

Town of Sarepta, Louisiana
Financial Statements
As of and for the Year Ended June 30, 2021

Town of Sarepta, Louisiana
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Independent Auditors' Report

The Honorable Mayor Peggy Adkins
and the Town Council
Town of Sarepta
Sarepta, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Sarepta, Louisiana, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town of Sarepta, Louisiana, as of June 30, 2021, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 34, the Schedule of Proportionate Share of Net Pension Liability on page 36, and the Schedule of Contributions on page 37 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the financial statements is not affected by this missing information.

Other Information


Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Sarepta's basic financial statements. The other supplementary information schedules listed in the table of contents and shown on pages 38 – 41 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole. As disclosed in Note 1 to the financial statements, the Town of Sarepta prepares its financial statements in accordance with accounting principles generally accepted in the United States of America. The other supplementary information schedule, Justice System Funding Schedule, shown on page 42, is presented for the purposes of additional analysis and is not a required part of the basic financial statements. This schedule is presented to satisfy the requirements of Act 87 of the 2020 Regular Legislative Session (R.S. 24:515.2) and must be presented on the cash basis of accounting which differs significantly from those principles used to present financial statements in accordance with accounting principles generally accepted in the United States of America. The information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information

has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the Justice System Funding Schedule, shown on page 42, is fairly stated in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2021, on our consideration of the Town of Sarepta, Louisiana'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Sarepta's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Sarepta's internal control over financial reporting and compliance.



Cook & Morehart
Certified Public Accountants
December 9, 2021

Town of Sarepta
Sarepta, Louisiana
Statement of Net Position
June 30, 2021

| | Governmental Activities | Business-Type Activities | Total |
|---------------------------------------|----------------------------|-----------------------------|---------------------|
| Assets | | | |
| Cash | \$ 285,656 | \$ 18,772 | \$ 304,428 |
| Investments | 57,173 | 41,158 | 98,331 |
| Receivables | 17,178 | 8,759 | 25,937 |
| Restricted cash | | 82,430 | 82,430 |
| Capital assets: | | | |
| Non - depreciable | 68,280 | 9,000 | 77,280 |
| Depreciable (net) | 325,063 | 531,944 | 857,007 |
| Total Assets | 753,350 | 692,063 | 1,445,413 |
| Liabilities | | | |
| Accounts payable and accrued expenses | 29,277 | | 29,277 |
| Payable from restricted assets: | | | |
| Customer deposits | | 21,735 | 21,735 |
| Non-current liabilities: | | | |
| Due within one year | | 17,622 | 17,622 |
| Due in more than one year | | 232,393 | 232,393 |
| Total liabilities | 29,277 | 271,750 | 301,027 |
| Deferred Inflows of Resources | | | |
| Pension related | 9,717 | | 9,717 |
| Net Position | | | |
| Net investment in capital assets | 393,343 | 290,929 | 684,272 |
| Restricted for debt service | | 60,695 | 60,695 |
| Unrestricted | 321,013 | 68,689 | 389,702 |
| Total net position | \$ 714,356 | \$ 420,313 | \$ 1,134,669 |

See accompanying notes to the basic financial statements.

Town of Sarepta
Sarepta, Louisiana
Statement of Activities
For the Year Ended June 30, 2021

| | Program Revenues | | | | Net (Expenses) Revenue and Changes in Net Position | | |
|-----------------------------------|-------------------|----------------------|----------------------------------|------------------------------------|--|--------------------------|---------------------|
| | Expenses | Charges for Services | Capital Grants and Contributions | Operating Grants and Contributions | Governmental Activities | Business-Type Activities | Total |
| Functions/Programs: | | | | | | | |
| Governmental activities: | | | | | | | |
| General government | \$ 233,242 | | | | \$ (233,242) | | \$ (233,242) |
| Public safety | 144,555 | 77,076 | 33,999 | 1,750 | (31,730) | | (31,730) |
| Public works | 34,768 | | | | (34,768) | | (34,768) |
| Parks and recreation | 37,856 | 15,373 | | 6,040 | (16,443) | | (16,443) |
| Total governmental activities | <u>450,421</u> | <u>92,449</u> | <u>33,999</u> | <u>7,790</u> | <u>(316,183)</u> | | <u>(316,183)</u> |
| Business-type activities | | | | | | | |
| Sewer | 235,677 | 148,875 | 8,000 | | | (78,802) | (78,802) |
| Total business-type activities | <u>235,677</u> | <u>148,875</u> | <u>8,000</u> | | | <u>(78,802)</u> | <u>(78,802)</u> |
| Total government | <u>\$ 686,098</u> | <u>\$ 241,324</u> | <u>\$ 41,999</u> | <u>\$ 7,790</u> | <u>(316,183.00)</u> | <u>(78,802.00)</u> | <u>(394,985.00)</u> |
| General revenues: | | | | | | | |
| Ad Valorem | | | | | 130,165 | | 130,165 |
| Sales tax | | | | | 111,895 | | 111,895 |
| Franchise taxes | | | | | 33,657 | | 33,657 |
| Licenses and permits | | | | | 34,264 | | 34,264 |
| Intergovernmental | | | | | 7,745 | | 7,745 |
| Investment earnings | | | | | 4,961 | 1,075 | 6,036 |
| Other miscellaneous | | | | | 1,194 | | 1,194 |
| Transfers | | | | | (10,000) | 10,000 | |
| Total general revenues | | | | | <u>313,881</u> | <u>11,075</u> | <u>324,956</u> |
| Changes in net position | | | | | (2,302) | (67,727) | (70,029) |
| Net position, beginning, restated | | | | | 716,658 | 488,040 | 1,204,698 |
| Net position, ending | | | | | <u>\$ 714,356</u> | <u>\$ 420,313</u> | <u>\$ 1,134,669</u> |

See accompanying notes to the basic financial statements.

Town of Sarepta
 Sarepta, Louisiana
 Balance Sheet
 Governmental Fund
 June 30, 2021

| Assets | <u>General</u> |
|---------------------------------------|--------------------------|
| Cash | \$ 285,656 |
| Investments | 57,173 |
| Receivables | <u>17,178</u> |
| Total Assets | <u><u>\$ 360,007</u></u> |
| Liabilities and Fund Balance | |
| Liabilities: | |
| Accounts payable and accrued expenses | <u>\$ 29,277</u> |
| Total Liabilities | <u>29,277</u> |
| Fund balance: | |
| Committed | 64,394 |
| Unassigned | <u>266,336</u> |
| Total Fund Balance | <u>330,730</u> |
| Total Liabilities and Fund Balances | <u><u>\$ 360,007</u></u> |

See accompanying notes to the basic financial statements.

Town of Sarepta
Sarepta, Louisiana
Reconciliation of the Governmental Fund Balance Sheet
to the Statement of Net Position
June 30, 2021

| | |
|--|-------------------|
| Fund Balance - Governmental Fund | \$ 330,730 |
| Amounts reported for government activities in the Statement of Net Position are different because: | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. | 393,343 |
| Long-term liabilities and other amounts are not due and payable in the current period and therefore are not reported in the funds | |
| Deferred inflows-pension related | <u>(9,717)</u> |
| Net Position of Governmental Activities | <u>\$ 714,356</u> |

See accompanying notes to the basic financial statements.

Town of Sarepta
Sarepta, Louisiana
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Fund
For the Year Ended June 30, 2021

| Revenues: | General |
|--|------------|
| Taxes | |
| Ad Valorem | \$ 130,165 |
| Sales tax | 111,895 |
| Franchise tax | 33,657 |
| Licenses and permits | 34,264 |
| Fines and forfeitures | 77,076 |
| Intergovernmental revenues | 49,534 |
| Park concessions | 15,373 |
| Interest | 4,961 |
| Other | 1,195 |
| Total revenues | 458,120 |
| Expenditures: | |
| Current | |
| General government | 225,062 |
| Public safety | 136,585 |
| Public works | 30,928 |
| Parks and recreation | 31,337 |
| Capital outlay | 12,906 |
| Total expenditures | 436,818 |
| Excess (deficiency) of revenues over (under) expenditures | 21,302 |
| Other financing sources (uses): | |
| Transfers out | (10,000) |
| Total other financing sources (uses) | (10,000) |
| Net change in fund balance | 11,302 |
| Fund balance, beginning of year, restated | 319,428 |
| Fund balance, end of year | \$ 330,730 |

See accompanying notes to the basic financial statements.

Town of Sarepta
Sarepta, Louisiana
Reconciliation of the Statement of Revenues, Expenditures, and Changes
in the Fund Balance of the Governmental Fund to the Statement of Activities
For the Year Ended June 30, 2021

| | | |
|---|----|----------|
| Net change in fund balance - governmental fund | \$ | 11,302 |
| <p>Amounts reported for governmental activities in the Statement of Activities are different because:</p> | | |
| <p>Government funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation \$(47,066) exceeds capital outlays \$(12,906) in the current period.</p> | | |
| | | (34,160) |
| <p>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 the funds.</p> | | |
| Pension expense | | 20,556 |
| Change in Net Position of Governmental Activities | \$ | (2,302) |

See accompanying notes to the basic financial statements.

Town of Sarepta
Sarepta, Louisiana
Statement of Net Position
Proprietary Fund
June 30, 2021

| | Business-Type Activities |
|----------------------------------|--------------------------|
| | Enterprise Fund |
| | Sewer Fund |
| Assets | |
| Current assets | |
| Cash | \$ 18,772 |
| Restricted cash | 21,735 |
| Investments | 41,158 |
| Receivables | 8,759 |
| Total current assets | 90,424 |
| Noncurrent assets | |
| Restricted cash | 60,695 |
| Capital assets: | |
| Land | 9,000 |
| Vehicles | 38,135 |
| Plant and equipment | 2,132,789 |
| Less: accumulated depreciation | (1,638,980) |
| Total noncurrent assets | 601,639 |
| Total assets | 692,063 |
| Liabilities | |
| Current liabilities | |
| Payable from restricted assets: | |
| Customer deposits | 21,735 |
| Revenue bonds | 17,622 |
| Total current liabilities | 39,357 |
| Non-current liabilities | |
| Revenue bonds | 232,393 |
| Total Liabilities | 271,750 |
| Net position | |
| Net investment in capital assets | 290,929 |
| Restricted for debt service | 60,695 |
| Unrestricted | 68,689 |
| Total net position | \$ 420,313 |

See accompanying notes to the basic financial statements.

Town of Sarepta
Sarepta, Louisiana
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2021

| | Business-Type Activities |
|--|--------------------------|
| | Enterprise Fund |
| | Sewer Fund |
| Operating Revenues | |
| Charges for services | |
| Sewer charges | \$ 148,875 |
| Total operating revenues | 148,875 |
| Operating Expenses | |
| Salaries and benefits | 55,967 |
| Chemicals and supplies | 50,766 |
| Office expense | 2,316 |
| Utilities | 17,576 |
| Repair and maintenance | 19,214 |
| Depreciation | 75,288 |
| Miscellaneous | 2,127 |
| Total operating expenses | 223,254 |
| Operating income (loss) | (74,379) |
| Non-Operating Revenues (Expenses) | |
| Interest expense | (12,423) |
| Interest income | 1,075 |
| Total non-operating revenues (expenses) | (11,348) |
| Net income (loss) before transfers and contributions | (85,727) |
| Transfers in | 10,000 |
| Capital contributions | 8,000 |
| Change in net position | (67,727) |
| Total net position, beginning of year | 488,040 |
| Total net position, end of year | \$ 420,313 |

See accompanying notes to the basic financial statements.

Town of Sarepta
Sarepta, Louisiana
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2021

| | Business-Type Activities |
|---|--------------------------|
| | Enterprise Fund |
| | Sewer Fund |
| Cash Flows from Operating Activities | |
| Receipts from customers and users | \$ 154,179 |
| Payments to employees for services | (57,067) |
| Payments to suppliers | (93,544) |
| Net cash provided by operating activities | 3,568 |
| Cash Flows from Noncapital Financing Activities | |
| Transfers from other funds | 10,000 |
| Other | (1,100) |
| Net cash provided by noncapital financing activities | 8,900 |
| Cash Flows from Capital and Related Financing Activities | |
| Capital contributions | 8,000 |
| Purchases of fixed assets | (13,093) |
| Payment made on long-term debt | (16,690) |
| Interest paid on capital debt | (12,423) |
| Net cash (used) in capital and related financing activities | (34,206) |
| Cash Flows from Investing Activities: | |
| Interest income | 1,075 |
| Net cash provided by investing activities | (884) |
| Net cash provided by investing activities | 191 |
| Net (decrease) in cash | (21,547) |
| Cash, beginning of year | 122,749 |
| Cash, end of year | \$ 101,202 |
| Cash is reflected on the statement of net position as follows: | |
| Cash | \$ 18,772 |
| Restricted cash | 82,430 |
| Total | \$ 101,202 |
| Reconciliation of Operating Income(loss) to Net Cash Provided (used) by Operating Activities: | |
| Operating income (loss) | \$ (74,379) |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities: | |
| Depreciation expense | 75,288 |
| (Increase) decrease in receivables | 3,669 |
| Increase (decrease) in accounts payable | (2,081) |
| Increase (decrease) in due to other fund | (564) |
| Increase (decrease) in customer deposits | 1,635 |
| Net cash (used) in by operating activities | \$ 3,568 |

See accompanying notes to the basic financial statements.

Town of Sarepta
Sarepta, Louisiana
Notes to the Financial Statements
June 30, 2021

Introduction

The Town of Sarepta, Louisiana, was incorporated under the provisions of the Lawrason Act. The Town is governed by the mayor, town council form of government. The mayor and five councilmen are elected and serve four-year terms that expire on December 31, 2025.

(1) Summary of Significant Accounting Policies

The Town of Sarepta's financial statements are prepared in conformity with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the Town of Sarepta are discussed below.

A. Reporting Entity

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

GASB established criteria for determining which component units should be considered part of the Town of Sarepta for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criterion includes:

1. Appointing a voting majority of an organization's governing body, and
 - a. The ability of the Town to impose its will on that organization and/or
 - b. 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 or significance of the relationship.

(Continued)

Town of Sarepta
Sarepta, Louisiana
Notes to the Financial Statements
June 30, 2021
(Continued)

In addition, the GASB states that a legally separate, tax-exempt organization should be reported as a component unit of a reporting entity if *all* of the following criteria are met:

1. The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents.
2. The primary government is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.
3. The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government.

In addition, other organizations should be evaluated as potential component units if they are closely related to, or financially integrated with, the primary government.

Based on the criteria described above, there are no component units to be included as part of the reporting entity.

B. Basic Financial Statements – Government-Wide Statements

The Town of Sarepta's basic financial statements include both government-wide (reporting the funds maintained by the Town of Sarepta as a whole) and fund financial statements (reporting the Town of Sarepta's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The Town's general fund is classified as governmental activities. The Town's sewer services are classified as business-type activities.

In the government-wide Statement of Net Position, both the governmental activities and business-type activities columns are presented on a consolidated basis by column and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables, as well as long-term debt and obligations. The Town of Sarepta's net position is reported in three parts – invested in capital assets, net of related debt; restricted net position; and unrestricted net position.

The government-wide Statement of Activities reports both the gross and net cost of each of the Town of Sarepta's functions. The functions are also supported by general government revenues (sales and use taxes, certain intergovernmental revenues, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating, and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations of providing sewer services.

(Continued)

Town of Sarepta
Sarepta, Louisiana
Notes to the Financial Statements
June 30, 2021
(Continued)

The net costs (by function) are normally covered by general revenue (ad valorem, sales and use taxes, certain intergovernmental revenues, interest income, etc.).

This government-wide focus is more on the sustainability of the Town of Sarepta as an entity and the change in the Town of Sarepta's net position resulting from the current year's activities.

C. Basic Financial Statements – Fund Financial Statements

The financial transactions of the Town of Sarepta are recorded in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the Town of Sarepta:

1. Governmental Funds – the focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental fund of the Town of Sarepta:
 - a. General fund is the general operating fund of the Town of Sarepta. It is used to account for all financial resources except those required to be accounted for in another fund.
2. Proprietary Funds – the focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the Town:
 - a. Enterprise funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges, or (c) establishes fees and charges based on a pricing policy designed to recover similar costs.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASB sets forth minimum criteria (percentage of the assets, liabilities, revenues, or expenditures/expenses of fund category) for the determination of major funds.

The following major funds are presented in the fund financial statements:

General Fund – accounts for all financial resources except those required to be accounted for in another fund.

Sewer Fund – accounts for the provision of sewer services of the Town.

(Continued)

Town of Sarepta
Sarepta, Louisiana
Notes to the Financial Statements
June 30, 2021
(Continued)

D. Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

1. Accrual:

Both governmental and business-type activities in the government-wide financial statements and the proprietary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

2. Modified Accrual:

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under modified accrual basis of accounting, revenues are recorded when susceptible to accrual: i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

E. Cash, Cash Equivalents, and Investments

Cash includes amounts in petty cash, demand deposits, interest bearing demand deposits, and time deposits. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the Town may deposit funds in demand deposits, interest bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

Investments are limited by R.S. 33:2955 and the Town's investment policy. If the original maturities of investments exceed 90 days, they are classified as investments; however, if the original maturities are 90 days or less, they are classified as cash equivalents.

F. Revenues

Sales tax revenues are recorded in the period in which the underlying exchange has occurred. Fines, forfeitures, licenses, and permits are recognized in the period they are collected. Interest income on demand and time deposits is recorded when earned. Federal and state grants are recorded when the Town is entitled to the funds. Ad valorem taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are usually levied by the Town in September or October and billed to the taxpayer in November of each year. Revenue from ad valorem taxes are budgeted in the year billed.

G. Sales Taxes

The Town receives proceeds from a one percent sales and use tax approved by the voters on October 24, 1987, and authorized through March 31, 2027. The revenue from which may be used for any lawful purpose.

(Continued)

Town of Sarepta
Sarepta, Louisiana
Notes to the Financial Statements
June 30, 2021
(Continued)

H. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are capitalized at historical cost or estimated cost. There are no assets valued at estimated cost. Donated assets are recorded as capital assets at their acquisition value. The municipality maintains the following threshold levels for capitalizing assets:

| | |
|-------------------------|--------|
| Land | \$ 1 |
| Land improvements | 10,000 |
| Buildings | 10,000 |
| Machinery and equipment | 5,000 |
| Infrastructure | 25,000 |
| Computer software | 5,000 |

All capital assets, other than land, are depreciated using the straight-line method over the following useful lives:

| | |
|----------------------------|-------------|
| Buildings and improvements | 10–40 years |
| Land improvements | 10–30 years |
| Infrastructure | 25–50 years |
| Furniture and equipment | 5–15 years |
| Vehicles | 5–15 years |
| Other equipment | 5–10 years |
| Water and sewer systems | 5–40 years |

GASBS requires the Town to report and depreciate new infrastructure assets effective July 1, 2003. Infrastructure assets include roads, bridges, traffic signals, etc. These infrastructure assets are likely to be the largest asset class of the Town. Neither their historical cost nor related depreciation has historically been reported in the financial statements. The retroactive reporting of infrastructure is not required.

I. Receivables

In the government-wide financial statements, receivables consist of all revenues earned at year-end and not yet received. The receivables for the governmental activities include sales and use tax and franchise taxes. Business-type activities report customer's sewer service charges as its major receivable. Uncollectible amounts due for sewer charges are recognized as bad debts through the establishment of an allowance account at the time information becomes available which would indicate the uncollectibility of the particular receivable. Accounts receivable for the Sewer Fund are shown net of an allowance of \$9,345.

J. Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Actual results could differ from those estimates.

(Continued)

Town of Sarepta
Sarepta, Louisiana
Notes to the Financial Statements
June 30, 2021
(Continued)

K. Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net position invested in capital assets, net of related debt, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Town's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

L. Bad Debts

Uncollectible amounts due for customer's utility receivables are recognized as bad debts through the establishment of an allowance account at the time information becomes available which would indicate the uncollectibility of the particular receivable. Accounts receivable for the sewer fund is shown net of an allowance of \$9,345.

M. Capitalized Interest

The Town capitalizes net interest costs and interest earned as part of the cost of constructing various water and sewer projects when material.

N. Statement of Cash Flows

For the purposes of the Statement of Cash Flows, the Sewer Fund considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

O. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents 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. The Town does not have any deferred outflows of resources.

In addition to liabilities, the statement of net position will sometimes report a separate section for *deferred inflows of resources*. This separate financial statement element represents 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. The Town currently has deferred inflows of resources related to pensions.

(Continued)

Town of Sarepta
Sarepta, Louisiana
Notes to the Financial Statements
June 30, 2021
(Continued)

P. Fund Balance

GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which defines the different types of fund balances that a governmental entity must use for financial reporting purposes. GASB requires the fund balance amounts to be properly reported within one of the fund balance categories list below.

1. Nonspendable fund balances are amounts that cannot be spent because they are either (a) not in spendable form, such as inventory or prepaid expenses, or (b) legally or contractually required to be maintained intact, such as a trust that must be retained in perpetuity.
2. Restricted fund balances are restricted when constraints placed on the use of resources are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
3. Committed fund balances include amounts that can be used only for the specific purposes as a result of constraints imposed by the board of alderman (the Town's highest level of decision making authority). Committed amounts cannot be used for any other purpose unless the board of aldermen remove those constraints by taking the same type of action (i.e. legislation, resolution, ordinance).
4. Assigned fund balances are amounts that are constrained by the Town's intent to be used for specific purposes, but are neither restricted nor committed. Intent is expensed by the Mayor, an appointed body or official the Town Alderman has delegated the authority to assign, modify, or rescind amounts to be used for specific purposes.
5. Unassigned fund balances are the residual classification for the Town's general fund and include all spendable amounts not contained in the other classifications.

When both restricted and unrestricted fund balances are available for use, it is the Town's policy to use restricted fund balance first, then unrestricted fund balance. Furthermore, committed fund balances are reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

Q. Compensated Absences

The Town of Sarepta has the following policy relating to vacation and sick leave:

Vacation: Employees are entitled to five days after one continuous year of service; ten days after two continuous years of service; and fifteen days after ten years of service and thereafter. Vacation time will not be allowed to accrue and will be calculated based on the anniversary date of employment. Vacation vests with the employee (i.e. is paid upon termination) and is recognized as an expense by the Town as earned.

Sick leave: Employees are entitled to twelve sick leave days per year. The days are based on the employee's anniversary date. Sick days may accrue up to thirty days. Upon retirement or termination, employees are not paid for any unused sick leave.

(Continued)

Town of Sarepta
Sarepta, Louisiana
Notes to the Financial Statements
June 30, 2021
(Continued)

R. Pension Plan

The Town is a participating employer in a cost-sharing, multiple-employer, defined benefit pension plan as described in Note 11. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of each of the plans, and additions to/deductions for the plans fiduciary net position have been determined on the same basis as they are reported by the plan.

S. Fair Value Measurement

Generally accepted accounting principles require disclosure to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels:

Level 1 inputs – The valuation is based on quoted market prices for identical assets or liabilities traded in active markets;

Level 2 inputs – The valuation is based on quoted market prices for similar instruments traded in active markets, quoted prices for identical or similar instruments in markets that are not active, and inputs other than quoted prices that are observable for the asset or liability;

Level 3 inputs – The valuation is determined by using the best information available under the circumstances and might include the government's own data but should adjust those data if (a) reasonably available information indicates that other market participants would use different data or (b) there is something particular to the government that is not available to other market participants.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on lowest level of any input that is significant to the fair value measurement.

T. Interfund Activity

Interfund activity is reported as loans, reimbursements, or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. Transfers between governmental funds are netted as part of the reconciliation to the government-wide financial statements.

(Continued)

Town of Sarepta
Sarepta, Louisiana
Notes to the Financial Statements
June 30, 2021
(Continued)

(2) Budgets

The Town follows the following budget practices:

- (a) The Town Clerk prepares a proposed budget and submits same to the Mayor and Board of Aldermen no later than fifteen days prior to the beginning of each fiscal year.
- (b) The public is notified that the proposed budget is available for public inspection. At the same time, a public hearing is called.
- (c) A public hearing is held on the proposed budget at least ten days after publication of the call for the hearing. After the holding of the public hearing and completion of all action necessary to finalize and implement the budget, the budget is adopted through passage of an ordinance prior to the commencement of the fiscal year for which the budget is being adopted.
- (d) Budgetary amendments involving the transfer of funds from one department, program or function to another or involving increases or decreases in expenditures resulting from revenues exceeding or failing to meet amounts estimated require the approval of the Board of Aldermen.
- (e) Budgetary appropriations lapse at the end of each fiscal year.

The budget for the General Fund was adopted on the cash basis for the year ended June 30, 2021. There were two budget amendments made to the original budget.

(3) Cash, Cash Equivalents, and Investments

A. Cash and Cash Equivalents

Cash and cash equivalents at June 30, 2021 (book balances) totaled \$386,858, of which \$82,430 is shown as a restricted asset. These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent.

B. Investments

The investments are presented in the financial statements at fair value using level 2 fair value measure. At June 30, 2021, the Town had investments totaling \$98,331 consisting of certificates of deposit with initial maturities greater than 90 days. The certificates of deposits are carried at cost, which approximates market.

C. Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of June 30, 2021, \$90,675 of the Town's bank balances totaling \$505,780 were exposed to custodial credit risk as follows:

| | |
|--|------------------|
| Uninsured and collateral held by the pledging bank's trust department not in the Town's name: | |
| Cash and cash equivalents | \$ <u>90,675</u> |

(Continued)

Town of Sarepta
Sarepta, Louisiana
Notes to the Financial Statements
June 30, 2021
(Continued)

(4) Receivables

Receivables at June 30, 2021 are as follows:

| | |
|---------------------------|-----------|
| Governmental activities: | |
| Sales and use taxes | \$ 8,908 |
| Franchise | 8,270 |
| | 17,178 |
| Business-type activities: | |
| Water and sewer charges | 8,759 |
| | 8,759 |
| Total | \$ 25,937 |

(5) Operating Leases

The Town leases equipment under operating leases. The rental costs paid for the year ended June 30, 2021 were \$3,383.

Commitments under lease agreements having initial or remaining non-cancelable terms in excess of one year are as follows:

| Year Ending June 30, | Amount |
|-------------------------|----------|
| 2022 | \$ 2,780 |
| 2023 | 1,229 |
| Total | \$ 4,009 |

(6) Accounts payable and Accrued Expenses

Accounts payable and accrued expenses at June 30, 2021 consisted of the following:

| | |
|----------------------------|----------------------------|
| | Governmental Activities |
| Settlement payable | \$ 22,000 |
| Salaries and payroll taxes | 7,277 |
| Total | \$ 29,277 |

(Continued)

Town of Sarepta
Sarepta, Louisiana
Notes to the Financial Statements
June 30, 2021
(Continued)

(7) Capital Assets

Capital assets and depreciation activity as of and for the year ended June 30, 2021 is as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|--|----------------------|--------------------|-----------|-------------------|
| Governmental Activities: | | | | |
| Capital assets, not being depreciated | | | | |
| Land | \$ 68,280 | \$ | \$ | \$ 68,280 |
| Total capital assets, not being depreciated | 68,280 | | | 68,280 |
| Capital assets, being depreciated | | | | |
| Buildings | 272,925 | | | 272,925 |
| Improvements other than buildings | 95,225 | | | 95,225 |
| Vehicles | 139,834 | 12,906 | | 152,740 |
| Equipment - office and other | 79,341 | | | 79,341 |
| Playground and ball equipment | 43,114 | | | 43,114 |
| Total capital assets, being depreciated | 630,439 | 12,906 | | 643,345 |
| Less accumulated depreciation for: | | | | |
| Buildings | (99,978) | (6,823) | | (106,801) |
| Improvements other than buildings | (52,596) | (4,289) | | (56,885) |
| Vehicles | (72,767) | (27,669) | | (100,436) |
| Equipment - office and other | (37,965) | (6,129) | | (44,094) |
| Playground and ball equipment | (7,910) | (2,156) | | (10,066) |
| Total accumulated depreciation | (271,216) | (47,066) | | (318,282) |
| At Total capital assets being depreciated, net | 359,223 | (34,160) | | 325,063 |
| Governmental activities capital assets, net | <u>\$ 427,503</u> | <u>\$ (34,160)</u> | <u>\$</u> | <u>\$ 393,343</u> |

(Continued)

Town of Sarepta
Sarepta, Louisiana
Notes to the Financial Statements
June 30, 2021
(Continued)

| | Beginning Balance | Increases | Decreases | Ending Balance |
|--|----------------------|-------------|-----------|-------------------|
| Business-Type Activities: | | | | |
| Capital assets, not being depreciated | | | | |
| Land | \$ 9,000 | \$ | \$ | \$ 9,000 |
| Total capital assets, not being depreciated | 9,000 | | | 9,000 |
| Capital assets, being depreciated | | | | |
| Sewer system | 2,089,696 | | | 2,089,696 |
| Equipment | 30,000 | 13,093 | | 43,093 |
| Vehicles | 38,135 | | | 38,135 |
| Total capital assets, being depreciated | 2,157,831 | 13,093 | | 2,170,924 |
| Less accumulated depreciation for: | | | | |
| Sewer system | (1,512,550) | (65,525) | | (1,578,075) |
| Equipment | (30,259) | (3,478) | | (33,737) |
| Vehicles | (20,883) | (6,285) | | (27,168) |
| Total accumulated depreciation | (1,563,692) | (75,288) | | (1,638,980) |
| Total capital assets being depreciated, net | 594,139 | (62,195) | | 531,944 |
| Business-type activities capital assets, net | \$ 603,139 | \$ (62,195) | \$ | \$ 540,944 |

Depreciation expense for the year ended June 30, 2021 was charged as follows:

| | |
|---------------------------------|-----------|
| Governmental activities: | |
| General | \$ 8,180 |
| Public safety | 28,526 |
| Public works | 3,840 |
| Parks and recreation | 6,520 |
| Total | \$ 47,066 |
| Business-Type activities | |
| Sewer | \$ 75,288 |
| Total | \$ 75,288 |

(Continued)

Town of Sarepta
Sarepta, Louisiana
Notes to the Financial Statements
June 30, 2021
(Continued)

(8) Restricted Assets

Restricted assets were applicable to the following at June 30, 2021:

| | Enterprise Fund |
|-------------------|--------------------|
| Customer deposits | \$ 21,735 |
| Debt service | 60,695 |
| Total | \$ 82,430 |

(9) Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2021, was as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Amounts Due Within One Year |
|----------------------------------|----------------------|-----------|--------------|-------------------|-----------------------------------|
| Business-type Activities: | | | | | |
| Direct borrowings and | | | | | |
| Direct placements: | | | | | |
| 2001 Sewer | | | | | |
| Revenue Bonds | \$ 266,705 | \$ _____ | \$ (16,690) | \$ 250,015 | \$ 17,622 |

Water Revenue Bonds – Series 2001

\$516,000 dated 08/20/2000. Due in monthly installments of principal and monthly installments of interest through July 2032; interest at 4.75%. Payable from income and revenues derived from the sewer system.

\$ 250,015

Business-type Activities – Sewer Revenue Bonds

| Fiscal Year | Principal | Interest |
|-------------|------------|-----------|
| 2022 | \$ 17,622 | \$ 11,490 |
| 2023 | 18,478 | 10,634 |
| 2024 | 19,375 | 9,737 |
| 2025 | 20,316 | 8,796 |
| 2026 | 21,302 | 7,810 |
| 2027 – 2031 | 123,062 | 22,498 |
| 2032 | 29,860 | 802 |
| | \$ 250,015 | \$ 71,767 |

(10) On-Behalf Payments

During the fiscal year ended June 30, 2021, qualified employees of the Town received supplemental pay from the State of Louisiana. The Town has recorded revenues and expenditures for these payments in the General Fund. Revenues under this arrangement totaled \$1,750 for the year ended June 30, 2021.

(Continued)

Town of Sarepta
Sarepta, Louisiana
Notes to the Financial Statements
June 30, 2021
(Continued)

(11) Retirement

Certain police officers are members of the Municipal Police Employees Retirement System. All other municipal employees participate in the Town's Defined Contribution Plan. All employees of the Town of Sarepta are covered by the Federal Social Security System. Pertinent information relative to each plan follows:

Municipal Police Employee's Retirement System

The Municipal Police Employees' Retirement System (System) is a cost-sharing multiple-employer plan administered by a separate board of trustees. The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Municipal Police Employees' Retirement System, 7722 Office Park Boulevard, Suite 200, Baton Rouge, Louisiana, 70809.

Plan Description

Membership in the System is mandatory for any full-time police officer employed by a municipality of the State of Louisiana and engaged in law enforcement, empowered to make arrests, providing he or she does not have to pay social security and providing he or she meets the statutory criteria. The System provides retirement benefits for municipal police officers. The projections of benefit payments in the calculation of the total pension liability includes all benefits to be provided to current active and inactive employees through the System in accordance with benefit terms and any additional legal agreements to provide benefits that are in force at the measurement date.

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

Membership Prior to January 1, 2013

A member is eligible for regular retirement after he has been a member of the System and has 25 years of creditable service at any age or has 20 years of creditable service and is age 50 or has 12 years creditable service and is age 55. A member is eligible for early retirement after he has been a member of the System for 20 years of creditable service at any age with an actuarially reduced benefit. Benefit rates are three and one-third percent of average final compensation (average monthly earnings during the highest 36 consecutive months or joined months if service was interrupted) per number of years of creditable service not to exceed 100% of final salary. Upon the death of an active contributing member, or disability retiree, the plan provides for surviving spouses and minor children. Under certain conditions outlined in the statutes, the benefits range from forty to sixty percent of the member's average final compensation for the surviving spouse. In addition, each child under age eighteen receives benefits equal to ten percent of the member's average final compensation or \$200.00 per month, whichever is greater.

Membership Commencing January 1, 2013

Member eligibility for regular retirement, early retirement, disability and survivor benefits are based on Hazardous Duty and Non Hazardous Duty sub plans. Under the Hazardous Duty sub plan, a member is eligible for regular retirement after he has been a member of the System and has 25 years of creditable service at any age or has 12 years of creditable service at age 55. Under the Non Hazardous Duty sub plan, a member is eligible for regular retirement after he has been a member of the System and has 30

(Continued)

Town of Sarepta
Sarepta, Louisiana
Notes to Financial Statements
June 30, 2021
(Continued)

years of creditable service at any age, 25 years of creditable service at age 55, or 10 years of creditable service at age 60. Under both sub plans, a member is eligible for early retirement after he has been a member of the System for 20 years of creditable service at any age, with an actuarially reduced benefit from age 55. Under the Hazardous and Non Hazardous Duty sub plans, the benefit rates are three percent and two and a half percent, respectively, of average final compensation (average monthly earnings during the highest 60 consecutive months or joined months if service was interrupted) per number of years of creditable service not to exceed 100% of final salary. Upon death of an active contributing member, or disability retiree, the plan provides for surviving spouses and minor children. Under certain conditions outlined in the statutes, the benefits range from twenty-five to fifty-five percent of the member's average final compensation for the surviving spouse. In addition, each child under age eighteen receives ten percent of average final compensation or \$200 per month whichever is greater. If deceased member had less than ten years of service, beneficiary will receive a refund of employee contributions only.

Cost of Living Adjustments

The Board of Trustees is authorized to provide annual cost-of-living adjustments computed on the amount of the current regular retirement, disability, beneficiary or survivor's benefit, not to exceed 3% in any given year. The Board is authorized to provide an additional 2% COLA, computed on the member's original benefit, to all regular retirees, disability, survivors and beneficiaries who are 65 years of age or older on the cut-off date which determines eligibility. No regular retiree, survivor or beneficiary shall be eligible to receive a cost-of-living adjustment until benefits have been received at least one full fiscal year and the payment of such COLA, when authorized, shall not be effective until the lapse of at least one-half of the fiscal year. Members who elect early retirement are not eligible for a cost of living adjustment until they reach regular retirement age.

Deferred Retirement Option Plan

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

(Continued)

Town of Sarepta
Sarepta, Louisiana
Notes to Financial Statements
June 30, 2021
(Continued)

Initial Benefit Option Plan

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

Employer Contributions

Contributions for all members are actuarially determined as required by state law but cannot be less than 9% of the employees' earnable compensation excluding overtime but including state supplemental pay. For the year ended June 30, 2020, total contributions due from employers and employees was 42.25%. The employer and employee contribution rates for all members hired prior to January 1, 2013 and Hazardous Duty members hired after January 1, 2013 were 32.25% and 10%, respectively. The employer and employee contribution rates for all Non-Hazardous Duty members hired after January 1, 2013 were 32.50% and 8%, respectively. The employer and employee contribution rates for all members whose earnable compensation is less than or equal to the poverty guidelines issued by the United States Department of Health and Human Services were 34.25% and 7.5%, respectively. The Town contributions to the System for the years ended June 30, 2021, 2020, and 2019 were \$0, \$0, and \$0, respectively.

Non-Employer Contributions

The System also receives insurance premium tax monies as additional employer contributions. The tax is considered support from a non-contributing entity and appropriated by the legislature each year based on an actuarial study. Non-employer contributions totaling \$0 are recognized as revenue during the year ended June 30, 2021 and excluded from pension expense.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2021, the Town reported a liability of \$0 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on the employer's contributions to the System during the year ended June 30, 2020, as compared to the total of all employers' contributions to the System for the year ended June 30, 2020. At June 30, 2020, the Town's proportion was .0%.

For the year ended June 30, 2021, the Town recognized pension expense of \$20,556, plus employer's amortization of change in proportionate share and the difference between employer contributions and proportionate share of contributions, \$0.

At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

(Continued)

Town of Sarepta
Sarepta, Louisiana
Notes to Financial Statements
June 30, 2021
(Continued)

| | Governmental Activities | |
|---|-----------------------------------|----------------------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | \$ | \$ |
| Changes of assumptions | | |
| Net difference between projected and actual earnings on pension plan investments | | |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | | 9,717 |
| Employer contributions subsequent to the measurement Date | | |
| Total | \$ | \$ 9,717 |

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

| Year | Amount |
|------|----------|
| 2022 | \$ 9,717 |

Actuarial Methods and Assumptions

The actuarial assumptions used in the June 30, 2020 valuation were based on the assumptions used in the June 30, 2020 actuarial funding valuation, and were based on the results of an actuarial experience study for the period July 1, 2014 – June 30, 2019. In cases where benefit structures were changed after the study period, assumptions were based on estimates of future experience. A summary of the actuarial methods and assumptions used in determining the total pension liability as of June 30, 2020 are as follows:

| | |
|-------------------------------------|---------------------------|
| Valuation Date | June 30, 2020 |
| Actuarial Cost Method | Entry Age Normal Cost |
| Investment Rate of Return | 6.950%, net of investment |
| Expected Remaining Service Lives | 4 years |
| Inflation Rate | 2.5% |

(Continued)

Town of Sarepta
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Notes to Financial Statements
June 30, 2021
(Continued)

| | <u>Years of Service</u> | <u>Salary Growth Rate</u> |
|---|---|---------------------------|
| Salary increases, including inflation and merit | 1-2 Above 2 | 12.30% 4.70% |
| Mortality | <p>For annuitants and beneficiaries, the Pub-2010 Public Retirement Plan Mortality Table for Safety Below-Median Healthy Retirees multiplied by 115% for males and 125% for females, each with full generational projection using the MP2019 scale was used.</p> <p>For disabled lives, the Pub-2010 Public Retirement Plans Mortality Table for Safety Disable Retirees multiplied by 105% for males and 115% for females, each with full generational projection using the MP2019 scale was used.</p> <p>For employees, the Pub-2010 Public Retirement Plans Mortality Table for Safety Below-Median Employees multiplied by 115% for males and 125% for females, each with full generational projection using the MP2019 scale was used.</p> | |
| Cost-of-Living Adjustments | <p>The present value of future retirement benefits is based on benefits currently being paid by the System and includes previously granted cost-of-living increases. The present values do not include provisions for potential future increases not yet authorized by the Board of Trustees.</p> | |

The mortality rate assumption used was set based upon an experience study performed by the prior actuary on plan data for the period of July 1, 2014 through June 30, 2019, and review of similar law enforcement mortality. A change was made full generational mortality which combines the use of a base mortality table with appropriate mortality improvement scales. In order to set the base mortality table, actual plan mortality experience was assigned a credibility weighting and combined with a standard table to produce current levels of mortality.

Best estimates of arithmetic nominal rates of return for each major asset class included in the System's target allocation as of June 30, 2020 are summarized in the following table:

| <u>Asset Class</u> | <u>Target Asset Allocation</u> | <u>Long-Term Expected Portfolio Real Rate of Return</u> |
|------------------------------------|------------------------------------|---|
| Equity | 48.50% | 3.08% |
| Fixed income | 33.50% | 0.54% |
| Alternatives | 18.00% | 1.02% |
| Other | 0.00% | 0.00% |
| Totals | <u>100.00%</u> | <u>4.64%</u> |
| Inflation | | <u>2.55%</u> |
| Expected Arithmetic Nominal Return | | <u>7.19%</u> |

(Continued)

Town of Sarepta
Sarepta, Louisiana
Notes to Financial Statements
June 30, 2021
(Continued)

The discount rate used to measure the total pension liability was 6.950%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made at the actuarially determined rates approved by PRSAC taking into consideration the recommendation of the System's actuary. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity to Changes in Discount Rate

The following presents the net pension liability of the participating employers calculated using the discount rate of 6.95%, as well as what the employers' net pension liability would be if it were calculated using a discount rate that is one percentage point lower 5.95% or one percentage point higher 7.95% than the current rate.

| | Changes in Discount Rate | | |
|-----------------------|--------------------------|-----------------------------|----------------|
| | 1% Decrease | Current Discount Rate | 1% Increase |
| | 5.950% | 6.950% | 7.950% |
| Net Pension Liability | \$ 0 | \$ 0 | \$ 0 |

Change in Net Pension Liability

The changes in the net pension liability for the year ended June 30, 2021 were recognized in the current reporting period as pension expense except as follows:

Differences between Expected and Actual Experience:

Differences between expected and actual experience with regard to economic or demographic factors in the measurement of the total pension liability were recognized in pension expense using the straight-line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the pension plan.

Differences between Projected and Actual Investment Earnings:

Differences between projected and actual investment earnings on pension plan investments were recognized in pension expense using the straight-line amortization method over a closed five-year period.

Changes of Assumptions or Other Inputs:

Changes of assumptions about future economic or demographic factors or of other inputs were recognized in pension expense using the straight-line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the pension plan.

Change in Proportion:

Changes in the employer's proportionate shares of the collective net pension liability and collective deferred outflows of resources and deferred inflows of resources since the prior measurement date were recognized in employer's pension expense (benefit) using the straight-line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided pensions through the pension plan.

(Continued)

Town of Sarepta
Sarepta, Louisiana
Notes to Financial Statements
June 30, 2021
(Continued)

Contributions – Proportionate Share

Differences between contributions remitted to the System and the employer's proportionate share are recognized in pension expense (benefit) using the straight line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with a pension through the pension plan.

Pension Plans Fiduciary Net Positions

Plan fiduciary net position is a significant component of the System's collective net pension liability. The System's plan fiduciary net position was determined using the accrual basis of accounting. The System's assets, liabilities, revenues and expenses were recorded with the use of estimates and assumptions in conformity with accounting principles generally accepted in the United States of America. Such estimates primarily related to unsettled transactions and events as of the date of the financial statements and estimates over the determination of the fair market value of the System's investments. Accordingly, actual results may differ from estimated amounts. The Plan's fiduciary net position has been determined on the same basis as that used by the plan. Detailed information about the fiduciary net position is available in a stand-alone audit report on their financial statements for the year ended June 30, 2020. Access to these reports can be found on the Louisiana Legislative Auditor's website, www.lila.la.gov.

For the year ended June 30, 2021, the Town of Sarepta participated in a Savings Incentive Match Plan (Simple IRA). The amount contributed by the Town for the year ended June 30, 2021 was \$926.

(12) Uncertainty

As a result of the COVID-19 Coronavirus, economic uncertainties have arisen which are likely to negatively impact financial resources. While the duration on the economic impact is expected to be temporary, there is considerable uncertainty around the duration. The related financial impact and duration cannot be reasonably estimated at this time.

(13) Prior Period Restatement

Fund balance and net position at June 30, 2020, were restated to correct the revenue recognition of ad valorem and franchise revenue to the period for which the revenue was received and budgeted.

| | Fund Balance | Net Position |
|---|-----------------|-----------------|
| Total Fund Balance/Net Position, June 30, 2020, as previously reported | \$ 308,697 | \$ 705,927 |
| Franchise revenue | 5,909 | 5,909 |
| Ad Valorem revenue | 4,822 | 4,822 |
| Total Net Position, June 30, 2021, Restated | \$ 319,428 | \$ 716,658 |

(Continued)

Town of Sarepta
Sarepta, Louisiana
Notes to Financial Statements
June 30, 2021
(Continued)

(14) Interfund Transfers

Interfund transfers for the year ended June 30, 2021, consisted of transfers from the General fund to the Sewer Fund in the amount of \$10,000 to pay operating costs.

(15) Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town attempts to minimize risk from significant losses through the purchase of insurance.

(16) Subsequent Events

Subsequent events have been evaluated through December 9, 2021, the date the financial statements were available to be issued.

(17) Committed Fund Balance

Committed fund balance on the Governmental Fund Balance Sheet consists of \$64,394 which is committed to sewer and sewage disposal, streets, roads and drainage, parks and recreation, and police protection, including police salaries.

(18) Levied Taxes – Ad Valorem Taxes

Ad valorem taxes are assessed on a calendar year basis and attach as an enforceable lien on property as of January 1 of each year. The taxes are due and payable on the date the tax rolls are filed with the recorder of mortgages. The taxes become delinquent if not paid by December 31.

The following is a summary of authorized and levied ad valorem taxes for the 2020 tax year:

| | <u>Authorized Millage</u> | <u>Levied Millage</u> | <u>Expiration Date</u> |
|---------------------------------------|-------------------------------|---------------------------|----------------------------|
| General | 7.00 | 7.78 | N/A |
| Sewer/streets/parks/recreation/police | 13.84 | 13.86 | 2030 |

Town of Sarepta
Sarepta, Louisiana
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund
For the Year Ended June 30, 2021

| Revenues | Budgeted Amounts Original | Budgeted Amounts Final | Actual Amount | Variance with Final Budget Positive (Negative) |
|--------------------------------------|---------------------------------|------------------------------|-------------------|---|
| Ad valorem | \$ 130,000 | \$ 134,900 | \$ 134,987 | \$ 87 |
| Sales tax | 80,000 | 103,000 | 110,727 | 7,727 |
| Franchise tax | 30,000 | 31,300 | 31,721 | 421 |
| Licenses and permits | 26,000 | 34,340 | 34,264 | (76) |
| Intergovernmental revenues | 46,130 | 40,929 | 49,534 | 8,605 |
| Park concessions | 14,600 | 15,700 | 15,373 | (327) |
| Fines and forfeitures | 81,247 | 77,150 | 77,076 | (74) |
| Investment earnings | 1,460 | 1,460 | 4,961 | 3,501 |
| Miscellaneous | 3,625 | 10,500 | 1,195 | (9,305) |
| Total revenues | <u>413,062</u> | <u>449,279</u> | <u>459,838</u> | <u>10,559</u> |
| | | | | |
| Expenditures | | | | |
| General government | 148,950 | 167,299 | 208,972 | (41,673) |
| Public safety | 153,135 | 172,802 | 136,585 | 36,217 |
| Public works | 40,000 | 48,136 | 30,928 | 17,208 |
| Parks and recreation | 7,482 | 36,551 | 31,337 | 5,214 |
| Capital outlay | 33,495 | | 12,905 | (12,905) |
| Total expenditures | <u>383,062</u> | <u>424,788</u> | <u>420,727</u> | <u>4,061</u> |
| | | | | |
| Other Financing Sources (uses): | | | | |
| Transfers out | (30,000) | | (10,000) | (10,000) |
| Total other financing sources/(uses) | <u>(30,000)</u> | | <u>(10,000)</u> | <u>(10,000)</u> |
| | | | | |
| Net change in fund balance | | 24,491 | 29,111 | 4,620 |
| | | | | |
| Fund balance, beginning of year | 325,000 | 325,000 | 319,428 | (5,572) |
| Fund balance, end of year | <u>\$ 325,000</u> | <u>\$ 349,491</u> | <u>\$ 348,539</u> | <u>\$ (952)</u> |

Town of Sarepta
Sarepta, Louisiana
Notes to Required Supplementary Information
June 30, 2021

The Town's budget is adopted on a cash basis for all funds. There were two amendments to the 2021 budget. Budget comparison statements included in the accompanying financial statements include the original and adopted budgets. The schedule below reconciles excess (deficiency) of revenues and other sources over expenditures and other uses on the budget basis with GAAP basis:

| | <u>General Fund</u> |
|--|-------------------------|
| Excess of revenues and other sources over expenditures and other uses (budget basis) | \$ 29,111 |
| Adjustments: | |
| Revenue accruals – net | (1,718) |
| Expenditure accruals – net | <u>(16,091)</u> |
| Excess of revenues and other sources over expenditures and other uses (GAAP) basis | <u>\$ 11,302</u> |

Town of Sarepta
Sarepta, Louisiana
Schedule of Proportionate Share of Net Pension Liability
For the Year Ended June 30, 2021

Municipal Police Employees' Retirement System

| <u>Year Ended June 30</u> | <u>Proportion of the net pension liability</u> | <u>Proportionate share of the net pension liability</u> | <u>Covered-employee payroll</u> | <u>Proportionate share of the net pension liability as a percentage of its covered-employee payroll</u> | <u>Plan fiduciary net position as a percentage of the total pension liability</u> |
|-------------------------------|--|---|-------------------------------------|---|---|
| 2021 | 0.000000% | \$ | \$ | n/a | 70.94% |
| 2020 | 0.000000% | | | n/a | 71.01% |
| 2019 | 0.000000% | | | n/a | 71.89% |
| 2018 | 0.502400% | 43,862 | | n/a | 70.08% |
| 2017 | 0.01071% | 100,383 | 15,000 | 669.22% | 66.00% |
| 2016 | 0.01210% | 94,799 | 32,000 | 296.25% | 70.73% |
| 2015 | 0.02172% | 135,857 | 32,367 | 419.74% | 75.10% |

*Amounts presented were determined as of the measurement date (fiscal year ended June 30).

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

Town of Sarepta
Sarepta, Louisiana
Schedule of Contributions
For the Year Ended June 30, 2021

Municipal Police Employees' Retirement System

| <u>Year Ended June 30</u> | <u>Statutorily Required Contribution</u> | <u>Contributions in relation to the statutorily required contribution</u> | <u>Contribution Deficiency (Excess)</u> | <u>Covered-employee payroll</u> | <u>Contributions as a percentage of covered-employee payroll</u> |
|-------------------------------|--|---|---|-------------------------------------|--|
| 2021 | \$ | \$ | \$ | \$ | n/a |
| 2020 | | | | | n/a |
| 2019 | | | | | n/a |
| 2018 | | | | | n/a |
| 2017 | 4,762 | 4,762 | | 15,000 | 31.75% |
| 2016 | 8,850 | 8,850 | | 30,000 | 29.50% |
| 2015 | 10,196 | 10,196 | | 32,367 | 31.50% |

*Amounts presented were determined as of the end of the fiscal year (June 30).

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

Town of Sarepta
Sarepta, Louisiana
Schedule of Compensation Paid to Board of Aldermen and Mayor
For the Year Ended June 30, 2021

| | |
|--|-------------|
| Mayor - Peggy Adkins, Salary and Allowance | \$ 13,200 |
| Alderman: | |
| Michael Corley | 1,300 |
| Melanie Dean | 600 |
| Gary Warford | 600 |
| John Smith | 700 |
| Nelda Hines | 700 |
| Madison Lay | 1,300 |
| David Neal | 1,300 |
| | <hr/> |
| | \$ 19,700 |
| | <hr/> <hr/> |

Town of Sarepta
Sarepta, Louisiana
Schedule of Compensation, Benefits, and Other Payments to Agency Head
For the Year Ended June 30, 2021

| Purpose | <u>Amount</u> |
|---|---------------|
| Agency Head: Peggy Adkins, Mayor | |
| Salary | \$ 13,200 |
| Travel | 647 |

Town of Sarepta
Sarepta, Louisiana
Schedule of Insurance
For the Year Ended June 30, 2021

| Coverage | Inception Date | Expiration Date | Limits of Liability | Deductible Amount |
|---|----------------|-----------------|--|---------------------|
| <u>Business Automobile Combined Limit</u> | 7/15/2020 | 7/15/2021 | \$ 1,000,000 Per Accident | ACV |
| <u>General/Professional Liability</u> | 7/15/2020 | 7/15/2021 | | \$ 0 per occurrence |
| Personal Injury and Advertising Injury | | | \$ 1,000,000 Per Occurrence | |
| General Aggregate | | | \$ 1,000,000 Aggregate per Coverage | |
| Products -- Completed Operations | | | \$ 1,000,000 Aggregate | |
| Damage to Premises Rented to You | | | \$ 50,000 Any One Premises | |
| Medical Expense | | | excluded Per Accident | |
| <u>Public Officials & Management Liability</u> | 7/15/2020 | 7/15/2021 | | |
| Aggregate Limit | | | \$ 3,000,000 | \$ |
| Wrongful Acts/Employee Practices/Employee Benefit Plans | | | \$ 1,000,000 Per Occurrence | \$ 1,000 |
| <u>Law Enforcement Liability</u> | 7/15/2020 | 7/15/2021 | | |
| Aggregate Limit | | | \$ 1,000,000 Per Loss | |
| Each Wrongful Act | | | \$ 1,000,000 Per Occurrence | \$ 5,000 |
| <u>Property and Contents</u> | 7/15/2020 | 7/15/2021 | | |
| Commercial Equipment | | | \$ 50,000 Per Schedule | \$ 1,000 |
| Real Property | | | \$ 775,808 Buildings as per scheduled property value | \$ 1,000 |
| Borrowed, Rented, or Leased | | | | |
| <u>Workmen's Compensation</u> | 7/15/2020 | 7/15/2021 | | |
| | | | \$ 100,000 Each accident | |
| | | | \$ 500,000 Disease policy limit | |
| | | | \$ 100,000 each employee | |

Town of Sarepta
Sarepta, Louisiana
Schedule of Sewer Rates
For the Year Ended June 30, 2021

| | <u>Usage</u> | <u>Flat Fee</u> |
|-------------|----------------|-----------------------|
| Residential | Not applicable | \$ 35.00 per month |
| Commercial | Not applicable | \$ 60.00 per month |

Town of Sarepta
Sarepta, Louisiana
Other Supplementary Information
Justice System Funding Schedule
Collecting/Disbursing Schedule
As Required by Act 87 of the 2020 Regular Legislative Session
For the Year Ended June 30, 2021

| | July 2020 - December 2020 | January 2021 - June 2021 |
|--|---------------------------------|-----------------------------|
| Cash Basis Presentation | | |
| Beginning Balance of Amounts Collected (i.e. cash on hand) | 1,081 | 668 |
| Add: Collections | | |
| Criminal Court Costs/Fees | 5,236 | 6,865 |
| Criminal Fines - Other | 23,137 | 41,836 |
| Subtotal Collections | 28,373 | 48,701 |
| Less: Disbursements to Governments and Nonprofits | | |
| Springhill City Court - Criminal Court Costs/Fees | 300 | 300 |
| Louisiana Commission on Law Enforcement - Criminal Court Costs/Fees | 286 | 260 |
| North Louisiana Criminalistics Laboratory Commission - Criminal Court Costs/Fees | 4,387 | 4,700 |
| Louisiana Supreme Court - Criminal Court Costs/Fees | 86 | 79 |
| Louisiana Traumatic Head and Spinal Cord Injury Trust Fund - Criminal Court Costs/Fees | 440 | 615 |
| State of Louisiana Treasurer - CMIS - Criminal Court Costs/Fees | 150 | 158 |
| Less: Amounts Retained by Collecting Agency | | |
| Amounts "Self-Disbursed" to Collecting Agency - Criminal Fines - Other | 23,137 | 41,709 |
| Subtotal Disbursements/Retainage | 28,786 | 47,821 |
| Total: Ending Balance of Amounts Collected but not Disbursed/Retained (i.e. cash on hand) | 668 | 1,548 |
| Ending Balance of "Partial Payments" Collected but not Disbursed | - | - |

| Other Information: | | |
|---|---|---|
| Ending Balance of Total Amounts Assessed but not yet Collected (i.e. receivable balance) | - | - |
| Total Waivers During the Fiscal Period (i.e. non-cash reduction of receivable balances, such as time served or community service) | - | - |

COOK & MOREHART

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SOCIETY OF LOUISIANA
CERTIFIED PUBLIC ACCOUNTANTS

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

Independent Auditors' Report

The Honorable Mayor Peggy Adkins
and the Town Council
Town of Sarepta
Sarepta, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities and each major fund of the Town of Sarepta, Louisiana, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town of Sarepta's basic financial statements, and have issued our report thereon dated December 9, 2021.

Report on Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of current year audit findings as items 2021-001 and 2021-002 that we consider to be a material weaknesses.

Report on Compliance and Other Matters

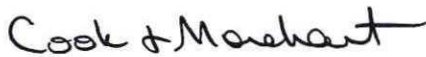
As part of obtaining reasonable assurance about whether Town of Sarepta's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Town of Sarepta's Response to Finding

Town of Sarepta's response to the findings identified in our audit is described in the accompanying Schedule of Current Year Audit Findings. Town of Sarepta's response was not subjected to the auditing procedures applied in the audit of 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 audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Cook & Morehart
Certified Public Accountants
December 9, 2021

Town of Sarepta
Sarepta, Louisiana
Summary Schedule of Prior Year Audit Findings
For Louisiana Legislative Auditor
June 30, 2021

There was one finding for the prior audit for the year ended June 30, 2020, as described below:

2020-001 Finding – Local Government Budget Act

Finding: For the year ended June 30, 2020, the Town failed to amend the budget when actual revenues were less than budgeted revenues by more than 5% and actual expenditures exceeded budgeted expenditures by more than 5% as allowed.

Recommendation: The Town should institute procedures to ensure the budget is amended whenever actual revenues are less than budgeted revenues by more than 5%, and/or actual expenditures exceed budgeted expenditures by more than 5% as allowed.

Current Status: Finding not repeated.

Town of Sarepta
Sarepta, Louisiana
Schedule of Current Year Audit Findings
For Louisiana Legislative Auditor
June 30, 2021

There are two findings for the current year audit ended June 30, 2021, as described below:

2021-001 Material Weakness – Cash Receipts

Material Weakness: During our audit, we noted the following with regards to the Town's collection process:

- There was no evidence of review of daily work for collections by an appropriate town employee who was not involved in the collection process.
- One of the individuals who is responsible for accepting payments is also responsible for reconciling the Town's bank accounts and maintaining the Town's general ledgers.
- Sequentially numbered receipts or other daily work was not always maintained for all collections.
- There was also no reconciliation of collections of traffic fines to the subsidiary fines software.

Criteria: Internal controls should be in place to include a proper segregation of duties over all cash receipts transactions, including review and approval by someone other than the individual accepting payments. Daily work should also be maintained for all receipt transactions.

Cause: Sufficient controls were not in place over the collection process.

Effect: Conditions could exist whereby collections by the Town were not deposited or were not recorded properly. As a result, errors could occur and not be detected with regards to various collections of the Town.

Recommendation: We recommend that the Town establish appropriate internal controls over the collection process, to include a proper segregation of duties. Daily work should be maintained for all receipt transactions, including the use of sequentially numbered receipts or other such documentation. Such daily work should be independently reviewed and approved by someone other than the individual accepting the payments. Collections of traffic fines should be reconciled to the underlying subsidiary fines software.

Views of Responsible Officials and Planned Corrective Actions: The Town will ensure that daily work is maintained for all receipt transactions. Daily work will be reviewed and physically approved by someone other than the individual accepting the payments. Receipts of traffic fines will be reconciled to the fines subsidiary software.

Name of Contact Person: Peggy Adkins, Mayor

(Continued)

Town of Sarepta
Sarepta, Louisiana
Schedule of Current Year Audit Findings
For Louisiana Legislative Auditor
June 30, 2021
(Continued)

2021-002 Material Weakness – Utility Fund Accounts Receivable

Material Weakness: During our audit, we noted that there was no reconciliation of accounts receivable per the daily work for utility fund collections to the underlying subsidiary ledgers/reports. In addition, there was no review of billing adjustments entered into subsidiary ledger to ensure all adjustments had proper approval.

Criteria: Appropriate controls should be in place over the utility fund accounts receivable which provide for a reconciliation of daily work and subsidiary records and a review of all billing adjustments.

Cause: Controls were not in place over the collection process.

Effect: Errors could occur and not be detected with regards to utility fund accounts receivable.

Recommendation: We recommend a reconciliation of accounts receivable per the daily work for utility fund collections to the underlying subsidiary ledgers/reports on a routine basis by someone independent of the collection process. We also recommend a documented approval process with regards to billing adjustments posted to the utility billing software.

Views of Responsible Officials and Planned Corrective Actions: The Town will establish controls over utility fund accounts receivable to include a reconciliation of accounts receivable balances to the subsidiary utility billing software. Such controls will also include a review and approval process for billing adjustments posted to the utility billing software.

Name of Contact Person: Peggy Adkins, Mayor