

**TOWN OF STERLINGTON**  
**GENERAL PURPOSE FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED DECEMBER 31, 1996**

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Board of Aldermen  
Town of Sterlington, Louisiana

This report is intended for the information of management of the Town, the Legislative  
Auditors of the state of Louisiana and agencies granting funds to the Town. However, this report  
is a matter of public record and its distribution is not limited.

*Rafferty, Hoffman & Korman*

May 20, 1997

**TOWN OF STERLINGTON  
SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 1996**

**SCHEDULE OF COMPENSATION PAID BOARD OF ALDERMEN**

The schedule of compensation paid to the board of aldermen is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of Louisiana Legislature. Compensation of the board of aldermen is included in the general government expenditures of the General Fund. The board of aldermen receive a per diem of \$50 per month for each regular monthly meeting they attend. In addition, they receive a per diem of \$12.50 per month for each month they attend a special meeting.

<u>Name</u>	<u>Number of Meetings</u>		<u>Amount</u>
	<u>Regular</u>	<u>Special</u>	
Linda J. Adams	12	7	\$ 688
Michael Scott Baslin	12	7	688
Clifford L. Boflock	12	7	688
Chatherine P. Buis	12	7	688
Michael D. Smith	12	7	688
<b>TOTAL</b>			<b>\$ 3,440</b>

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**INDEPENDENT AUDITORS' REPORT ON  
COMPLIANCE BASED ON AN AUDIT OF GENERAL PURPOSE  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

**Board of Aldermen  
Town of Sterlington  
Sterlington, Louisiana**

We have audited the general purpose financial statements of Town of Sterlington, Louisiana (the Town), as of December 31, 1996, and for the year then ended, and have issued our report thereon dated May 20, 1997.

We conducted our audit in accordance with generally accepted auditing standards; the standards for financial and compliance audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the Louisiana Governmental Audit Guide, issued by the Louisiana Society of Certified Public Accountants and the Louisiana Legislative Auditors. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to the Town is the responsibility of the Town's management. As part of obtaining reasonable assurance about whether the general purpose financial statements are free of material misstatement, we performed tests of the Town's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our audit of the general purpose financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

We noted a certain immaterial instance of noncompliance that we reported to the board of aldermen for the Town in a separate letter dated May 20, 1997.

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**To the Board of Aldermen  
Town of Sterlington**

In planning and performing our audit of the general purpose financial statements of the Town of Sterlington (the Town) as of December 31, 1996, and for the year then ended, a certain matter came to our attention which we believe should be conveyed to management of the Town. This letter will summarize our comments and suggestions regarding that matter. This letter does not affect our report dated May 16, 1997, on the financial statements.

**Need to Collect All Ad Valorem Taxes**

**Finding:**

The Town of Sterlington is not collecting all ad valorem taxes of an assessment year prior to assessing the taxes for the following year. At December 31, 1996, the Town had 14 unpaid assessments totaling \$558 from the 1994 assessment year and 28 unpaid assessments totaling \$390 from the 1995 assessment year. Louisiana Revised Statutes 47:2171 et. seq. describes the process by which the Town shall follow to sell the property (movable and/or immovable) in the event nonpayment of the ad valorem taxes occurs.

**Recommendation:**

The Town of Sterlington should take the necessary steps to ensure that all ad valorem taxes of an assessment year are collected prior to assessing the taxes for the following year.

**Response:**

The Town of Sterlington will make every effort to collect all ad valorem taxes and, in the event of nonpayment, will follow the process of selling the property to satisfy the ad valorem taxes.

*Luffey, Huffman & Monroe*

May 20, 1997

**TOWN OF STERLINGTON  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 1996**

fund balance (net current assets) is considered a measure of "available spendable resources". Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group, rather than in governmental funds. Public works ("infrastructure") general fixed assets consisting of certain improvements other than buildings, including roads, bridges, curbs, gutters, streets and sidewalks, are not capitalized. No depreciation has been provided on general fixed assets. All fixed assets are valued at historical cost or estimated historical cost where actual costs are not available.

**B. Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets. The modified accrual basis of accounting is used by all governmental funds. The governmental fund uses the following practices in recording revenues and expenditures:

**Revenues**

Taxpayer-assessed taxes are considered "measurable" when assessed and are recognized as revenue at that time. Anticipated refunds of such taxes are recorded as liabilities and reductions of revenue when they are measurable and their validity seems certain.

**Expenditures**

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include accumulated unpaid vacation, sick pay, and other employee benefits which are immaterial and therefore not accrued.

All proprietary funds are accounted for on a flow of economic resources measurement focus and a determination of net income and capital maintenance. With this measurement focus, all assets and all liabilities associated with the

**TOWN OF STERLINGTON**  
**COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS**  
**DECEMBER 31, 1996**  
**WITH COMPARATIVE TOTALS FOR 1995**

	Governmental	Proprietary	General Fixed	Totals	
	Fund Type	Fund Type	Asset Account	(Memorandum-Only)	
	General	Enterprise	Group	December 31,	
				1996	1995
ASSETS					
Cash	\$ 181,473	\$ 3,041	\$ 0	\$ 184,514	\$ 171,596
Receivables					
Accounts Receivable	1,349	1,756	0	3,105	3,045
Accounts Payable	263	0	0	263	420
Taxes	31,648	0	0	31,648	31,621
Due From Other Funds	127	0	0	127	479
Restricted Assets					
Cash	0	6,340	0	6,340	6,890
Utility Plant and Equipment	0	180,838	0	180,838	181,706
Accumulated Depreciation	0	(126,778)	0	(126,778)	(947,268)
General Fixed Assets	<u>0</u>	<u>0</u>	<u>783,626</u>	<u>783,626</u>	<u>(755,667)</u>
TOTAL ASSETS	\$ 213,490	\$ 71,165	\$ 783,626	\$ 1,068,281	\$ 1,407,644
LIABILITIES AND FUND EQUITY					
Liabilities					
Accounts Payable	\$ 6,881	\$ 894	\$ 0	\$ 7,775	\$ 2,497
Payroll Obligations Payable	6,880	47	0	6,927	4,342
Due To Other Funds	0	127	0	127	479
Bond Payable - Current	0	886	0	886	887
Bond Payable - Long-Term	<u>0</u>	<u>42,988</u>	<u>0</u>	<u>42,988</u>	<u>43,076</u>
Total Liabilities	6,881	44,195	0	51,076	50,801
Fund Equity					
Contributed Capital	0	20,549	0	20,549	20,596
Investment in General Fixed Assets	0	0	783,626	783,626	783,600
Retained Earnings:					
Reserved For Debt Retirement	0	5,895	0	5,895	6,445
Unreserved (Deficit)	0	(11,885)	0	(11,885)	(97,100)
Fund Balances:					
Designated For Police Protection	3,119	0	0	3,119	6,214
Designated For Exchange	188,369	0	0	188,369	60,869
Unreserved - Undesignated	<u>112,002</u>	<u>0</u>	<u>0</u>	<u>112,002</u>	<u>170,521</u>
Total Fund Equity	203,490	(6,036)	783,626	1,020,080	1,029,890
TOTAL LIABILITIES AND FUND EQUITY	\$ 210,371	\$ 71,159	\$ 783,626	\$ 1,065,156	\$ 1,480,731

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

## **SUPPLEMENTARY INFORMATION**



**TOWN OF STERLINGTON  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 1996**

The Town of Sterlington and International Minerals and Chemicals Corporation issued two bond issues in June, 1987: a \$3,650,000 Louisiana Pollution Control Revenue Bond issue maturing in June 1, 2008, and carrying an interest rate of 6.75%; and, a \$1,000,000 Louisiana International Revenue Bond issue maturing June 1, 2008, and carrying an interest rate of 6.75%. International Minerals and Chemicals Corporation makes all payments relating to these bond issues, and the Town does not have any liability in connection with these issues.

The above described bond issue includes a lease purchase agreement whereby the bonds are payable solely out of the revenue and other amounts derived from the lease, sale or other disposition of the projects.

**Note 9 - Significant Concentrations of Credit Risk**

The Town has various checking and deposit accounts at two federally insured financial institutions. At December 31, 1996, the bank balances in these institutions totaled \$206,349. All deposits in excess of the Federal Deposit Insurance of \$100,000, are secured by a government security totaling \$200,000 that is pledged by the fiscal agent bank and is held by a custodial bank. Because the pledged security is held by a custodial bank in the name of the fiscal agent bank rather than in the name of the town, it is considered uncollateralized (Category 2) under the provisions of GASB Codification C30.106.

**Note 10 - Grant**

The Police Department of the Town of Sterlington was awarded a reimbursement grant, totaling \$44,898, from the United States Department of Justice, Office of Community Oriented Policing Services (COPS). The grant period is from March 1, 1993, to February 28, 1998. Grant funds totaling \$20,864 have been received as of December 31, 1996. During 1996, funds totaling \$13,455 were expended and reimbursed, according to the requirements of the grant.

**Note 11 - Litigation**

At December 31, 1996, the Town is involved in a lawsuit. In the opinion of the legal counsel for the Town, resolution of the lawsuit will not materially affect the financial position of the Town.

**TOWN OF STERLINGTON  
STATUS OF PRIOR YEAR FINDINGS**

In connection with our audit of the Town for the year ended December 31, 1996, we have also reviewed the status of the prior year comments issued in our report dated May 24, 1995.

Finding of lack of segregation of duties related to bank reconciliations has been corrected.

**TOWN OF STERLINGTON**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 1996**

	<u>Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
<b>Revenues</b>			
Taxes	\$ 135,450	\$ 148,534	\$ 13,084
Licenses and Permits	42,378	38,711	(3,667)
Intergovernmental	11,520	38,815	27,295
Fines and Forfeitures	17,000	20,629	3,629
Other Revenue	<u>18,408</u>	<u>18,533</u>	<u>125</u>
Total Revenues	214,740	256,222	41,482
<b>Expenditures</b>			
Current:			
General Government	112,815	105,280	7,632
Public Safety	134,732	148,997	(14,265)
Public Works	13,500	10,375	3,125
Capital Outlay	<u>500</u>	<u>3,567</u>	<u>(3,067)</u>
Total Expenditures	261,537	268,102	(6,565)
Excess (Deficiency) of Revenues Over Expenditures	(46,797)	(11,870)	32,927
Fund Balance at Beginning of Year	<u>233,686</u>	<u>233,686</u>	<u>0</u>
<b>FUND BALANCE AT END OF YEAR</b>	<b>\$ <u>186,889</u></b>	<b>\$ <u>221,816</u></b>	<b>\$ <u>32,927</u></b>

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

**TOWN OF STERLINGTON**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 1996**

included in this report because the District was created by the Town, and the District's Board of Commissioners are the five aldermen.

The following is a summary of certain significant accounting policies and practices:

**A. Fixed Accounting**

The accounts of the Town are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements of this report, into the categories and account group as follows:

**GOVERNMENTAL FUND**

*General Fund* - The General Fund is the general operating fund of the Town. It is used for all financial resources, except those required to be accounted for in other funds.

**PROPRIETARY FUND**

*Enterprise Fund* - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises -- where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**ACCOUNT GROUPS**

*General Fund Asset Account Group* - The accounting and reporting treatment applied to the fixed assets associated with a fund are determined by its measurement focus. All governmental funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported

**TOWN OF STERLINGTON**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 1996**

This policeman is eligible to retire at age 50 with 20 years of credited service or at age 55 with 12 years of credited service and membership in the System for one year. Benefits are payable annually for life at a rate of 3.33 per cent of the member's final-average compensation multiplied by his years of credited service. The MPERS also provides death and disability benefits. Benefits are established or amended by state statute.

The MPERS issues an annual publicly available financial report that includes financial statements and required supplementary information for the MPERS. That report may be obtained by writing to the Municipal Police Employees Retirement System of Louisiana, 8401 United Plaza Boulevard, Baton Rouge, Louisiana 70809-3280, or by calling (504) 928-7411.

The covered employee is required to contribute 7.50 per cent of his annual covered salary to the plan and the Town is required to contribute at an actuarially determined rate. The current rate is 9.00 per cent of annual covered payroll. The contribution requirements of plan members and the Town are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:155, the employer contributions are determined by actuarial valuation and subject to change each year based on the results of the valuation for the prior fiscal year. The Town's contributions to the MPERS for the years ending December 31, 1996, 1995, and 1994, were \$1,048, \$1,632, and \$1,628, respectively, equal to the required contributions for each year.

**Note 7 - Enterprise Fund Deficit**

The deficit in the Enterprise Fund retained earnings is created mainly by depreciation. The deficit is expected to be removed by subsequent years revenues.

**Note 8 - Pollution Control Revenue Bonds and Louisiana Industrial Revenue Bonds**

In June 1979, the Town of Sterlington and International Minerals and Chemicals Corporation issued a \$18,200,000 bond issue maturing June 1, 2004, and carrying an interest rate of 6.75%. The Bond issue is a Louisiana Pollution Control Revenue Bond issue. International Minerals and Chemicals Corporation makes all payments related to this bond issue, and the Town does not have any liability in connection with this issue.

**TOWN OF STERLINGTON**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED DEFICIT**  
**PROPRIETARY FUND TYPE - ENTERPRISE FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 1996**  
**WITH COMPARATIVE TOTALS FOR 1995**

	<u>1996</u>	<u>1995</u> (Unaudited)
<b>Operating Revenues</b>		
User Fees	\$ 20,453	\$ 20,087
<b>Total Operating Revenues</b>	<u>20,453</u>	<u>20,087</u>
<b>Operating Expenses</b>		
Billing Expense	1,370	1,373
Depreciation	9,479	6,628
Insurance	300	386
Maintenance and System Operations	6,688	4,576
Office Supplies	64	153
Professional Fees	1,246	1,503
Salaries and Related Benefits	3,892	3,883
Utilities	<u>3,334</u>	<u>3,384</u>
<b>Total Operating Expenses</b>	<u>27,204</u>	<u>23,807</u>
<b>Total Operating Loss</b>	(6,751)	(3,720)
<b>Nonoperating Revenues (Expenses)</b>		
Interest Income	197	230
Interest Expense	<u>(2,208)</u>	<u>(2,239)</u>
<b>Total Nonoperating Revenues (Expenses)</b>	<u>(2,011)</u>	<u>(2,009)</u>
<b>Net Loss</b>	(8,822)	(4,879)
<b>Depreciation on Fixed Assets Acquired by Grants</b>	<u>3,519</u>	<u>3,519</u>
<b>(Increase) Decrease in Retained Deficit</b>	(3,260)	689
<b>Retained (Deficit) at Beginning of Year</b>	<u>(2,017)</u>	<u>(2,708)</u>
<b>RETAINED (DEFICIT) AT END OF YEAR</b>	<u>\$ (5,281)</u>	<u>\$ (2,017)</u>

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

**TOWN OF STERLINGTON  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 1996**

The annual requirements to amortize the bond outstanding as of December 31, 1996, including interest payments of \$34,853, are as follows:

Year Ending December 31,	Total Payments
1997	\$ 3,004
1998	3,004
1999	3,004
2000	3,004
2001	3,004
2002 - 2006	15,000
2007 - 2011	15,000
2012 - 2016	15,000
2017 - 2021	15,000
2022	<u>3,892</u>
<b>TOTAL</b>	<b>\$ 71,907</b>

The District entered into a loan agreement with Profila, as described above. The loan agreement provides for the establishment of the following bank accounts:

1. Revenue Bond Reserve Fund - to provide for the accumulation of monies for the purpose of paying principal and interest on notes which would otherwise be in default. The agreement provides that \$13 per month shall be deposited to this account until the balance equals the highest principal payment. For the year ended December 31, 1996, deposits of \$138 were made to this reserve fund, of which \$60 relates to interest earned on the account.
2. Depreciation Reserve Fund - to provide for repairs and improvements to the sewer system, with approval of the lender. The agreement provides that \$13 per month shall be deposited to this account until the debt is fully retired. For the year ended December 31, 1996, deposits of \$138 were made to this depreciation reserve fund, of which \$60 relates to interest earned on the account.

**Note 6 - Pension and Retirement Plan**

**STATE SPONSORED PENSION PLAN**

The Town of Sterlington has two employees covered under the Municipal Police Employees Retirement System of Louisiana (MPERS).

**TOWN OF STERLINGTOWN**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 1996**

**Note 4 - Fixed Assets**

A summary of the changes in general fixed assets is as follows:

	Balance 12/31/95	Additions	Deletions	Balance 12/31/96
Land	\$ 24,800	\$ 0	\$ 0	\$ 24,800
Buildings	49,762	0	0	49,762
Vehicles and Equipment	97,664	3,367	0	101,210
Fire Protection Systems	581,581	0	0	581,581
<b>TOTAL</b>	<b>\$ 753,807</b>	<b>\$ 3,367</b>	<b>\$ 0</b>	<b>\$ 757,174</b>

Depreciation on assets acquired with federal grants in the proprietary fund type is charged to the contributed capital account. The amount of such depreciation for 1996 was \$3,359 and is reflected as an adjustment to net income in the proprietary fund operating statement. <sup>1</sup>

**Note 5 - Long-Term Debt**

**Proprietary Fund**

The following is a summary of long-term debt transactions for the Town for the year ended December 31, 1996:

Bond Payable, 1/1/96	\$ 43,043
Bond Retired	<u>(785)</u>
Bond Payable, 12/31/96	<b><u>\$ 43,146</u></b>

Bond payable at December 31, 1996, consist of one revenue bond payable to the U.S. Department of Agriculture - Farmers Home Administration (FmHA). The bond, dated December 31, 1983, was in the amount of \$31,100 and is payable over forty years with interest at the rate of 5% per annum. The bond is to be retired from resources derived from user fees of the District.



**TOWN OF STERLINGTON  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 1996**

**W. Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

**Note 2 - Cash and Cash Equivalents**

GAAP requires that the Town invest surplus cash balances in obligations of the United States Treasury, time certificates of deposit, and any other federally-insured investments. For purposes of the Statement of Cash Flows, the Town considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

**Note 3 - Ad Valorem Taxes**

The Town considers ad valorem taxes receivable at December 31 and recognizes income in the year of assessment.

For the year ended December 31, 1996, taxes of 9.34 mills were levied on property with assessed valuations totaling \$2,621,838 and were not dedicated to any particular purpose.

Total taxes originally levied were \$24,488, the majority of which was assessed on residential and commercial property totaling \$16,291 and \$4,315, respectively.

**Property Tax Calendar**

Assessment Date	January 1
Levy Date	November
Total Taxes are Due	December 31

Assessed values are established by the Ouachita Parish Tax Assessor each year on a uniform basis at the following ratios to fair market value.

10% Land	15% Machinery
10% Residential Improvements	15% Commercial Improvements
15% Industrial Improvements (Excluding Land)	25% Public Service Properties

**TOWN OF STERLINGTON  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 1996**

operation of these funds are included on the balance sheet. The proprietary fund uses the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized as the time liabilities are incurred.

**C. Budget and Budgetary Accounting**

The budget for the General Fund is prepared by the Clerk to the Mayor and Board of Aldermen for formal adoption. Budgets are prepared on a basis consistent with generally accepted accounting principles (GAAP). Budgetary amendments involving the transfer of funds from one department, program or function to another, or involving increases in expenditures resulting from revenues exceeding amounts estimated, require the approval of the Board of Aldermen. At year end, all appropriations lapse.

**D. Advances to Other Funds**

Amounts shown as "advances" to other funds are not expected to be available or spendable during the next accounting cycle. However, amounts designated as "due from other funds" are considered "available spendable resources".

**E. Bad Debt**

Uncollectible amounts for all unknown and sales taxes are generally not significant. As a result, the direct write-off method for recognizing bad debts is used.

**F. Fixed Assets - Proprietary Fund**

Depreciation of all exhaustible fixed assets used by the proprietary fund is charged as an expense against its operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful life using the straight-line method over the estimated useful lives of 10 - 20 years.

**G. Total Column on Combined Statements**

Total columns on the combined statements are captioned "Memorandum Only" to indicate that they are present only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**TOWN OF STERLINGTON**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND TYPE - ENTERPRISE FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 1996**  
**WITH COMPARATIVE TOTALS FOR 1995**

	<u>1996</u>	<u>1995</u> (Unaudited)
<b>Cash Flows From Operating Activities</b>		
Operating Loss	\$ (5,731)	\$ (1,779)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities		
Depreciation	9,479	6,629
Changes in Assets and Liabilities		
Accounts Receivable	(285)	41
Accounts Payable	864	(971)
Payroll Deductions Payable	(185)	83
Due to Other Funds	127	(305)
Due From Other Funds	472	(913)
Total Adjustments	<u>10,411</u>	<u>4,681</u>
Net Cash Provided by Operating Activities	4,680	2,901
<b>Cash Flows From Capital Financing Activities</b>		
Acquisition of Fixed Assets	(1,004)	(1,299)
Principal Paid on Bonds	(791)	(769)
Interest Paid on Bonds	<u>(2,352)</u>	<u>(1,250)</u>
Net Cash Used by Financing Activities	(4,147)	(3,258)
<b>Cash Flows From Investing Activities</b>		
Interest Received	<u>177</u>	<u>136</u>
Net Cash Provided by Investing Activities	177	136
Net (Decrease) in Cash and Cash Equivalents	(290)	(1,221)
Cash and Cash Equivalents at Beginning of Year	<u>10,620</u>	<u>11,841</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$ <u>10,330</u></b>	<b>\$ <u>10,620</u></b>

**(CONTINUED ON ACCOMPANYING BALANCE SHEET AS)**

<b>Current Assets</b>		
Cash	\$ 3,641	\$ 3,710
<b>Restricted Assets</b>		
Cash	<u>6,789</u>	<u>6,910</u>
<b>TOTAL CASH AND CASH EQUIVALENTS</b>	<b>\$ <u>10,430</u></b>	<b>\$ <u>10,620</u></b>

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

**TOWN OF STERLINGTON**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 1996**

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

**FINANCIAL REPORTING ENTITY/BASIS OF PRESENTATION**

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

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

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

GASB Statement No. 14 established criteria for determining which component units should be considered part of the Town for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is accountability. These criteria include:

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

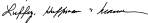
Based on the foregoing criteria, the financial statements of the Bartholomew Sewerage District No. 1 (a proprietary fund type - enterprise fund - the District) have been

**Board of Aldermen  
Town of Sterling, Louisiana**

In planning and performing our audit of the general purpose financial statements of the Town for the year ended December 31, 1996, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operations that we consider to be material weaknesses as defined above.

This report is intended for the information of management of the Town, the Legislative Auditor of the state of Louisiana and agencies granting funds to the Town. However, this report is a matter of public record and its distribution is not limited.



May 20, 1997

**LUFFY, HUFFMAN & MONROE**

**Certified Public Accountants**

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MONROE, LOUISIANA 71211-4748**

**TELEPHONE (504) 281-1470  
FAX (504) 311-4946**

**INDEPENDENT AUDITORS' REPORT  
ON INTERNAL CONTROL STRUCTURE BASED ON AN AUDIT OF  
GENERAL PURPOSE FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

**Board of Aldermen  
Town of Sterlington  
Sterlington, Louisiana**

We have audited the general purpose financial statements of Town of Sterlington, Louisiana (the Town), as of December 31, 1996, and for the year then ended, and have issued our report thereon dated May 20, 1997.

We conducted our audit in accordance with generally accepted auditing standards; Government Auditing Standards, issued by the Comptroller General of the United States; and the Louisiana Governmental Audit Guide, issued by the Society of Louisiana Certified Public Accountants and the Louisiana Legislative Auditor. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement.

The management of the Town is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are conducted in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.



# TOWN OF STERLINGTON

General Purpose Financial Statements  
As of and For the Year Ended December 31, 1936

Under provisions of state law, this report is a public document. A copy of this report has been submitted to the auditor, or referred, entity and other appropriate public officials. This report is available for inspection at the Union Reorganization of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date APR 10 1939