the terms and conditions of the contract.

Payroll and Personnel

12. Obtain a listing from management of all employees, with their salaries. Obtain management's representation that the list is complete. Randomly select 5 employees and request their personnel files.

A listing of all employees, with their salaries, was obtained from management.

- a) Determine compensation paid agrees to employment contract or pay rate structure.

Exception: There was no employment contract or pay rate structure as the Mayor approved all wages verbally. HNV was not able to agree compensation to contract or pay rate structure.

Management’s response: In the future, the Town will document approved employee pay and pay changes.

- b) Review pay rate changes and verify they were approved in writing and in accordance with policy.

Exception: There was no written approval on pay rates or changes to pay rates. The Mayor approved all employees' pay rates verbally.

Management's response: In the future, the Town will document approved employee pay and pay changes.

13. Obtain attendance and leave records randomly selecting one pay period in which leave has been taken by at least one employee. From that pay period randomly selected all employees if 25 or less. (If more than 25 employees selected one third, but not less than 25.)

- a) Verify employees documented their daily attendance and leave.

Exception: One employee did not have a timecard. The employee performed janitorial services on Saturdays, but no timecard was kept.

Management's response: In the future, the Town will provide documentation for personnel, including timesheets and leave records.

- b) Verify approval of attendance and leave records.

Exception: Fourteen of the 25 employees selected did not have approval for attendance. Three of the 25 employees selected did not have approval for attendance or leave. One employee performed janitorial services on Saturdays, but no timecard was kept for their hours worked; therefore, the time was not approved.

Management's response: In the future, the Town will provide documentation for personnel, including timesheets and leave records.

- c) Determine whether the entity maintained written leave records.

Exception: Two employees did not have written leave records.

Management's response: In the future, the Town will provide documentation for personnel, including timesheets and leave records.

14. Obtain a list of terminated employees and management's representation that the list is complete. Select two largest termination payments and obtain personnel files for the two employees.

- d) Verify the terminated employees' termination payments were made in strict accordance with policy and/or contract and approved by management.

Termination payments were made in accordance with policy and/or contract and approved by management.

15. Obtain 941's, tax deposits, and retirement submissions for selected pay dates.

- e) Verify all employee payroll withholdings (taxes, retirement, etc.) were submitted to applicable agencies by the required deadlines.

No exceptions noted.

Ethics

16. Using the 5 randomly selected employees/officials from procedure 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.

Exception: Two of the five employees/officials selected did not complete one hour of ethics training during the fiscal period.

Management’s response: The Town will address this exception.

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

Exception: None of the five employees/officials selected read the entity’s ethics policy during the fiscal year.

Management’s response: The Town will address this exception.

Debt Service

17. Obtain a listing of bonds/notes issued during the fiscal period and management’s representation that the listing is complete. Select all bonds/notes on the listing, obtain supporting documentation, and:

- a) Observe that State Bond Commission approval was obtained for each bond/note issued.

The State Bond Commission approval was obtained for the bonds selected.

18. 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, and:

- a) Inspect debt covenants.

The debt covenant was provided for the bond selected.

- b) Obtain support documentation for the reserve balance and payments and agree actual reserve balances and payments to those required by debt covenants.

The reserve balance and payment agreed to those required by debt covenants.

Other

19. 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 documentation, and:

- a) 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.

Misappropriations were reported to the legislative auditor and district attorney of Ouachita Parish.

- b) 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. Observation may be limited to those premises that are visited during the performance of other procedures under the AUPs.

The notice was posted on premises. However, the Town's website has been inactive since 2016, therefore, does not have a website to post the notice.

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

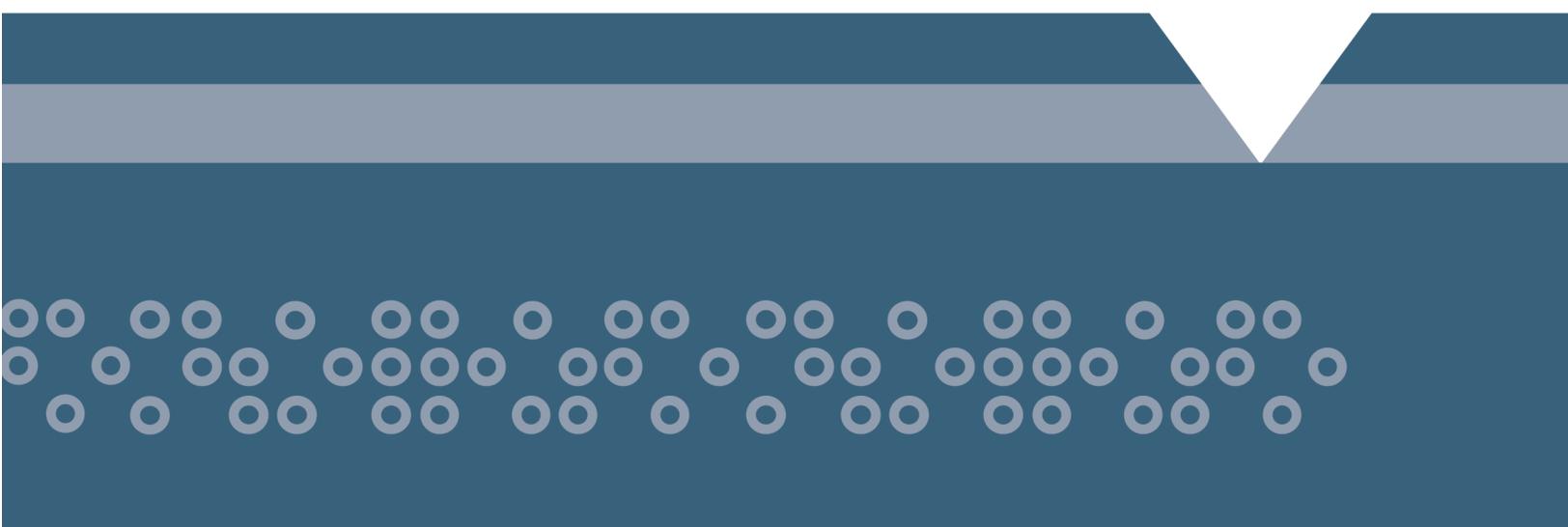
The purpose of this report is solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute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

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

Shreveport, Louisiana

Town of Sterlington, Louisiana
Agreed-Upon Procedures Report

Year Ended September 30, 2018





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

October 13, 2023

Honorable Mayor Matt Talbert
and Members of the Town Council
Town of Sterlington
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 Fiscal Administration Final Report and Plan Agreed Upon Procedures, which were agreed to by the Town of Sterlington (Town) and the Louisiana Legislative Auditor (LLA) for the year ended December 31, 2018. The Town's management is responsible for the areas identified in the procedures.

The Town has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of determining whether the Town is following the three-year plan, as prescribed in the fiscal administrator's final report. 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 the associated findings are as follows:

Fiscal Administrator Final Report and Plan Agreed-Upon Procedures

1. Obtain from the Louisiana Legislative Auditor a copy of the Fiscal Administrator's final report and three-year plan.

The fiscal administrator's final report and three-year plan documents, dated May 18, 2021, and May 13, 2021, were obtained.

2. Inquire of management about the current status of the three-year plan:

Inquiries were made of management and discussions regarding the current status of following the three-year plan were had regarding all areas including Financial Management Plan, Revenue Plan, and Operation Plan.

3. Obtain documentation supporting management's representations regarding the current status of following the three-year plan:

Management provided documentation supporting their assertions regarding the current status of following the three-year plan, including the Financial Management Plan, Revenue Plan, and Operation Plan.

4. Compare documentation from management to the Fiscal Administrator's final report and three-year plan and confirm that the entity is following the three-year plan, as prescribed, and report any exceptions.

Documentation and responses provided by management were compared to the fiscal administrator's final report and three-year plan. One exception was noted.

Exception: Under the Revenue Plan section of the three-year plan, it was advised that "a reserve amount needs to be established to ensure enough revenues are on hand for emergencies". No separate account has been established for an "emergency fund".

Management's Response: The Town is following the recommendations in the three-year report, however, the Town does not currently have an account set up specifically for emergency operation. Our fund balances and cash positions are strong and we believe we could operate in any emergency if we needed to.

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 AICPA. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those areas identified in the fiscal administrator final report and three-year plan. 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.

The purpose of this report is solely to describe the scope of testing performed on those areas identified above, 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, McELROY & VESTAL, L.L.C.

Shreveport, Louisiana