

TOWN OF STERLINGTON  
STERLINGTON, LOUISIANA

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FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION

AS OF AND FOR THE YEAR ENDED  
DECEMBER 31, 2017

**TOWN OF STERLINGTON  
STERLINGTON, LOUISIANA**

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## INDEPENDENT AUDITOR'S REPORT

Mayor Vern Breland and  
the Board of Aldermen  
Town of Sterlington, Louisiana

We were engaged to audit 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, 2017, 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 conducting the engagement 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. Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

### *Basis for Disclaimer of Opinion*

We were not able to obtain or corroborate sufficient appropriate audit evidence from management. Additionally, we identified potential compliance issues that could have a direct effect on the determination of material amounts and disclosures in the financial statements. Such issues are currently under investigation by the Louisiana Legislative Auditor.

### *Disclaimer of Opinion*

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for audit opinions. Accordingly, we do not express opinions on the financial statements referred to in the first paragraph.

***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. Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, it is inappropriate to and we do not express an opinion on the required supplementary information referred to above.

*Other Information*

We were engaged 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. Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, it is inappropriate to and we do not express an opinion on the other supplementary information referred to above.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2018, 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.

BOSCH & STATHAM, LLC

*Bosch & Statham*

Ruston, Louisiana  
September 28, 2018

**REQUIRED SUPPLEMENTAL INFORMATION  
(PART A)**

**Town of Sterlington**  
**Management's Discussion and Analysis (MD&A)**  
**December 31, 2017**

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, 2017. 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**

- The assets of the Town of Sterlington exceeded its liabilities at the close of the most recent fiscal year by \$2,630,890 (*net position*). Of this amount, \$2,214,060 represented *net investment in capital assets*, \$4,341 was restricted for public works, \$160,961 was restricted for debt service, and \$408,519 was restricted for capital projects. The amount of \$(156,991) is available for spending at the government's discretion (*unrestricted net position*).
- The government's total net position decreased by \$397,941.
- As of the close of the current fiscal year, the Town of Sterlington's Governmental Funds reported an ending fund balance of \$456,026, a decrease of \$457,013 in comparison with the prior year. The amount of \$43,097 is available for spending at the government's discretion (*unassigned fund balance*).
- The Town of Sterlington's total debt increased by approximately \$7,710,000 during the current fiscal year. During 2017, the Town issued \$4,000,000 in sales tax revenue bonds and \$4,000,000 in utility revenue bonds. The sales tax revenue bonds have an interest rate of 3.78% and the utility revenue bonds have an interest rate of 3.11%.

**Overview of the Financial Statements**

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

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

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

The statement of activities presents information showing how the Town's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the

underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

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

The government-wide financial statements can be found on pages 11 and 12 of this report.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Sterlington, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town of Sterlington can be divided into two categories: governmental funds and proprietary funds.

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

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

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

The governmental funds financial statements can be found on pages 14 through 17 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 45 through 47 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 21 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, 2017 and 2016**

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 868,767	\$ 1,247,545	\$ 1,926,965	\$ 883,076	\$ 2,795,732	\$ 2,130,621
Capital assets	8,124,060	3,427,322	7,808,443	5,572,059	15,932,503	8,999,381
Total assets	<u>8,992,827</u>	<u>4,674,867</u>	<u>9,735,408</u>	<u>6,455,135</u>	<u>18,728,235</u>	<u>11,130,002</u>
Deferred outflows of resources	-	-	43,129	47,922	43,129	47,922
Current and other liabilities	433,548	343,048	395,549	206,255	829,097	549,303
Long-term liabilities	5,944,368	2,033,715	9,367,009	5,566,075	15,311,377	7,599,790
Total liabilities	<u>6,377,916</u>	<u>2,376,763</u>	<u>9,762,558</u>	<u>5,772,330</u>	<u>16,140,474</u>	<u>8,149,093</u>
Net Assets:						
Net investment in capital assets	2,214,060	1,427,322	-	392,583	2,214,060	1,819,905
Restricted	412,929	906,135	160,892	125,540	573,821	1,031,675
Unrestricted	(12,078)	(35,353)	(144,913)	212,604	(156,991)	177,251
Total net position	<u>\$ 2,614,911</u>	<u>\$ 2,298,104</u>	<u>\$ 15,979</u>	<u>\$ 730,727</u>	<u>\$ 2,630,890</u>	<u>\$ 3,028,831</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, 2017 and 2016**

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
<b>Revenues</b>						
Program Revenues						
Charges for services	\$ 639,819	\$ 448,008	\$ 469,695	\$ 364,098	\$ 1,109,514	\$ 812,106
Operating grants and contributions	77,613	73,169	-	-	77,613	73,169
Capital grants and contributions	511,344	17,240	-	23,000	511,344	40,240
General Revenues						
Property taxes	153,297	122,584	-	-	153,297	122,584
Sales taxes	942,687	851,518	-	-	942,687	851,518
Other general revenues	9,413	33,369	74,584	31,053	83,997	64,422
Transfers	(131,948)	(205,427)	131,948	205,427	-	-
Total revenues	2,202,225	1,340,461	676,227	623,578	2,878,452	1,964,039
<b>Expenses</b>						
General government	580,175	553,495	-	-	580,175	553,495
Public safety	662,136	666,753	-	-	662,136	666,753
Public works	403,313	326,562	-	-	403,313	326,562
Culture and Recreation	9,845	-	-	-	9,845	-
Interest on long-term debt	229,949	39,882	309,474	157,217	539,423	197,099
Sewer	-	-	1,081,501	660,711	1,081,501	660,711
Total expenses	1,885,418	1,586,692	1,390,975	817,928	3,276,393	2,404,620
Increase (decrease) in net position	\$ 316,807	\$ (246,231)	\$ (714,748)	\$ (194,350)	\$ (397,941)	\$ (440,581)

**Governmental Activities**

Governmental activities increased the Town of Sterlington's net position by \$316,807. Key elements of the changes in net position are as follows:

Expenses are classified by functions/programs. General government expenses accounted for \$580,175 in 2017. Public safety accounted for \$662,136 while public works accounted for \$403,313 for fiscal 2017. Culture and recreation accounted for \$9,845 in 2017. Interest on long-term debt accounted for 229,949 in 2017.

The related program revenues for fiscal 2017 directly related to these expenses totaled \$1,228,776 which resulted in net program expenses of \$656,642. 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 \$942,687 of revenues, an increase of \$91,169 (11%) as compared to 2016. Of the \$942,687, \$565,637 is allocated to the General Fund, \$188,544 to

the Road Construction and Maintenance Fund, and \$188,506 to the Sports Complex Sales Tax Fund.

- Fines and forfeitures are the next largest revenue source to the Town, generating \$478,331, an increase of \$188,002 (65%) in General Fund revenue.
- Ad valorem taxes of \$153,297, an increase of \$30,713 (25%) from 2016's \$122,584 recognized by the Town.

**Business-Type Activities.** Business-type activities (Consolidated Sewer District) decreased the Town of Sterlington's net position by approximately \$714,748. This decrease was primarily attributable to depreciation expense on capital assets and legal expenses paid to try and acquire assets needed for the Town's water system.

### **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 20, 2016, and the final amended budget was adopted on December 21, 2017.

The total difference between the original General Fund budget and the final amended budget was an increase in revenues by \$122,825 from \$1,333,404 to \$1,456,229 due to an anticipated increase in fines and forfeitures. Expenditures increased by \$90,039 from the original budget's \$1,372,226 to \$1,462,265.

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 an increase anticipated revenues of \$897. Expenditures were originally budgeted at \$171,624 and was revised to \$229,229 due to anticipated increase in public works expenditures.

The total difference between the original Recreation Sales Tax Fund budget and the final amended budget was an increase in revenues by \$180 from \$187,000 to \$187,180. Expenditures increased by \$310,163 from the original budget's \$0 to \$310,163 due to anticipated increase 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, 2017, amounts to \$15,932,503 (net of accumulated depreciation), which increased by approximately \$7,000,000 over the prior year due primarily to capital expenditures for the sports complex which included \$655,035 in land and \$6,034,380 included in construction in progress. Collectively, these additions were offset by depreciation expense in the current year of \$517,534.

The \$16.0 million investment in capital assets includes land, construction in progress, buildings and system improvements, and machinery and equipment.

### Town of Sterlington Capital Assets December 31, 2017

Land	\$	1,664,516
Construction in progress		7,232,409
Building and improvements		193,416
Land improvements		162,850
Vehicles and equipment		1,383,758
Fire Protection system		581,981
Drainage		475,472
Streets		1,487,445
Sewer system		<u>7,237,676</u>
Total		20,419,523
Less: accumulated depreciation		<u>(4,487,020)</u>
Total Capital Assets	\$	<u><u>15,932,503</u></u>

As of December 31, 2017, the Town of Sterlington's outstanding long-term debt of \$15,311,377 consists of the following:

### Town of Sterlington Long-term Obligations December 31, 2017

Long-term Obligations		Balance December 31, 2017
Revenue bonds	\$	15,277,301
Deferred discount		(8,852)
Compensated absences		<u>42,928</u>
	\$	<u><u>15,311,377</u></u>

During fiscal year 2017, the Town issued \$4,000,000 in 2017 Sales Tax Revenue Bonds in order to finance the sports complex project and \$4,000,000 in Utility Revenue Bonds for the water and sewer projects as discussed in the Financial Highlights section above.

### **Economic Factors and Next Year's Budget**

The Town's management and elected officials considered many factors when preparing the 2018 budget. The major factor in preparing the budget is to determine the revenue that will be generated from sales tax. Sales tax accounts for 40% of the total General Fund Revenue. The sales tax income projected for the 2018 budget is \$620,000 which is an increase of 8.77%. All other General Fund revenues should remain fairly consistent with prior year collections. The total General Fund revenue budget for 2018 is \$1.41 million compared to \$1.44 million of actual revenue for 2017.

During 2018, the Town will continue to have commercial growth and with the completion of the sports complex the Town should see a substantial increase in sales tax income.

The budgeted expenses for the 2018 year are \$1.26 million, a slight decrease over the prior year. The largest expense for the Town is personnel cost. Most of the Town's expenses have remained fairly constant. The projected General Fund balance for the year ending December 31, 2018 is \$68,894.

### **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**

## Statement A

**TOWN OF STERLINGTON**  
Sterlington, Louisiana

## Statement of Net Position

December 31, 2017

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>Assets</b>			
Cash	\$ 333,068	\$ 28,273	\$ 361,341
Receivables, net	325,834	21,432	347,266
Due from other governmental units	520,036	-	520,036
Restricted cash	-	1,456,927	1,456,927
Internal balances	(310,171)	310,171	-
Notes receivable, net	-	110,162	110,162
Capital assets, net	8,124,060	7,808,443	15,932,503
Total Assets	<u>8,992,827</u>	<u>9,735,408</u>	<u>18,728,235</u>
<b>Deferred Outflows of Resources</b>			
Deferred amount on refunding	<u>-</u>	<u>43,129</u>	<u>43,129</u>
<b>Liabilities</b>			
Accounts payable	389,336	281,473	670,809
Accrued expenses	44,212	52,486	96,698
Deposits held	-	61,590	61,590
Long-term liabilities			
Due within one year	183,559	1,955,818	2,139,377
Due in more than one year	5,760,809	7,411,191	13,172,000
Total liabilities	<u>6,377,916</u>	<u>9,762,558</u>	<u>16,140,474</u>
<b>Net Position</b>			
Net investment in capital assets	2,214,060	-	2,214,060
Restricted for			
Public works	4,341	-	4,341
Debt service	69	160,892	160,961
Capital Projects	408,519	-	408,519
Unrestricted	(12,078)	(144,913)	(156,991)
Total net position	<u>\$ 2,614,911</u>	<u>\$ 15,979</u>	<u>\$ 2,630,890</u>

The accompanying notes are an integral part of this statement.

**TOWN OF STERLINGTON**  
Sterlington, Louisiana

**Statement of Activities**  
For the Year Ended December 31, 2017

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating	Capital	Governmental Activities	Business-Type Activities	Total
			Grants and Contributions	Grants and Contributions			
<b>Functions/Programs</b>							
<b>Primary government</b>							
Governmental activities							
General government	\$ 580,175	\$ 161,488	\$ 6,000	\$ -	\$ (412,687)	\$ -	\$ (412,687)
Public safety	662,136	478,331	52,947	-	(130,858)	-	(130,858)
Public works	403,313	-	18,666	-	(384,647)	-	(384,647)
Culture and recreation	9,845	-	-	511,344	501,499	-	501,499
Interest and fiscal charges on on long-term debt	229,949	-	-	-	(229,949)	-	(229,949)
Total governmental activities	<u>1,885,418</u>	<u>639,819</u>	<u>77,613</u>	<u>511,344</u>	<u>(656,642)</u>	<u>-</u>	<u>(656,642)</u>
Business-type activity							
Consolidated sewer district	1,081,501	469,695	-	-	-	(611,806)	(611,806)
Interest and fiscal charges on long-term debt	309,474	-	-	-	-	(309,474)	(309,474)
Total business-type activities	<u>1,390,975</u>	<u>469,695</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(921,280)</u>	<u>(921,280)</u>
Total primary government	<u>\$ 3,276,393</u>	<u>\$ 1,109,514</u>	<u>\$ 77,613</u>	<u>\$ 511,344</u>	<u>(656,642)</u>	<u>(921,280)</u>	<u>(1,577,922)</u>
General revenues							
Taxes:							
Ad valorem taxes					153,297	-	153,297
Sales taxes					942,687	-	942,687
Beer tax					1,076	-	1,076
Contributions					8,323	40,000	48,323
Interest and investment income					11,720	4,584	16,304
Loss on disposal of assets					(12,500)	-	(12,500)
Other revenues					794	-	794
Capital contributions					-	30,000	30,000
Transfers					(131,948)	131,948	-
Total general revenues					<u>973,449</u>	<u>206,532</u>	<u>1,179,981</u>
Change in net position					<u>316,807</u>	<u>(714,748)</u>	<u>(397,941)</u>
<b>Net position at beginning of year</b>					<u>2,298,104</u>	<u>730,727</u>	<u>3,028,831</u>
<b>NET POSITION AT END OF YEAR</b>					<u>\$ 2,614,911</u>	<u>\$ 15,979</u>	<u>\$ 2,630,890</u>

The accompanying notes are an integral part of this statement.

## **FUND FINANCIAL STATEMENTS**

**TOWN OF STERLINGTON**  
Sterlington, Louisiana  
Governmental Funds  
Balance Sheet  
December 31, 2017

	Major Funds				Aggregate Remaining Funds	Total
	Special Revenue Funds			Capital Projects	Other Governmental Funds	
	General	Road Construction and Maintenance	Recreation Sales Tax	Sports Complex		
<b>ASSETS</b>						
Cash	\$ 79,276	\$ 7,102	\$ 14,686	227,424	4,580	\$ 333,068
Receivables						
Ad valorem taxes - net	146,337	-	-	-	-	146,337
Sales taxes	153,148	-	-	-	-	153,148
Other receivables	26,349	-	-	-	-	26,349
Due from other governmental units	8,692	-	-	511,344	-	520,036
Due from other funds	23,078	38,383	45,610	-	10,480	117,551
Total assets	<u>\$ 436,880</u>	<u>\$ 45,485</u>	<u>\$ 60,296</u>	<u>738,768</u>	<u>15,060</u>	<u>\$ 1,296,489</u>
<b>LIABILITIES</b>						
Liabilities						
Accounts payable	\$ 69,216	\$ 8,116	\$ -	312,004	-	\$ 389,336
Accrued expenses	13,178	-	-	10,227	-	23,405
Due to other funds	311,389	33,028	60,227	8,018	15,060	427,722
Total liabilities	<u>393,783</u>	<u>41,144</u>	<u>60,227</u>	<u>330,249</u>	<u>15,060</u>	<u>840,463</u>
<b>FUND BALANCES</b>						
Restricted	-	4,341	69	408,519	-	412,929
Unassigned	43,097	-	-	-	-	43,097
Total fund balances	<u>43,097</u>	<u>4,341</u>	<u>69</u>	<u>408,519</u>	<u>-</u>	<u>456,026</u>
Total liabilities and fund balances	<u>\$ 436,880</u>	<u>\$ 45,485</u>	<u>\$ 60,296</u>	<u>738,768</u>	<u>15,060</u>	<u>\$ 1,296,489</u>

The accompanying notes are an integral part of this statement.

**TOWN OF STERLINGTON**  
**Sterlington, Louisiana**  
**Reconciliation of the Governmental Funds**  
**Balance Sheet to the Statement of Net Position**  
**December 31, 2017**

Fund balance - Governmental funds	\$	456,026
Amounts reported for governmental activities are not financial resources and, therefore, are not reported in the governmental fund		
Governmental capital assets	\$	9,758,301
Less: accumulated depreciation		<u>(1,634,241)</u>
		8,124,060
Long-term liabilities are not due and payable in the current period and, therefore are not reported in the governmental funds		
Compensated absences		(34,368)
Accrued interest on bonds		(20,807)
Bonds payable		<u>(5,910,000)</u>
		(5,965,175)
Elimination of interfund assets and liabilities		
Interfund assets		(117,551)
Interfund liabilities		427,722
Interfund balances		<u>(310,171)</u>
		<u>-</u>
Net position of governmental fund	\$	<u><u>2,614,911</u></u>

The accompanying notes are an integral part of this statement.

**TOWN OF STERLINGTON**  
**Sterlington, Louisiana**  
**Governmental Funds**  
**Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances**  
**For the Year Ended December 31, 2017**

	Major Funds				Aggregate Remaining Funds	Total
	Special Revenue			Capital Projects	Other Governmental Funds	
	General	Road Construction and Maintenance	Recreation Sales Tax	Sports Complex		
<b>Revenues</b>						
Taxes						
Ad valorem	\$ 153,297	\$ -	\$ -	-	-	\$ 153,297
Sales	565,637	188,544	188,506	-	-	942,687
Charges for services	1,800	-	-	-	-	1,800
Licenses and permits	114,978	4,920	-	-	-	119,898
Intergovernmental	78,689	-	-	511,344	-	590,033
Fees	39,790	-	-	-	-	39,790
Fines and forfeitures	478,331	-	-	-	-	478,331
Use of money and property	3,226	184	170	8,140	-	11,720
Contributions	8,323	-	-	-	-	8,323
Other revenues	792	2	-	15,000	-	15,794
Total Revenues	<u>1,444,863</u>	<u>193,650</u>	<u>188,676</u>	<u>534,484</u>	<u>-</u>	<u>2,361,673</u>
<b>Expenditures</b>						
Current:						
General government	556,033	-	-	-	-	556,033
Public safety	614,991	-	-	-	-	614,991
Public works	74,203	208,816	-	-	-	283,019
Capital outlay	30,648	19,243	-	4,875,120	-	4,925,011
Debt Service:						
Principal Payments	-	-	90,000	658,126	-	748,126
Interest and Other	-	-	216,344	1,340	-	217,684
Total Expenditures	<u>1,275,875</u>	<u>228,059</u>	<u>306,344</u>	<u>5,534,586</u>	<u>-</u>	<u>7,344,864</u>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	168,988	(34,409)	(117,668)	(5,000,102)	-	(4,983,191)
<b>Other Financing Sources (Uses)</b>						
Proceeds from issuance of debt	-	-	-	4,658,126	-	4,658,126
Transfers in	-	15,000	15,000	-	-	30,000
Transfers out	(132,795)	(29,153)	-	-	-	(161,948)
Total Other Financing Sources (Uses)	<u>(132,795)</u>	<u>(14,153)</u>	<u>15,000</u>	<u>4,658,126</u>	<u>-</u>	<u>4,526,178</u>
<b>Net Change in Fund Balances</b>	36,193	(48,562)	(102,668)	(341,976)	-	(457,013)
<b>Fund Balances at Beginning of Year</b>	<u>6,904</u>	<u>52,903</u>	<u>102,737</u>	<u>750,495</u>	<u>-</u>	<u>913,039</u>
<b>FUND BALANCES AT END OF YEAR</b>	<u>\$ 43,097</u>	<u>\$ 4,341</u>	<u>\$ 69</u>	<u>408,519</u>	<u>-</u>	<u>\$ 456,026</u>

The accompanying notes are an integral part of this statement.

**TOWN OF STERLINGTON**  
Sterlington, Louisiana

**Reconciliation of the Statement of Revenues,  
Expenditures, and Changes in Fund Balances  
of the Governmental Funds  
to the Statement of Activities  
For the Year Ended December 31, 2017**

Net change in fund balance		\$	(457,013)
Amount reported for governmental activities in the statement of activities are different because:			
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.			
Capital outlay	\$	4,925,011	
Depreciation expense		(200,773)	
Proceeds for sales		(15,000)	
Loss on disposal of assets		<u>(12,500)</u>	4,696,738
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.			
Change in accrued interest		(12,265)	
Change in compensated absences		<u>(653)</u>	(12,918)
The issuance of long-term debt (e.g. capital leases, bonds) provides current current financial resources to government funds, but the repayment reduces long-term liabilities in the statements of net assets.			
Proceeds for bonds		(4,658,126)	
Principal payments		<u>748,126</u>	(3,910,000)
Elimination of transfers in and out			
Transfers in		(30,000)	
Transfers out		161,948	
Interfund transfers		<u>(131,948)</u>	<u>-</u>
Change in net position of governmental activities		\$	<u><u>316,807</u></u>

The accompanying notes are an integral part of this statement.

**TOWN OF STERLINGTON**  
Sterlington, Louisiana

**Business-type Activities - Enterprise Fund**  
**Utility Fund**  
**Statement of Net Position**  
**December 31, 2017**

**ASSETS****Current assets**

Cash	\$ 28,273
Accounts receivable	21,432
Due from other funds	320,651
Total current assets	<u>370,356</u>

**Restricted assets**

Cash	1,456,927
Total restricted assets	<u>1,456,927</u>

**Noncurrent assets**

Notes receivable, net of allowance for doubtful accounts of \$2,117	110,162
Total noncurrent assets	<u>110,162</u>

**Capital assets**

Non depreciable	2,841,746
Depreciable	7,819,476
Total capital assets	10,661,222
Accumulated depreciation	(2,852,779)
Net capital assets	<u>7,808,443</u>

**Total assets**

9,745,888

**DEFERRED OUTFLOWS OF RESOURCES**

Deferred amount on refunding	<u>43,129</u>
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**LIABILITIES****Current liabilities**

Accounts payable	281,473
Retainage payable	12,656
Customer deposits	61,590
Due to other funds	10,480
Total current liabilities	<u>366,199</u>

**Liabilities payable from restricted assets**

Accrued interest payable	39,830
Current portion of long term debt	1,952,000
Total liabilities payable from restricted assets	<u>1,991,830</u>

**Noncurrent liabilities**

Notes and bonds payable	7,406,449
Compensated absences	8,560
Total noncurrent liabilities	<u>7,415,009</u>

**Total liabilities**

9,773,038

**NET POSITION**

Net investment in capital assets	-
Restricted	
Debt service	160,453
Depreciation and contingency	439
Unrestricted	(144,913)
Total net position	<u>\$ 15,979</u>

The accompanying notes are an integral part of this statement.

**TOWN OF STERLINGTON**  
Sterlington, Louisiana

**Business Type Activity - Enterprise Fund**  
**Utility Fund**  
**Statement of Revenues, Expenses,**  
**and Changes in Net Position**  
**For The Year Ended December 31, 2017**

<b>Operating revenues</b>	
User fees	\$ 452,407
Other operating revenues	17,288
Total operating revenues	<u>469,695</u>
<b>Operating expenses</b>	
Depreciation & amortization	316,761
Insurance	16,367
Maintenance & repairs	26,891
Material and supplies	10,112
Office supplies	5,260
Other operating expenses	26,068
Professional fees	444,685
Salaries and related benefits	199,297
Utilities and communications	36,060
Total operating expenses	<u>1,081,501</u>
Operating income (loss)	(611,806)
<b>Nonoperating revenues (expenses)</b>	
Interest earnings	4,584
Contributions	40,000
Contributed Capital	30,000
Interest expense	(217,474)
Bond Issuance Costs	(92,000)
Total nonoperating revenue (expenses)	<u>(234,890)</u>
<b>Income (loss) before transfers</b>	(846,696)
<b>Other financing sources (uses)</b>	
Transfers in	131,948
Transfers out	-
Total other financing sources (uses)	<u>131,948</u>
<b>Change in net position</b>	(714,748)
<b>Net position at beginning of year</b>	<u>730,727</u>
<b>Net position end of year</b>	<u>\$ 15,979</u>

The accompanying notes are an integral part of this statement.

**TOWN OF STERLINGTON**  
Sterlington, Louisiana  
**Business-type Activity - Enterprise Fund**  
**Utility Fund**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2017**

<b>Cash flows from operating activities</b>	
Cash received from customers	\$ 472,405
Cash paid for employee services	(199,167)
Cash payments to provide services	(418,986)
Net cash provided by operating activities	<u>(145,748)</u>
<b>Cash flows from non-capital and related financing activities</b>	
Transfers in	131,948
Due from other funds	(41,729)
Contributions	40,000
Net cash provided (used) by financing activities	<u>130,219</u>
<b>Cash flows from capital and related financing activities</b>	
Bond proceeds	4,000,000
Principal paid on debt	(199,196)
Interest paid on debt	(198,950)
Bond issuance costs	(92,000)
Contributed capital	30,000
Acquisition of capital assets	(2,528,889)
Net cash provided (used) by financing activities	<u>1,010,965</u>
<b>Cash flows from investing activities</b>	
Loans to contractors - net	(43,617)
Interest received on investments	4,584
Net cash provided (used) by investing activities	<u>(39,033)</u>
<b>Net increase in cash</b>	956,403
<b>Cash, beginning of year</b>	<u>528,797</u>
<b>Cash, end of year</b>	<u>\$ 1,485,200</u>
<b>Shown on the accompanying balance sheet as:</b>	
Cash	\$ 28,273
Restricted assets	
Cash	1,456,927
<b>Total</b>	<u>\$ 1,485,200</u>
<b>Reconciliation of operating income to net cash</b>	
Operating loss	\$ (611,806)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	316,761
Change in assets and liabilities	
Accounts payable and accrued liabilities	146,457
Customer deposits	4,850
Compensated absences	130
Net cash provided by operating activities	<u>\$ (145,748)</u>
<b>Noncash investing and capital and related financing activities</b>	
Change in accrued interest payable	\$ <u>13,731</u>
Change in retainage payable	\$ <u>8,669</u>
Change in accounts payable/construction	\$ <u>15,587</u>

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

**TOWN OF STERLINGTON**  
**Sterlington, LA**  
**Notes to Financial Statements**  
**December 31, 2017**

**Note 1 - Summary of Significant Accounting Policies**

*A. Financial Reporting Entity*

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

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

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

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

**TOWN OF STERLINGTON**  
**Sterlington, LA**  
**Notes to Financial Statements**  
**December 31, 2017**

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.

***B. Basis of Presentation***

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

***Government-wide Financial Statements***

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

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

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

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

**TOWN OF STERLINGTON**  
**Sterlington, LA**  
**Notes to Financial Statements**  
**December 31, 2017**

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.

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.

**TOWN OF STERLINGTON**  
**Sterlington, LA**  
**Notes to Financial Statements**  
**December 31, 2017**

*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

**TOWN OF STERLINGTON**  
**Sterlington, LA**  
**Notes to Financial Statements**  
**December 31, 2017**

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

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

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

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

*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.

**TOWN OF STERLINGTON**  
**Sterlington, LA**  
**Notes to Financial Statements**  
**December 31, 2017**

*Expenses:*

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

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

***C. Budgets and Budgetary Accounting***

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

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

**TOWN OF STERLINGTON**  
**Sterlington, LA**  
**Notes to Financial Statements**  
**December 31, 2017**

purchased. Deposits with maturity dates greater than three months are classified as investments.

*Interfund Receivables and Payables*

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

*Capital Assets*

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

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

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

**TOWN OF STERLINGTON**  
**Sterlington, LA**  
**Notes to Financial Statements**  
**December 31, 2017**

***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, 2017, an allowance of \$1,523 was recorded for uncollectible ad valorem taxes receivable deemed uncollectible and \$2,117 was recorded for uncollectible notes receivable associated with a zero-interest loan to a local utility provider deemed to not be fully collectible. Uncollectible amounts for customers' sewer charges are generally not significant. Therefore, the direct write-off method of recognizing bad debts is used. Under this method, the receivable is charged to expense when the account is deemed to be uncollectible and the result is substantially the same as that provided by use of the allowance method.

***Fund Equity of Fund Financial Statements***

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

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

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

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

**TOWN OF STERLINGTON**  
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**December 31, 2017**

**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."

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

***Deferred Outflows/Inflows of Resources***

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

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

***Use of Estimates***

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that effect 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.

**Note 2 - Cash and Investments**

At December 31, 2017, the Town had cash and totaling \$1,818,268, as follows:

Petty Cash	\$	830
Demand Deposits		1,817,438
Total	\$	1,818,268

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*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, 2017, is secured as follows:

Bank balances		\$	<u>2,204,543</u>
Federal deposit insurance		\$	647,015
Pledged Securities			<u>1,557,528</u>
Total		\$	<u>2,204,543</u>

The Town did not have any investments at December 31, 2017.

**Note 3 - Receivables**

Receivables of \$347,266 at December 31, 2017, consist of the following:

<u>Fund Type</u>	<u>Ad Valorem Taxes (net)</u>	<u>Sales Tax</u>	<u>Accounts</u>	<u>Other</u>	<u>Total</u>
General	\$ 146,337	\$ 153,148	\$ -	\$ 26,349	\$ 325,834
Enterprise	-	-	21,432	-	21,432
Total	\$ <u>146,337</u>	\$ <u>153,148</u>	\$ <u>21,432</u>	\$ <u>26,349</u>	\$ <u>347,266</u>

*Consolidated Sewer District*

At December 31, 2017, 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 gallons over 4,000 for small businesses.

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**Note 4 - Changes in Capital Assets**

The changes in capital assets are as follows:

	Balance 1/1/2017	Additions and Transfers	Retirements and Transfers	Balance 12/31/2017
<b>Governmental Activities:</b>				
Non depreciable assets:				
Land	\$ 935,257	\$ 655,035	\$ -	\$ 1,590,292
Construction in progress	477,753	3,987,134	-	4,464,887
Total non depreciable assets	<u>1,413,010</u>	<u>4,642,169</u>	<u>-</u>	<u>6,055,179</u>
Depreciable assets:				
Buildings	193,416	-	-	193,416
Land Improvements	60,100	102,750	-	162,850
Vehicles and equipment	692,842	165,094	(55,977)	801,959
Fire protection system	581,981	-	-	581,981
Infrastructure: Drainage	475,472	-	-	475,472
Infrastructure: Streets	1,487,444	-	-	1,487,444
Total depreciable assets	3,491,255	267,844	(55,977)	3,703,122
Less accumulated depreciation	(1,476,943)	(200,782)	43,484	(1,634,241)
Total depreciable assets, net	<u>2,014,312</u>	<u>67,062</u>	<u>(12,493)</u>	<u>2,068,881</u>
Total governmental activities capital assets, net	<u>\$ 3,427,322</u>	<u>\$ 4,709,231</u>	<u>\$ (12,493)</u>	<u>\$ 8,124,060</u>
<b>Business-type activities:</b>				
Non depreciable assets				
Land	\$ 74,225	\$ -	\$ -	\$ 74,225
Construction in progress	326,410	2,441,112	-	2,767,522
Total non depreciable assets	<u>400,635</u>	<u>2,441,112</u>	<u>-</u>	<u>2,841,747</u>
Depreciable assets:				
Sewer plant	7,170,457	67,220	-	7,237,677
Equipment	536,986	44,813	-	581,799
Total depreciable assets	7,707,443	112,033	-	7,819,476
Less accumulated depreciation	(2,536,019)	(316,761)	-	(2,852,780)
Total depreciable assets, net	<u>5,171,424</u>	<u>(204,728)</u>	<u>-</u>	<u>4,966,696</u>
Total business-type capital assets, net	<u>\$ 5,572,059</u>	<u>\$ 2,236,384</u>	<u>\$ -</u>	<u>\$ 7,808,443</u>

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Depreciation charged to governmental activities during 2017 is as follows:

General government	\$	21,580
Public safety		44,211
Public works		125,137
Culture and recreation		<u>9,845</u>
Total	\$	<u><u>200,773</u></u>

Depreciation of \$316,761 was charged to expense in the business-type activities during 2017.

**Note 5 - Long-term Debt**

The following is a summary of long-term obligation transactions for the year ended December 31, 2017:

Long-term Obligations	Balance 1/1/2017	Additions	Deductions	Balance 12/31/2017	Amounts Due Within One Year
General long-term obligations					
Compensated absences	\$ 33,715	\$ 29,806	\$ (29,153)	\$ 34,368	\$ 18,559
Long-term debt	<u>2,000,000</u>	<u>4,658,126</u>	<u>(748,126)</u>	<u>5,910,000</u>	<u>165,000</u>
Subtotal - General	<u>2,033,715</u>	<u>4,687,932</u>	<u>(777,279)</u>	<u>5,944,368</u>	<u>183,559</u>
Enterprise Fund					
Compensated absences	8,430	3,630	(3,500)	8,560	4,622
Long-term debt	5,567,302	4,000,000	(200,000)	9,367,302	1,952,000
Deferred discount	<u>(9,657)</u>	<u>-</u>	<u>804</u>	<u>(8,853)</u>	<u>(804)</u>
Subtotal - Enterprise	<u>5,566,075</u>	<u>4,003,630</u>	<u>(202,696)</u>	<u>9,367,009</u>	<u>1,955,818</u>
Grand Total	<u>\$ 7,599,790</u>	<u>\$ 8,691,562</u>	<u>\$ (979,975)</u>	<u>\$ 15,311,377</u>	<u>\$ 2,139,377</u>

The Town has the following debt issues:

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

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per annum. As of December 31, 2017, the Town had drawn \$3,783,268 of the available \$4,000,000, leaving \$216,732 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 funds 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.

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

Year Ending December 31,	Principal Payments	Interest Payments	Principal and Interest
2018	\$ 165,000	\$ 249,685	\$ 414,685
2019	180,000	242,730	422,730
2020	215,000	234,545	449,545
2021	230,000	224,280	454,280
2022	250,000	213,190	463,190
2023-2027	1,520,000	864,340	2,384,340
2028-2032	1,805,000	520,990	2,325,990
2033-2036	<u>1,545,000</u>	<u>157,556</u>	<u>1,702,556</u>
Total	<u>\$ 5,910,000</u>	<u>\$ 2,707,316</u>	<u>\$ 8,617,316</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.

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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.

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.

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%.

The following is a summary of long-term bonded indebtedness for the year ended December 31, 2017:

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Revenue Bonds	Issue Date	Original Borrowing	Interest Rates to Maturity	Interest to Maturity	Final Maturity	Outstanding 12/31/2017
Series 2011 DEQ Sewer	05/09/11	\$696,000	0.45%	\$16,233	06/01/31	\$513,585
Series 2013 DEQ Taxable	08/28/13	\$350,000	0.45%	10,299	12/01/33	273,717
Series 2013 Refunding Revenue Bonds	09/19/13	\$2,710,000	2.00% - 4.75%	578,066	06/01/28	2,355,000
Series 2014 Wastewater	08/13/14	\$300,000	5.00%	146,375	09/01/34	262,500
Series 2014 Wastewater	08/13/14	\$300,000	5.00%	146,375	09/01/34	262,500
Series 2015 Wastewater & Sewer	09/28/15	\$1,200,000	2.10% plus US Treasury Yield	27,600	09/01/18	1,200,000
Series 2015 Water Treatment	09/28/15	\$500,000	2.10% plus US Treasury Yield	15,914	09/01/18	500,000
Series 2017 Sewer	04/27/17	\$4,000,000	3.11%	1,428,696		4,000,000
<b>Total</b>				<b>\$2,369,558</b>		<b>\$9,367,302</b>

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

Year Ending December 31,	Principal Payments	Interest Payments	Principal and Interest
2018	\$ 1,952,000	\$ 279,567	\$ 2,231,567
2019	293,000	230,067	523,067
2020	403,000	222,697	625,697
2021	478,000	209,386	687,386
2022	493,000	195,287	688,287
2023-2027	2,562,000	738,701	3,300,701
2028-2032	1,784,585	379,330	2,163,915
2033-2036	1,401,717	114,524	1,516,241
Total	\$ <u>9,367,302</u>	\$ <u>2,369,559</u>	\$ <u>11,736,861</u>

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 20<sup>th</sup> day of each month of each year, a sum equal to one-sixth (1/6<sup>th</sup>) of the interest falling due on the next interest payment date and one-twelfth (1/12<sup>th</sup>) of the principal falling due on the next principal payment date. As of December 31, 2017, the balance in the Series 2011 DEQ was \$19,782.

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 20<sup>th</sup> 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, 2017, the balance in the Series 2013 DEQ was \$11,988.

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

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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, 2017, the balance in the account was \$31,974.

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 20<sup>th</sup> day of each month (commencing the first 20<sup>th</sup> day of the month following delivery of the bonds), a sum equal to one-sixth (1/6<sup>th</sup>) of the interest falling due on the next interest payment date and a sum equal to one-twelfth (1/12<sup>th</sup>) of the principal falling due on the next principal payment date. As of December 31, 2017, the balance in the account was \$29,836.

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, 2017, the balance in the fund totaled \$21,163.

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 20<sup>th</sup> 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, 2017, the balance in the account was \$34,206.

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 20<sup>th</sup> 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 \$439 at December 31, 2017.

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**Note 6 – Ad-valorem Taxes**

The Town considers ad valorem taxes receivable at December 31st and recognizes income in the year of assessment. For the year ended December 31, 2017, taxes of 9.25 mills were levied on properties with assessed valuations totaling \$15,809,590 and were not dedicated to any particular purpose. The total taxes originally levied were \$146,239 at December 31, 2017.

The property tax calendar is as follows:

Assessment date	January 1, 2017
Levy date	November 15, 2017
Date taxes are due	December 31, 2017
Lien date	January 1, 2018

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

**Note 7 – On-Behalf Payments**

Certain Town employees in the Police Department receive supplemental pay from the state of Louisiana. In accordance with GASB Statement No. 24 *“Accounting and Financial Reporting for Certain Grants and Other Financial Assistance,”* the Town has recorded revenues and expenditures for these payments in the General Fund in the amounts of \$58,947 during the year ended December 31, 2017.

**Note 8 – Interfund Receivables and Payables**

Individual balances due to/from other funds at December 31, 2017, are as follows:

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	Interfund Receivable					
	Governmental Funds					
	Major Funds					
	General	Road Construction & Maintenance	Recreation Sales Tax	Nonmajor Capital Project	Enterprise	Total
<u>Interfund Payable</u>						
Governmental Funds						
Major Funds						
General Fund	\$ -	\$ 38,383	\$ 45,610	\$ -	\$ 227,396	\$311,389
Recreation Sales Tax	-	-	-	-	60,227	60,227
Sports Complex	8,018	-	-	-	-	8,018
Road Construction & Maintenance	-	-	-	-	33,028	33,028
NonMajor Funds						
Capital Projects	15,060	-	-	-	-	15,060
Enterprise Fund	-	-	-	10,480	-	10,480
Total	<u>\$23,078</u>	<u>\$ 38,383</u>	<u>\$ 45,610</u>	<u>\$ 10,480</u>	<u>\$ 320,651</u>	<u>\$438,202</u>

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

**Note 9 – Interfund Transfers**

The following transfers were made between the various funds of the Town during 2017:

	Transfers Out			
	Governmental Funds			
	General	Road Construction and Maintenance	Enterprise	Total
<u>Transfers In</u>				
Governmental Funds				
Major Funds				
Road Const & Maintenance	15,000	-	-	15,000
Recreation Sales Tax	15,000	-	-	15,000
Enterprise Fund	102,795	29,153	-	131,948
Total	<u>\$ 132,795</u>	<u>\$ 29,153</u>	<u>\$ -</u>	<u>\$ 161,948</u>

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

**Note 10 – Retirement Plan**

During 2015, the Town began a defined-contribution plan for all full-time employees. The Town contributes up to 3% of salaries into a Savings Incentive Match Plan for Employees of Small Employers Individual Retirement Account (SIMPLE IRA) Plan. All contributions made by the Town are fully vested and non-forfeitable. The maximum contribution to the plan is the lesser of 100% of earned income up to the contribution limit for each calendar year. Employees are immediately eligible to participate upon employment with the Town. During 2017, the Town contributed \$10,531 into this retirement plan.

**Note 11 – Risk Financing Activities**

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

**Note 12 – Litigation and Claims**

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

**Note 13 – Restricted Fund Balances (FFS Level Only)**

The following Governmental Fund's fund balance is legally restricted for the following purposes: Road maintenance (\$4,341).

The following Governmental Fund's fund balance is legally restricted for the following purposes: Sales tax sports complex (\$69).

The following Governmental Fund's fund balance is legally restricted for the following purposes: Sports complex (\$408,519).

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**Note 14 – Subsequent Events**

Subsequent events have been evaluated through September 21, 2018, the date that the financial statements were available to be issued. All subsequent events determined to be relevant and material to the financial statements have been appropriately recorded or disclosed.

On December 21, 2017, the town authorized the mayor to enter into a lease-purchase with Government Capital Corporation. On January 16, 2018 the Town entered into a lease-purchase agreement with Government Capital Corporation to finance the equipment and hardware needed to install the water management system. The amount financed was \$2,064,000 at 3.79% and to be repaid back over 14 years. After the 14 years the town has the right to purchase the system for \$1 if it meets all its obligations over the 14 years.

On April 16, 2018, the Town authorized the issuance of two million dollars of Sports Complex Concessions Facility and Parking Facility Bonds, Series 2018 to finish construction on the sports complex facilities. The bonds carry an interest rate of 5% and are to be repaid over 20 years from revenues derived from the operation of the concessions and parking facilities at the sports complex.

On August 9, 2018, the Town entered into a cooperative endeavor agreement with a local developer for the purpose of installing sewer lines not to exceed \$105,000. On September 7, 2018 the Town paid the developer \$105,000.

**Note 15 – Deficit Net Position**

At December 31, 2017, an unrestricted net position deficit of \$156,991 exists for the town. Please refer to Note 16 for a detailed explanation of the deficit net position.

**Note 16 – Going Concern Matters**

The financial statements have been prepared assuming that the Town will continue as a going concern. As shown in the accompanying statement of net position, as of December 31, 2017, the Town has an unrestricted net position deficit of \$156,991, raising substantial doubt about its ability to continue as a going concern.

Of the \$156,991 deficit of unrestricted net position, \$144,913 is for business-type activities which includes the utility fund. In prior years debt was issued based on the assumption that the Town would be operating its own water system by now. If the

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Town is unsuccessful in the current lawsuit, which is at the appellate court, there could not be enough revenues to support the debt it has incurred.

The Town has an unrestricted net position deficit of \$12,078 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.

As a result, there continues to be substantial doubt about the Town's ability to continue as a going concern within one year after issuance of the financial statements.

**REQUIRED SUPPLEMENTAL INFORMATION  
(PART B)**

**TOWN OF STERLINGTON**  
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**General Fund**  
**Budgetary Comparison Schedule (GAAP Basis)**  
**Fiscal Year Ended December 31, 2017**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
	<u>Budget</u>	<u>Budget</u>		<u>Positive</u>
				<u>(Negative)</u>
<b>Budgetary fund balance at beginning of year</b>	\$ 158,234	\$ 6,904	\$ 6,904	\$ -
<b>Resources</b>				
Ad valorem taxes	127,520	146,239	153,297	7,058
Sales and other taxes	560,000	560,000	565,637	5,637
Charges for services	2,400	2,400	1,800	(600)
Licenses and permits	112,913	114,228	114,978	750
Intergovernmental revenue - State	88,200	88,200	78,689	(9,511)
Fees	37,400	39,878	39,790	(88)
Fines and forfeitures	357,271	491,980	478,331	(13,649)
Use of money and property	2,620	3,069	3,226	157
Contributions	11,655	8,135	8,323	188
Miscellaneous	33,425	2,100	792	(1,308)
Transfers in	-	-	-	-
<b>Total Resources</b>	<u>1,333,404</u>	<u>1,456,229</u>	<u>1,444,863</u>	<u>(11,366)</u>
Amounts available for appropriations	<u>1,491,638</u>	<u>1,463,133</u>	<u>1,451,767</u>	<u>(11,366)</u>
<b>Charges to appropriations</b>				
Current				
General government	626,957	578,504	556,033	22,471
Public safety	585,065	659,474	614,991	44,483
Public works	72,273	111,287	74,203	37,084
Capital outlay	5,000	1,000	30,648	(29,648)
Transfers out	82,931	112,000	132,795	(20,795)
<b>Total Charges to appropriations</b>	<u>1,372,226</u>	<u>1,462,265</u>	<u>1,408,670</u>	<u>53,595</u>
<b>Budgetary fund balance at end of year</b>	\$ <u>119,412</u>	\$ <u>868</u>	\$ <u>43,097</u>	\$ <u>42,229</u>

**TOWN OF STERLINGTON**  
**Sterlington, Louisiana**  
**Road Construction and Maintenance Special Revenue Fund**  
**Budgetary Comparison Schedule (GAAP Basis)**  
**Fiscal Year Ended December 31, 2017**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original Budget</u>	<u>Final Budget</u>		
<b>Budgetary fund balance at beginning of year</b>	\$ 78,327	\$ 52,903	\$ 52,903	\$ -
<b>Resources</b>				
Sales and other taxes	187,000	187,000	188,544	1,544
License and permits	3,850	4,920	4,920	-
Use of money and property	75	200	184	(16)
Miscellaneous	300	2	2	-
Transfers in	-	-	15,000	15,000
<b>Total Resources</b>	<u>191,225</u>	<u>192,122</u>	<u>208,650</u>	<u>16,528</u>
Amounts available for appropriations	<u>269,552</u>	<u>245,025</u>	<u>261,553</u>	<u>16,528</u>
<b>Charges to appropriations</b>				
Current				
Public works	127,228	180,076	208,816	(28,740)
Capital outlay	15,650	20,000	19,243	757
Transfers out	28,746	29,153	29,153	-
<b>Total charges to appropriations</b>	<u>171,624</u>	<u>229,229</u>	<u>257,212</u>	<u>(27,983)</u>
<b>Budgetary fund balance at end of year</b>	<u>\$ 97,928</u>	<u>\$ 15,796</u>	<u>\$ 4,341</u>	<u>\$ (11,455)</u>

**TOWN OF STERLINGTON**  
**Sterlington, Louisiana**  
**Recreation Sales Tax Special Revenue Fund**  
**Budgetary Comparison Schedule (GAAP Basis)**  
**Fiscal Year Ended December 31, 2017**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
	<u>Budget</u>	<u>Budget</u>		<u>Positive</u>
				<u>(Negative)</u>
<b>Budgetary fund balance at beginning of year</b>	\$ -	\$ 102,737	\$ 102,737	\$ -
<b>Resources</b>				
Sales and other taxes	187,000	187,000	188,506	1,506
License and permits	-	-	-	-
Intergovernmental revenue - state	-	-	-	-
Use of money and property	-	180	170	(10)
Miscellaneous	-	-	-	-
Transfers in	-	-	15,000	15,000
<b>Total Resources</b>	<u>187,000</u>	<u>187,180</u>	<u>203,676</u>	<u>16,496</u>
Amounts available for appropriations	<u>187,000</u>	<u>289,917</u>	<u>306,413</u>	<u>16,496</u>
<b>Charges to appropriations</b>				
Current				
Recreation and parks	-	-	-	-
Capital outlay	-	-	-	-
Debt service - principal	-	170,730	90,000	80,730
Debt service - interest	-	139,433	216,344	(76,911)
Transfers out	-	-	-	-
<b>Total charges to appropriations</b>	<u>-</u>	<u>310,163</u>	<u>306,344</u>	<u>3,819</u>
<b>Budgetary fund balance at end of year</b>	\$ <u>187,000</u>	\$ <u>(20,246)</u>	\$ <u>69</u>	\$ <u>20,315</u>

**OTHER SUPPLEMENTAL INFORMATION**

**TOWN OF STERLINGTON**  
Sterlington, Louisiana

**Consolidated Sewer District**  
**Schedules of Net Position - Utility Fund**  
**December 31, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
Current assets		
Cash	\$ 28,273	\$ 24,989
Accounts receivable	21,432	19,292
Due from other funds	320,651	278,922
Total current assets	<u>370,356</u>	<u>323,203</u>
Restricted assets		
Cash	1,456,927	503,808
Total restricted assets	<u>1,456,927</u>	<u>503,808</u>
Noncurrent assets		
Notes receivable, net of allowance for doubtful accounts of \$2,117	110,162	66,545
Total noncurrent assets	<u>110,162</u>	<u>66,545</u>
Capital assets		
Non depreciable	2,841,746	400,634
Depreciable	7,819,476	7,707,443
Accumulated depreciation	<u>(2,852,779)</u>	<u>(2,536,018)</u>
Net capital assets	<u>7,808,443</u>	<u>5,572,059</u>
<b>Total assets</b>	<u>9,745,888</u>	<u>6,465,615</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred amount on refunding	<u>43,129</u>	<u>47,922</u>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	281,473	119,429
Retainage payable	12,656	3,987
Customer deposits	61,590	56,740
Due to other funds	10,480	10,480
Total current liabilities	<u>366,199</u>	<u>190,636</u>
Liabilities payable from restricted assets		
Accrued interest payable	39,830	26,099
Current portion of revenue bonds payable	1,952,000	201,000
	<u>1,991,830</u>	<u>227,099</u>
Noncurrent liabilities		
Notes and bonds payable	7,606,449	5,356,645
Compensated absences	8,560	8,430
Total noncurrent liabilities	<u>7,615,009</u>	<u>5,365,075</u>
<b>Total liabilities</b>	<u>9,973,038</u>	<u>5,782,810</u>
<b>NET POSITION</b>		
Net investment in capital assets	-	392,583
Restricted:		
Debt service	160,453	125,102
Depreciation and contingency	439	438
Unrestricted	<u>(144,913)</u>	<u>212,604</u>
Total net position	<u>\$ 15,979</u>	<u>\$ 730,727</u>

**TOWN OF STERLINGTON**  
Sterlington, Louisiana

**Utility Fund**  
**Schedule of Changes in Restricted Assets**  
**For The Years Ended December 31, 2017 and 2016**

	<u>Bond and Interest Redemption</u>	<u>Bond Reserve</u>	<u>Depreciation and Contingency</u>	<u>Unexpended Bond Proceeds</u>	<u>Total</u>
<b>Balance - December 31, 2015</b>	\$ 71,922	\$ 34,896	\$ 438	\$ 975,046	\$ 1,082,302
Add					
Proceeds from bond issuance	-	-	-	-	-
Transfers from operating account	361,859	11,391	-	-	373,250
Transfers from Road Construction & Maintenance	-	-	-	-	-
Transfers to close out sinking fund	-	-	-	-	-
Transfers to close out DRA	-	-	-	-	-
Interest earned	20	46	-	1,125	1,191
Total funds available	<u>433,801</u>	<u>46,333</u>	<u>438</u>	<u>976,171</u>	<u>1,456,743</u>
Less					
Capital expenditures	-	-	-	(252,161)	(252,161)
Operating expenses	-	-	-	(3,000)	(3,000)
Payment of principal and interest	(354,933)	-	-	(15,461)	(370,394)
Transfers to debt service accounts	-	-	-	(5,100)	(5,100)
Transfers to sewer account	-	-	-	(66,056)	(66,056)
Transfers to other funds	-	-	-	(256,224)	(256,224)
Total funds used	<u>(354,933)</u>	<u>-</u>	<u>-</u>	<u>(598,002)</u>	<u>(952,935)</u>
<b>Balance - December 31, 2016</b>	<u>\$ 78,868</u>	<u>\$ 46,333</u>	<u>\$ 438</u>	<u>\$ 378,169</u>	<u>\$ 503,808</u>
Add					
Proceeds from bond issuance	-	-	-	4,000,000	4,000,000
Transfers from operating account	381,637	9,053	-	11,495	402,185
Interest earned	55	83	1	4,444	4,583
Total funds available	<u>460,560</u>	<u>55,469</u>	<u>439</u>	<u>4,394,108</u>	<u>4,910,576</u>
Less					
Capital expenditures	-	-	-	(2,532,902)	(2,532,902)
Bond Issuance Costs	-	-	-	(92,000)	(92,000)
Operating expenses	-	-	-	(327,045)	(327,045)
Payment of principal and interest	(355,477)	-	-	(95,172)	(450,649)
Transfers to sewer account	-	-	-	-	-
Transfers to other funds	-	-	-	(51,053)	(51,053)
Total funds used	<u>(355,477)</u>	<u>-</u>	<u>-</u>	<u>(3,098,172)</u>	<u>(3,453,649)</u>
<b>Balance - December 31, 2017</b>	<u>\$ 105,083</u>	<u>\$ 55,469</u>	<u>\$ 439</u>	<u>\$ 1,295,936</u>	<u>\$ 1,456,927</u>
<b>Bond Issue</b>					
Business-Type Activities					
2011 DEQ Revenue Bonds	\$ 19,782	\$ 21,163	\$ 439	\$ -	\$ 41,384
2013 DEQ Revenue Bonds	11,988	34,206	-	-	46,194
2013 Revenue Refunding Bonds	31,974	-	-	-	31,974
2014 Wastewater System Revenue Bonds	29,836	-	-	1,246	31,082
2015 Wastewater and Sewer Revenue Bonds	2,163	-	-	67,273	69,436
2015 Water Treatment Revenue Bonds	9,340	100	-	5,506	14,946
2017 Utility Revenue Bonds	-	-	-	1,221,911	1,221,911
Total Business-Type Activities	<u>\$ 105,083</u>	<u>\$ 55,469</u>	<u>\$ 439</u>	<u>\$ 1,295,936</u>	<u>\$ 1,456,927</u>

**TOWN OF STERLINGTON**  
**Schedule of Compensation Paid to Board of Aldermen**  
**For the Year Ended December 31, 2017**

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	2017 Amount
Lucy Holtzclaw (Mayor Pro Tempore)	\$ 4,200
Bonnie Dilmore	500
Kerry Elee	3,000
Miranda Russ	3,000
Ron Hill	2,250
Caesar Velasquez	<u>3,000</u>
 Total	 \$ <u><u>15,950</u></u>

**TOWN OF STERLINGTON**  
**Schedule of Compensation, Benefits and Other Payments to**  
**Agency Head or Chief Executive Officer**  
**For the Year Ended December 31, 2017**

**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**



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*

Mayor Vern Breland and  
the Board of Aldermen  
Town of Sterlington, Louisiana

We were engaged to audit, 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, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Town of Sterlington, Louisiana's basic financial statements and have issued our report thereon dated September 21, 2018. Our report disclaims an opinion on such financial statements because we were not able to obtain or corroborate sufficient appropriate audit evidence from management. Additionally, we identified potential compliance issues that could have a direct effect on the determination of material amounts and disclosures in the financial statements. Such issues are currently under investigation by the Louisiana Legislative Auditor.

**Internal Control over Financial Reporting**

In connection with our engagement to audit the financial statements of the Town of Sterlington, Louisiana, we considered the Town of Sterlington, Louisiana's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Sterlington, Louisiana's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 a certain deficiency 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency, identified as 2017-001, described in the accompanying schedule of findings and responses to be a material weakness.

**Compliance and Other Matters**

In connection with our engagement to audit the financial statements of the Town of Sterlington, Louisiana, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 2017-002. Additionally, if the scope of our work had been sufficient to enable us to express opinions on the basic financial statements, other instances of noncompliance or other matters may have been identified and reported herein.

### **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 entity's internal control or on compliance. This report is an integral part of an engagement to perform an audit 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.

BOSCH & STATHAM, LLC

A handwritten signature in cursive script that reads "Bosch & Statham".

Ruston, Louisiana  
September 28, 2018

TOWN OF STERLINGTON  
STERLINGTON, LOUISIANA

SCHEDULE OF FINDINGS AND RESPONSES  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2017

---

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report disclaims an opinion on the Town's financial statements as a whole.
2. One material weakness was disclosed by the audit of the financial statements.
3. One instance of noncompliance material to the financial statements of the Town of Sterlington were disclosed in the audit of the financial statements.
4. No management letter was issued.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

2017-001 Failure in Multiple Elements of Internal Control

Condition

The performance of our audit procedures included the following:

- Observance of management and employees
- Interviews of elected officials, management, employees, citizens, vendors, and contractors
- Tests of transactions

From these procedures, we identified deficiencies and/or weaknesses in all of the components of internal control:

- Control environment
- Risk Assessment
- Information and communication
- Monitoring
- Control activities

Evidence obtained from the above procedures indicated the following specific issues:

- Unhealthy tone at the top
- Possible management override of controls
- Absent or informal risk assessment process
- Overall lack of adequate communication between officials, departments, employees, and contractors
- Lack of monitoring procedures

Criteria

Local governments typically use the Green Book as a model for internal control. Per <https://www.gao.gov/greenbook/overview>, "Internal control helps an entity run its operations efficiently and effectively, report reliable information about its operations, and comply with applicable laws and regulations. *Standards for Internal Control in the Federal Government*, known as the "Green Book," sets the standards for an effective internal control system for federal agencies."

Paragraph 10.13 of the Green Book reads in part (emphasis added), "Segregation of duties helps prevent fraud, waste, and abuse in the internal control system. If segregation of duties is not practical within an operational process because of limited personnel or other factors, management designs alternative control activities to address the risk of fraud, waste, or abuse in the operational process. Management considers the need to **separate control activities related to authority, custody, and accounting of operations** to achieve adequate segregation of duties. In particular, segregation of duties can address the risk of management override. Management override circumvents existing control activities and increases fraud risk."

**TOWN OF STERLINGTON  
STERLINGTON, LOUISIANA**

**SCHEDULE OF FINDINGS AND RESPONSES  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2017**

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The Town is subject to the Lawrason Act found in LRS 33:321-463. The Act stipulates that the Council or Board of Aldermen has legislative powers and the Mayor is the Chief Executive Officer. The Clerk's duties, per the Act, include keeping the minute book, maintaining custody of the town seal, maintaining the court docket, and maintaining and preserving other books and records.

**Cause**

We were unable to identify the cause of the condition.

**Effect**

We identified the following effects from the above described condition:

- The environment may leave the Town at a higher risk for errors, fraud, waste, and abuse.
- Poor communication limits the ability of employees to perform their assigned duties. It is necessary to communicate information and transfer data and documents among departments to ensure that transactions are properly initiated, authorized, documented, and recorded. For example, we were unable to obtain some contractor's applications for payment. We requested the documents from the Town Clerk, the outside CPA, and the engineer. The Town Clerk directed us to the engineer and others for documents that are generally maintained in the custody of the Town Clerk.
- Transactions may lack proper authorization or documentation of authorization.
- Federal and/or state laws and regulations and/or town policies may be violated.

**Recommendation**

We recommend that an intentional effort be made to ensure that the Town's internal control system is properly designed, implemented, and monitored. We recommend that the Town utilize its outside accountant or CPA firm to monitor the accounting and reporting function. The firm could also assist in evaluating and adjusting the internal control system and perhaps testing the system to ensure that it is functioning as designed.

**Management's Response**

See management's corrective action plan.

**2017-002 Louisiana Legislative Auditor Investigation**

**Condition**

We have been notified that the Louisiana Legislative Auditor (LLA) is investigating multiple possible compliance issues at the Town that may have occurred during the audit period. Therefore, we have not included any findings relating to compliance issues we identified during the audit.

**Criteria**

Louisiana Revised Statute 24:513 grants the LLA various powers and duties.

**Cause**

The cause of the investigation will be outlined in a report to be issued by the LLA.

**Effect**

The effect of the investigation will be outlined in a report to be issued by the LLA.

**Recommendation**

We recommend that management and officials cooperate fully with the LLA.

**Management's Response**

See management's corrective action plan.

**TOWN OF STERLINGTON  
STERLINGTON, LOUISIANA**

**SCHEDULE OF FINDINGS AND RESPONSES  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2017**

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**C. STATUS OF PRIOR YEAR FINDINGS AND COMMENTS**

**2016-001 Late Filing**

**Initial Year of Reporting**

2016

**Status**

See finding 2017-002.

**2016-002 Use of Restricted Bond Proceeds**

**Initial Year of Reporting**

2016

**Status**

See finding 2017-002.

**2016-003 Traffic Fine Quota**

**Initial Year of Reporting**

2016

**Status**

See finding 2017-002.

**2016-004 Deficient Cooperative Endeavor Agreement**

**Initial Year of Reporting**

2016

**Status**

See finding 2017-002.

**2016-005 Compliance with Local Government Budget Act**

**Initial Year of Reporting**

2015

**Status**

See finding 2017-002.



# TOWN OF STERLINGTON

MAYOR, VERN BRELAND

September 28, 2018

Bosch & Statham, LLC  
Post Office Box 2377  
Ruston, LA 71273-2377

In connection with your engagement to apply agreed-upon procedures to certain control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's Statewide Agreed-Upon Procedures (SAUPs), for the fiscal period January 1, 2017 through December 31, 2017, we confirm to the best of our knowledge and belief, the following representations made to you during your engagement.

1. We are responsible for the C/C areas identified in the SAUPs, including written policies and procedures; board or finance committee; bank reconciliations; collections; disbursements; credit/debit/fuel/purchasing cards; travel and expense reimbursement; contracts; payroll and personnel; ethics; debt service; and other areas (should be customized by entity, as applicable).

Yes  No

2. For the fiscal period January 1, 2017 through December 31, 2017, the C/C areas were administered in accordance with the best practice criteria presented in the SAUPs.

Yes  No

3. We are responsible for selecting the criteria and procedures and for determining that such criteria and procedures are appropriate for our purposes.

Yes  No

4. We have disclosed to you all known matters contradicting the results of the procedures performed in C/C areas.

Yes  No

5. We have disclosed to you any communications from regulatory agencies, internal auditors, other independent practitioners or consultants, and others affecting the C/C areas, including communications received between December 31, 2017, and DATE.

Yes  No

6. We have provided you with access to all records that we believe are relevant to the C/C areas and the agreed-upon procedures.

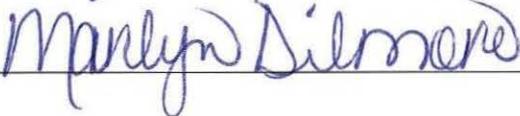
- Yes  No
7. We represent that the listing of bank accounts provided to you is complete.
- Yes  No
8. We represent that the listing of cash/check/money order (cash) collection locations provided to you is complete.
- Yes  No
9. We represent that the listing of entity disbursements or the general ledger population of entity disbursements provided to you is complete.
- Yes  No
10. We represent that the listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards), including the card numbers and the names of the persons who maintained possession of the cards, provided to you is complete.
- Yes  No
11. We represent that the listing of all travel and related expense reimbursements, by person, during the fiscal period or the general ledger population of travel and related expense reimbursements provided to you is complete.
- Yes  No
12. We represent that the listing of all contracts in effect during the fiscal period or the general ledger population of contract payments provided to you is complete.
- Yes  No
13. We represent that the listing of employees (and elected officials, if applicable) with their related salaries provided to you is complete.
- Yes  No
14. We represent that the listing of employees (and elected officials, if applicable) that terminated during the fiscal period provided to you is complete.
- Yes  No
15. We have disclosed to you *[list other matters as you have deemed appropriate]*.
- ?
- Yes  No
16. We have responded fully to all inquiries made by you during the engagement.
- Yes  No
17. We are not aware of any events that have occurred subsequent to December 31, 2017, that would require adjustment to or modification of the results of the agreed-upon procedures.

Yes  No

The previous responses have been made to the best of our belief and knowledge.

Signature  Date 10-1-2018

Title Mayor

Signature  Date 10-1-2018

Title Town Clerk



Independent Accountant's Report  
on Applying Agreed-Upon Procedures

To the Town of Sterlington  
and the Louisiana Legislative Auditor

We have performed the procedures enumerated below, which were agreed to by the Town of Sterlington (Entity) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2017 through December 31, 2017. The Entity's management is responsible for those C/C areas identified in the SAUPs.

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

The procedures and associated findings are as follows:

***Written Policies and Procedures***

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1. Obtain the entity's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the entity does not have any written policies and procedures), as applicable:

*Policies were last adopted by the Board in March 2008. In December 2017, the Board granted the Mayor authority to adopt new policies. We obtained both sets of policy and procedures.*

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

*Neither set of policies included policies for budgeting. However, the policies adopted in 2008 did discuss budgeting for capital assets.*

*Exceptions: See above.*

*Management's Response: See Management's Corrective Action Plan*

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- 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.

*The policy in effect for the fiscal year did not include a purchasing policy. The updated policy includes elements (3), (4), and (5).*

*Exceptions: See above.*

*Management's Response: See Management's Corrective Action Plan*

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

*The policy in effect for the year did not include a disbursement policy. The updated policy includes the reviewing and approving of disbursements.*

*Exceptions: See above.*

*Management's Response: See Management's Corrective Action Plan*

- d) **Receipts**, including receiving, recording, and preparing deposits

*We noted no such policy.*

*Exceptions: See above.*

*Management's Response: See Management's Corrective Action Plan*

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

*Neither set of policies included the required information.*

*Exceptions: See above.*

*Management's Response: See Management's Corrective Action Plan*

- 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

*The policy in effect for the year did not include the required information. The new policy includes elements (3) legal review and (4) approval process.*

*Exceptions: See above.*

*Management's Response: See Management's Corrective Action Plan*

- 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, and (5) monitoring card usage

*The policy in effect for the year included (1) how cards are to be controlled and (3) documentation requirements. The new policy includes all the required information except the allowable uses.*

*Exceptions: See above.*

*Management's Response: See Management's Corrective Action Plan*

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

*The policy in effect for the year included all the required information except the allowable expenses. The new policy includes all the required information except dollar thresholds by category.*

*Exceptions: See above.*

*Management's Response: See Management's Corrective Action Plan*

- 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. Note: Ethics requirements are not applicable to nonprofits.

*We noted no such policy.*

*Exceptions: See above.*

*Management's Response: See Management's Corrective Action Plan*

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

*We noted no such policy.*

*Exceptions: See above.*

*Management's Response: See Management's Corrective Action Plan*

***Board (or Finance Committee, if applicable)***

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2. Obtain and review the board/committee minutes for the fiscal period, and:

- a) Report whether the managing board met (with a quorum) at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document.

*We obtained and reviewed the minutes for the Council and Planning and Zoning Board. The Council met at least monthly while the Planning and Zoning Board met at least quarterly.*

*Exceptions: None*

- b) Report whether the minutes referenced or included monthly budget-to-actual comparisons on the General Fund and any additional funds identified as major funds in the entity's prior audit (GAAP-basis).

*Budget-to-actual comparisons were referenced in eight council meetings. The Planning and Zoning Board did not take any budgetary or financial actions.*

*Exceptions: None*

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- If the budget-to-actual comparisons show that management was deficit spending during the fiscal period, report whether there is a formal/written plan to eliminate the deficit spending for those entities with a fund balance deficit. If there is a formal/written plan, report whether the meeting minutes for at least one board meeting during the fiscal period reflect that the board is monitoring the plan.

*There was deficit spending during eight months of the year. We did not identify any formal plan by management to eliminate the deficits.*

*Exceptions: See above*

*Management's Response: See Management's Corrective Action Plan*

- c) Report whether the minutes referenced or included non-budgetary financial information (e.g. approval of contracts and disbursements) for at least one meeting during the fiscal period.

*The Council minutes reference non-budgetary information at least once during the year.*

*Exceptions: None*

***Bank Reconciliations***

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3. Obtain a listing of client bank accounts from management and management's representation that the listing is complete.

*We obtained a listing of bank accounts from management. We noted some accounts missing from the listing.*

*Exceptions: See above.*

*Management's Response: See Management's Corrective Action Plan*

4. Using the listing provided by management, select all the entity's bank accounts (if five accounts or less) or one-third of the bank accounts on a three-year rotating basis (if more than 5 accounts). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School Board activity fund accounts may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal period and report whether:

*We selected one-third of the entity's bank accounts. We obtained the bank statements and reconciliations.*

*Exceptions: None*

- a) Bank reconciliations have been prepared;

*We noted no exceptions.*

*Exceptions: None*

- b) Bank reconciliations include evidence that a member of management or a board member (with no involvement in the transactions associated with the bank account) has reviewed each bank reconciliation; and

*There was no evidence of review on any of the reconciliations.*

*Exceptions: See above.*

*Management's Response: See management's corrective action plan.*

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- c) If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 6 months as of the end of the fiscal period.

*There was no evidence of research of stale items on any of the reconciliations. Three out of eleven accounts' reconciliations included reconciling items that had been outstanding for more than six months at the end of the fiscal period.*

*Exceptions: See above*

*Management's Response: See management's corrective action plan.*

**Collections**

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5. Obtain a listing of cash/check/money order (cash) collection locations and management's representation that the listing is complete.

*We were not given a listing from management. We inquired of management about possible cash collection locations and concluded that Town Hall is the only cash collection location.*

*Exceptions: See above*

*Management's Response: See management's corrective action plan.*

6. Using the listing provided by management, select all the entity's cash collection locations (if five locations or less) or one-third of the collection locations on a three-year rotating basis (if more than 5 locations). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School Board activity funds may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* **For each cash collection location selected:**

*The Town only has one cash collection location to be tested.*

- a) Obtain existing written documentation (e.g. insurance policy, policy manual, job description) and report whether each person responsible for collecting cash is (1) bonded, (2) not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account (report if there are compensating controls performed by an outside party), and (3) not required to share the same cash register or drawer with another employee.

*We acquired from management documentation of insurance and descriptions of processes. There are no written manuals or job descriptions. All collectors appear to be bonded. There are generally three employees collecting cash. Two out of three share the same cash register.*

*Exceptions: See above.*

*Management's Response: See management's corrective action plan.*

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- b) Obtain existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and report whether the entity has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, by a person who is not responsible for cash collections in the cash collection location selected.

*We noted no such policy.*

*Exceptions: See above.*

*Management's Response: See management's corrective action plan.*

- c) Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:

*We obtained deposit details for all of the funds maintained by the Town to calculate weekly totals. We selected the highest week.*

Using entity collection documentation, deposit slips, and bank statements, trace daily collections to the deposit date on the corresponding bank statement and report whether the deposits were made within one day of collection. If deposits were not made within one day of collection, report the number of days from receipt to deposit for each day at each collection location.

*We used entity receipt/deposit documentation to trace daily collections to the deposit date on the bank statement. We noted eight deposits out of forty-three that were not made within one day of collection. We noted twenty-one of forty-three deposits that were directly deposited in the Town's account. Therefore, the "deposited within one day of collection" attribute was not applicable. There were fifteen deposits out of forty-three that were deposited within one day of collection.*

*Exceptions: See above.*

*Management's Response: See management's corrective action plan.*

- Using sequentially numbered receipts, system reports, or other related collection documentation, verify that daily cash collections are completely supported by documentation and report any exceptions.

*Two out of the forty-three cash collections tested were not supported by receipts, system reports, or other related collection documentation.*

*Exceptions: See above.*

*Management's Response: See management's corrective action plan.*

7. Obtain existing written documentation (e.g. policy manual, written procedure) and report whether the entity has a process specifically defined (identified as such by the entity) to determine completeness of all collections, including electronic transfers, for each revenue source and 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) by a person who is not responsible for collections.

*We noted no such policy.*

*Exceptions: See above.*

*Management's Response: See management's corrective action plan.*

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*Disbursements – General (excluding credit card/debit card/fuel card/P-Card purchases or payments)*

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8. Obtain a listing of entity disbursements from management or, alternately, obtain the general ledger and sort/filter for entity disbursements. Obtain management's representation that the listing or general ledger population is complete.

*We obtained check registers from the accounting software.*

*Exceptions: None*

9. Using the disbursement population from #8 above, randomly select 25 disbursements (or randomly select disbursements constituting at least one-third of the dollar disbursement population if the entity had less than 25 transactions during the fiscal period), excluding credit card/debit card/fuel card/P-card purchases or payments. Obtain supporting documentation (e.g. purchase requisitions, system screens/logs) for each transaction and report whether the supporting documentation for each transaction demonstrated that:

*We randomly selected twenty-five disbursements from the check details for all funds.*

- a) Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.

*The Town's system does not document the person initiating a purchase.*

*Exceptions: See above.*

*Management's Response: See management's corrective action plan.*

- b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.

*The Town does not use purchase orders. We noted no documentation of the person initiating purchases or approving purchases.*

*Exceptions: See above.*

*Management's Response: See management's corrective action plan.*

- c) Payments for purchases were not processed without (1) an approved requisition and/or purchase order, or electronic equivalent; a receiving report showing receipt of goods purchased, or electronic equivalent; and an approved invoice.

*See above regarding purchasing. One out of twenty-five disbursements was a transfer to another fund not requiring a receipt or invoice. Two out of twenty-five disbursements were not supported by a receipt, invoice, or other appropriate documentation.*

*Exceptions: See above.*

*Management's Response: See management's corrective action plan.*

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10. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the person responsible for processing payments is prohibited from adding vendors to the entity's purchasing/disbursement system.

*The person responsible for processing payments is also allowed to add/delete vendors from the purchasing/disbursement system.*

*Exceptions: See above.*

*Management's Response: See management's corrective action plan.*

11. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases.

*The persons who make the final authorization for disbursements are also the only persons who are responsible for initiating purchases.*

*Exceptions: See above.*

*Management's Response: See management's corrective action plan.*

12. Inquire of management and observe whether the supply of unused checks is maintained in a locked location, with access restricted to those persons that do not have signatory authority and report any exceptions. Alternately, if the checks are electronically printed on blank check stock, review entity documentation (electronic system control documentation) and report whether the persons with signatory authority have system access to print checks.

*We observed the supply of unused checks in an unlocked location. Per inquiry of management, the location is locked at night. Access did not appear to be restricted to those persons that do not have signatory authority.*

*Exceptions: See above.*

*Management's Response: See management's corrective action plan.*

13. If a signature stamp or signature machine is used, inquire of the signer whether his or her signature is maintained under his or her control or is used only with the knowledge and consent of the signer. Inquire of the signer whether signed checks are likewise maintained under the control of the signer or authorized user until mailed. Report any exceptions.

*Per inquiry of management, the Town does not have a signature stamp. We did not identify in other testing any indications that a stamp is used.*

*Exceptions: None*

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

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

*Management did not submit a list. Management asserted that there was only one credit card. However, we noted four additional credit cards in the Town's name.*

*Exceptions: See above.*

*Management's Response: See management's corrective action plan.*

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15. Using the listing prepared by management, randomly select 10 cards (or at least one-third of the cards if the entity has less than 10 cards) that were used during the fiscal period, rotating cards each year. If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner.

Obtain the monthly statements, or combined statements if multiple cards are on one statement, for the selected cards. Select the monthly statement or combined statement with the largest dollar activity for each card (for a debit card, select the monthly bank statement with the largest dollar amount of debit card purchases) and:

*We selected two out of the five cards. We obtained the monthly statements for the two cards selected for testing and selected the monthly statement with the largest dollar activity for each selected card.*

- a) Report whether there is evidence that the monthly statement or combined statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.)]

*The tested statements were reviewed and approved by someone other than the authorized card holder.*

*Exceptions: None*

- b) Report whether finance charges and/or late fees were assessed on the selected statements.

*We noted no such charges or fees.*

*Exceptions: None*

16. Using the monthly statements or combined statements selected under #15 above, obtain supporting documentation for all transactions for each of the 10 cards selected (i.e. each of the 10 cards should have one month of transactions subject to testing).

*We obtained the supporting documentation for the selected transactions.*

- a) For each transaction, report whether the transaction is supported by:

- An original itemized receipt (i.e., identifies precisely what was purchased)
- Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.
- Other documentation that may be required by written policy (e.g., purchase order, written authorization.)

*Eighteen out of fifty-six transactions were not supported by an original itemized receipt.*

*The business/public purpose was documented for forty-one out of fifty-five transactions. The individuals participated were documented for all fifty-five transactions.*

*The Town did not have a written policy in place.*

*Exceptions: See above.*

*Management's Response: See management's corrective action plan.*

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- b) For each transaction, compare the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the entity's written purchasing/disbursement policies and the Louisiana Public Bid Law (i.e. transaction is a large or recurring purchase requiring the solicitation of bids or quotes) and report any exceptions.

*The Town did not have a written policy in place. We did not identify any exceptions to compliance with the Louisiana Public Bid Law.*

*Exceptions: None*

- c) For each transaction, compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. cash advances or non-business purchases, regardless whether they are reimbursed). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

*We noted four out of fifty-five transactions that appear to violate Article 7, Section 14 of the LA Constitution because sales taxes were paid.*

*Exceptions: See above.*

*Management's Response: See management's corrective action plan.*

***Travel and Expense Reimbursement***

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17. Obtain from management a listing of all travel and related expense reimbursements, by person, during the fiscal period or, alternately, obtain the general ledger and sort/filter for travel reimbursements. Obtain management's representation that the listing or general ledger is complete.

*We were given a transaction detail report from QuickBooks for all the travel accounts.*

*Exceptions: None*

18. Obtain the entity's written policies related to travel and expense reimbursements. Compare the amounts in the policies to the per diem and mileage rates established by the U.S. General Services Administration ([www.gsa.gov](http://www.gsa.gov)) and report any amounts that exceed GSA rates.

*The Town did not have a travel policy in effect during the 2017 audit year. We compared the amounts reimbursed to the amounts established by the U.S. General Services Administration.*

*Exceptions: See above.*

*Management's Response: See management's corrective action plan.*

19. Using the listing or general ledger from #17 above, select the three persons who incurred the most travel costs during the fiscal period. Obtain the expense reimbursement reports or prepaid expense documentation of each selected person, including the supporting documentation, and choose the largest travel expense for each person to review in detail. For each of the three travel expenses selected:

*We selected the three persons who incurred the most travel costs during the fiscal period. We obtained the expense reimbursement documentation for each person selected. The Mayor, the Police Chief, and one council member were reimbursed the highest amounts. We tested all travel expenses incurred by Police Chief and the Mayor. We tested only the highest amount reimbursed to the council member.*

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- a) Compare expense documentation to written policies and report whether each expense was reimbursed or prepaid in accordance with written policy (e.g., rates established for meals, mileage, lodging). If the entity does not have written policies, compare to the GSA rates (#18 above) and report each reimbursement that exceeded those rates.

*We compared expense documentation to GSA rates since the Town did not have a travel policy in place. Nine out of nineteen expense reimbursements exceeded GSA rates, nine reimbursements were in compliance with GSA rates, and one reimbursement check was void.*

*Exceptions: See above.*

*Management's Response: See management's corrective action plan.*

- b) Report whether each expense is supported by:
- An original itemized receipt that identifies precisely what was purchased. [Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) does not require a receipt.]
  - Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).
  - Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance)

*Eight out of nineteen expense reimbursements were not supported by itemized receipts. Eight reimbursements did not require an itemized receipt.*

*The business/public purpose was not documented for six out of nineteen reimbursements. One check was void.*

*There was no travel policy in effect during 2017.*

*Exceptions: See above.*

*Management's Response: See management's corrective action plan.*

- c) Compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. hotel stays that extend beyond conference periods or payment for the travel expenses of a spouse). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

*Sales taxes were paid on meals included in two reimbursements. The amounts for sales taxes may violate the Constitution.*

*Exceptions: See above.*

*Management's Response: See management's corrective action plan.*

- d) Report whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

*There was no documented review and approval for nine out of eighteen expense reimbursements.*

*Exceptions: See above.*

*Management's Response: See management's corrective action plan.*

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*Contracts*

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20. Obtain a listing of all contracts in effect during the fiscal period or, alternately, obtain the general ledger and sort/filter for contract payments. Obtain management's representation that the listing or general ledger is complete.

*The Clerk submitted to us a vendor summary from the accounting software and contracts she asserted were all the contracts the Town was a party to. We prepared a listing of contracts from those two sources.*

*Exceptions: See above.*

*Management's Response: See management's corrective action plan.*

21. Using the listing above, select the five contract "vendors" that were paid the most money during the fiscal period (excluding purchases on state contract and excluding payments to the practitioner). Obtain the related contracts and paid invoices and:

*We selected the five contract vendors that were paid the most money during the fiscal period from the list we were provided. We obtained the related contracts and invoices.*

- a) Report whether there is a formal/written contract that supports the services arrangement and the amount paid.

*We noted no exceptions.*

- b) Compare each contract's detail to the Louisiana Public Bid Law or Procurement Code. Report whether each contract is subject to the Louisiana Public Bid Law or Procurement Code and:

- If yes, obtain/compare supporting contract documentation to legal requirements and report whether the entity complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder)
- If no, obtain supporting contract documentation and report whether the entity solicited quotes as a best practice.

*We compared each contract to the LA Public Bid Law and noted three of the five contracts were subject to the bid law.*

*We noted one of three contracts did not comply with legal requirements, as no bids were solicited.*

*We noted two contracts in which the bid law was not applicable. Quotes were not solicited for these contracts.*

*Exceptions: See above.*

*Management's Response: See management's corrective action plan.*

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- c) Report whether the contract was amended. If so, report the scope and dollar amount of the amendment and whether the original contract terms contemplated or provided for such an amendment.

*We noted two contracts that were amended during the fiscal period. For one contract, amendments included the addition of five softball fields and multiple electrical additions totaling \$1,590,345. For the other contract, there were additions including several parking lot changes and drainage, and decreases including removal of asphaltic concrete, embankment, and in-place cement. The net increase was \$161,333.*

*Exceptions: See above.*

*Management's Response: See management's corrective action plan.*

- d) Select the largest payment from each of the five contracts, obtain the supporting invoice, compare the invoice to the contract terms, and report whether the invoice and related payment complied with the terms and conditions of the contract.

*We selected the largest payment from each of the five contracts and obtained the supporting invoice for each. We noted one of five payments did not comply with the terms and conditions of the contract.*

*Exceptions: See above.*

*Management's Response: See management's corrective action plan.*

- e) Obtain/review contract documentation and board minutes and report whether there is documentation of board approval, if required by policy or law (e.g. Lawrason Act or Home Rule Charter).

*We were unable to identify documentation of board approval for three of five contracts tested. The other two contracts would have been approved in a previous fiscal year.*

*Exceptions: See above.*

*Management's Response: See management's corrective action plan.*

***Payroll and Personnel***

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22. Obtain a listing of employees (and elected officials, if applicable) with their related salaries, and obtain management's representation that the listing is complete. Randomly select five employees/officials, obtain their personnel files, and:

- a) Review compensation paid to each employee during the fiscal period and report whether payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure.

*We obtained a listing of employees/elected officials and selected five for testing. There was no documentation of pay rates for three out of five employees/elected officials selected for testing. For the other two employees/officials, there was a handwritten note of the pay rate at hire date on the employees' IRS Form W-4.*

*Exceptions: See above.*

*Management's Response: See management's corrective action plan.*

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- b) Review changes made to hourly pay rates/salaries during the fiscal period and report whether those changes were approved in writing and in accordance with written policy.

*There was a pay rate change for one of the five employees/officials selected for testing. We did not identify written approval for the change.*

*Exceptions: See above.*

*Management's Response: See management's corrective action plan.*

23. Obtain attendance and leave records and randomly select one pay period in which leave has been taken by at least one employee. Within that pay period, randomly select 25 employees/officials (or randomly select one-third of employees/officials if the entity had less than 25 employees during the fiscal period), and:

- a) Report whether all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)

*We obtained attendance and leave records and randomly selected a sample. Of the twenty-five employees/officials selected, nineteen employees/officials maintained attendance records. The remaining six employees were not required to maintain attendance records due to their positions.*

*Exceptions: None*

- b) Report whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials.

*There was no documented approval on the attendance records. For six of the selected employees/officials, there was no documentation of approval of leave.*

*Exceptions: See above.*

*Management's Response: See Management's Corrective Action Plan.*

- c) Report whether there is written documentation that the entity maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees/officials that earn leave.

*There were written leave records for eighteen out of the twenty-five employees selected for testing.*

*Exceptions: See above.*

*Management's Response: See Management's Corrective Action Plan.*

24. Obtain from management a list of those employees/officials that terminated during the fiscal period and management's representation that the list is complete. If applicable, select the two largest termination payments (e.g., vacation, sick, compensatory time) made during the fiscal period and obtain the personnel files for the two employees/officials. Report whether the termination payments were made in strict accordance with policy and/or contract and approved by management.

*We obtained a listing. We selected the two highest termination payments. One payment was not made in strict accordance with policy. Neither payment showed evidence of approval by management.*

*Exceptions: See above.*

*Management's Response: See Management's Corrective Action Plan.*

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25. Obtain supporting documentation (e.g. cancelled checks, EFT documentation) relating to payroll taxes and retirement contributions during the fiscal period. Report whether the employee and employer portions of payroll taxes and retirement contributions, as well as the required reporting forms, were submitted to the applicable agencies by the required deadlines.

*We obtained the supporting documentation. All IRS Form 941s and LA L-1s were submitted by the required deadlines. All state payroll taxes were paid timely. One federal payment was paid timely; however, the payment was less than the full amount owed. The remaining balance was paid after the deadline.*

*Exceptions: See above.*

*Management's Response: See management's corrective action plan.*

***Ethics (excluding nonprofits)***

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26. Using the five randomly selected employees/officials from procedure #22 under "Payroll and Personnel" above, obtain ethics compliance documentation from management and report whether the entity-maintained documentation to demonstrate that required ethics training was completed.

*We requested ethics compliance documentation for the five employees/officials from procedure #22. One out of five employees/officials did not have documentation of current training.*

*Exceptions: See above.*

*Management's Response: See management's corrective action plan.*

27. Inquire of management whether any alleged ethics violations were reported to the entity during the fiscal period. If applicable, review documentation that demonstrates whether management investigated alleged ethics violations, the corrective actions taken, and whether management's actions complied with the entity's ethics policy. Report whether management received allegations, whether management investigated allegations received, and whether the allegations were addressed in accordance with policy.

*Management asserts that there were no such violations reported.*

***Debt Service (excluding nonprofits)***

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28. If debt was issued during the fiscal period, obtain supporting documentation from the entity, and report whether State Bond Commission approval was obtained.

*We inspected evidence of State Bond Commission approval for all new debt.*

*Exceptions: None.*

**TOWN OF STERLINGTON  
REPORT ON STATEWIDE AGREED-UPON PROCEDURES  
FOR THE YEAR ENDED DECEMBER 31, 2017**

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29. If the entity had outstanding debt during the fiscal period, obtain supporting documentation from the entity and report whether the entity made scheduled debt service payments and maintained debt reserves, as required by debt covenants.

*We obtained the documentation. Of the thirty required payments, eighteen were made timely. Of the remaining twelve required payments, two payments were made late and we could not find evidence that two payments were made at all. Eight of the twelve payments were made in a timely manner; however, they did not match the required amount as per the debt schedule. For the two bonds that required debt reserves, one maintained the reserves properly. We did not find evidence that reserves were maintained for the other one.*

*Exceptions: See above.*

*Management's Response: See management's corrective action plan.*

30. If the entity had tax millages relating to debt service, obtain supporting documentation and report whether millage collections exceed debt service payments by more than 10% during the fiscal period. Also, report any millages that continue to be received for debt that has been paid off.

*We noted no such millages.*

*Exceptions: None*

***Other***

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31. Inquire of management whether the entity had any misappropriations of public funds or assets. If so, obtain/review supporting documentation and report whether the entity reported the misappropriation to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

*Management asserts there were no misappropriations of public funds or assets.*

*Exceptions: None*

32. Observe and report whether the entity has posted on its premises and website, the notice required by R.S. 24:523.1. This notice (available for download or print at [www.la.gov/hotline](http://www.la.gov/hotline)) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.

*We observed the required notice posted in Town Hall. The notice is not on the Town's website. The Clerk asserts that the website has been inactive since 2016.*

*Exceptions: See above.*

*Management's Response: See management's corrective action plan.*

33. If the practitioner observes or otherwise identifies any exceptions regarding management's representations in the procedures above, report the nature of each exception.

*See comments under other procedures.*

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.

BOSCH & STATHAM, LLC

*Bosch & Statham*

Ruston, Louisiana  
September 28, 2018



# TOWN OF STERLINGTON

MAYOR, VERN BRELAND

September 28, 2018

Bosch & Statham, CPA's  
107B West Alabama Ave.  
P.O. Box 2377  
Ruston, LA 71273-2377

## ANSWERS TO THE 2017 AUDITOR'S REPORTS AND SCHEDULE OF FINDINGS

### Finding 2017-001

The town plans to evaluate its internal controls to ensure that they are properly designed, implemented, and monitored. The town agrees to consult with its CPA to assist with this process.

### Finding 2017-002

We plan to fully cooperate with the Legislative Auditor and to provide them with any information they request.

Vern Breland, Mayor



# TOWN OF STERLINGTON

MAYOR, VERN BRELAND

September 28, 2018

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107B West Alabama Ave.  
P.O. Box 2377  
Ruston, LA 71273-2377

## ANSWERING THE CORRECTIVE ACTION PLAN FOR THE AGREED UPON PROCEDURES

The Town was not provided the Agreed Upon Procedures (AUP) report until the day the Auditor's were trying to issue it to the Legislative Auditor. Having read through the report the Town does not understand and/or agree with some of the exceptions. The Auditor's did not provide support for their comments which leads the Town to believe some of these exceptions could be incorrect. The town will use the report to look for the areas that needs improvements.

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Vern Breland, Mayor