

TOWN OF STERLINGTON
STERLINGTON, LOUISIANA

Financial Report
For the Year Ended December 31, 2020

TOWN OF STERLINGTON, LOUISIANA
FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2020

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April 12, 2024

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

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Sterlington, Louisiana, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for The Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Opinions

In our opinion, based on our audit report, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Sterlington, Louisiana, as of December 31, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require the information listed below to supplement the basic financial statements.

- Management's Discussion and Analysis
- Budgetary Comparison Information

Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 12, 2024, on our consideration of the Town of Sterlington's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit in accordance with *Government Auditing Standards* in considering the Town of Sterlington's internal control over financial reporting and compliance.

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

Shreveport, Louisiana

REQUIRED SUPPLEMENTAL INFORMATION(PART A)

TOWN OF STERLINGTON, LOUISIANA

Management's Discussion and Analysis Year Ended December 31, 2020

As management of the Town of Sterlington, we offer readers of the financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended December 31, 2020. We encourage readers to consider the information presented here in conjunction with the accompanying basic financial statements. The intent of this discussion and analysis is to look at the Town's financial performance as a whole.

FINANCIAL HIGHLIGHTS

- The assets of the Town of Sterlington exceeded its liabilities at the close of the most recent fiscal year by \$2,556,407 (*net position*). Of this amount, \$5,519,905 represented *net investment in capital assets*, \$56,725 was restricted for public works, \$339,297 was restricted for debt service, and \$62,417 was restricted for economic development. The amount of (\$3,421,937) is available for spending at the government's discretion (*unrestricted net position*).
- The government's total net position increased by \$386,725.
- As of the close of the current fiscal year, the Town of Sterlington's Governmental Funds reported an ending fund balance of \$851,479, an increase of \$591,640 in comparison with the prior year. The amount of \$715,659 is available for spending at the government's discretion (*unassigned fund balance*).
- The Town of Sterlington's total debt decreased by approximately \$740,000 during the current fiscal year. During 2020, the Town didn't issue any new debt.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

The governmental funds financial statements can be found on pages 13 through 15 of this report.

The Town of Sterlington adopts an annual appropriated budget for its General Fund, Road Construction and Maintenance Fund, Sports Complex Sales Tax Fund, and the Sports Complex Fund. Budgetary comparison statements have been provided on pages 41 through 45 to demonstrate compliance with the budgets.

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

The proprietary fund financial statements can be found on pages 17 through 20 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on 21 of this report.

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

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. In the case of the Town of Sterlington, assets exceeded liabilities by \$2,556,407 at the close of the most recent fiscal year.

The largest amount (\$5,519,905) of the Town of Sterlington’s net position reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The Town of Sterlington uses these capital assets to provide services to citizens. Consequently, these assets are *not* available for future spending. Although the Town of Sterlington’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**Town of Sterlington
Condensed Statement of Net Position
For the Years Ended December 31, 2020 and 2019**

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 966,499	\$ 487,215	\$ 634,057	\$ 742,244	\$ 1,600,556	\$ 1,229,459
Capital assets	12,873,230	13,326,749	4,436,730	4,736,332	17,309,960	18,063,081
Total assets	13,839,729	13,813,964	5,070,787	5,478,376	18,910,516	19,292,540
Deferred outflows of resources	-	-	28,753	33,545	28,753	33,545
Current and other liabilities	451,633	282,271	762,580	195,543	1,214,213	413,217
Long-term liabilities	7,069,340	7,587,532	8,099,309	9,091,057	15,168,649	16,742,382
Total liabilities	7,520,973	7,869,803	8,861,889	9,286,600	16,382,862	17,155,599

Net Assets:						
Net investment in capital assets	5,519,905	5,739,217	-	-	5,519,905	5,739,217
Restricted	135,820	58,927	322,619	67,650	458,439	126,577
Unrestricted	<u>663,031</u>	<u>146,017</u>	<u>(4,084,968)</u>	<u>(3,842,129)</u>	<u>(3,421,937)</u>	<u>(3,696,112)</u>
Total net position	\$ <u>6,318,756</u>	\$ <u>5,944,161</u>	\$ <u>(3,762,349)</u>	\$ <u>(3,774,479)</u>	\$ <u>2,556,407</u>	\$ <u>2,169,682</u>

In 2020, total net position of the Town increased by \$386,725. The changes in net position are discussed later in this MD&A.

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

Town of Sterlington
Condensed Statement of Activities
For the Years Ended December 31, 2020 and 2019

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2018
Revenues						
Program Revenues						
Charges For Services	\$ 387,541	\$ 558,602	\$ 1,038,205	\$ 692,672	\$ 1,425,746	\$ 1,251,274
Operating Grants And Contributions	32,641	29,323	-	-	32,641	29,323
Capital Grants And Contributions	-	385,000	-	-	-	385,000
General Revenues						
Property Taxes	195,041	175,720	-	-	195,041	175,720
Sales Taxes	1,330,765	1,046,197	-	-	1,330,765	1,046,197
Other General Revenues	259,057	103,168	276	1,332	259,333	104,500
Transfers	<u>135,319</u>	<u>188,584</u>	<u>(135,320)</u>	<u>(188,584)</u>	<u>(1)</u>	<u>-</u>
Total Revenues	<u>2,340,364</u>	<u>2,486,594</u>	<u>903,161</u>	<u>505,420</u>	<u>3,243,525</u>	<u>2,992,014</u>
Expenses						
General Government	949,109	510,627	-	-	949,109	510,627
Public Safety	214,269	285,317	-	-	214,269	285,317
Public Works	74,346	218,700	-	-	74,346	218,700
Culture And Recreation	119,938	695,026	-	-	119,938	695,026
Interest On Long-Term Debt	608,107	403,276	326,817	314,972	934,924	718,248
Sewer	<u>-</u>	<u>-</u>	<u>564,214</u>	<u>606,284</u>	<u>564,214</u>	<u>606,284</u>
Total Expenses	<u>1,965,769</u>	<u>2,112,946</u>	<u>891,031</u>	<u>921,526</u>	<u>2,856,800</u>	<u>3,034,202</u>
Increase (Decrease) In Net Position	\$ <u>374,595</u>	\$ <u>373,648</u>	\$ <u>12,130</u>	\$ <u>(415,836)</u>	\$ <u>386,725</u>	\$ <u>(42,188)</u>

Governmental Activities

Governmental activities increased the Town of Sterlington's net position by \$374,595. Key elements of the changes in net position are as follows:

Expenses are classified by functions/programs. General government expenses accounted for \$949,109 in 2020. Public safety accounted for \$214,269 while public works accounted for \$74,346 for fiscal 2020. Culture and recreation accounted for \$119,938 in 2020. Interest on long-term debt accounted for \$608,107 in 2020.

The related program revenues for fiscal 2020 directly related to these expenses totaled \$420,182 which resulted in net program expenses of \$1,545,587. The remaining balance of expenses represents the cost to the taxpayers. The costs of governmental activities exceeding restricted state grants are paid primarily from the following sources:

- Sales tax revenues are the largest and most significant source of revenue for the Town of Sterlington, providing approximately \$1,330,765 of revenues, an increase of \$284,568 (27%) as compared to 2019. Of the \$1,330,765, \$757,589 is allocated to the General Fund, \$252,455 to the Road Construction and Maintenance Fund, \$251,814 to the Recreation Sales Tax Fund, and \$68,907 to the Economic Development District Fund.
- Ad valorem taxes are the next largest revenue source to the Town, generating \$195,041, an increase of \$19,321 (11%) in General Fund revenue.
- Fines and forfeitures of \$125,358, an increase of \$33,077 (36%) from 2019's \$92,281 recognized by the Town.

Business-Type Activities. Business-type activities (Consolidated Sewer District) increased the Town of Sterlington's net position by approximately \$12,130.

Financial Analysis of the Government's Funds

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

The focus of the Town of Sterlington's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town of Sterlington's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

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

In accordance with Louisiana Revised Statutes Title 39, Chapter 9, Louisiana Local Government Budget Act (LSA- R.S 39:1301 et seq), the Town of Sterlington must adopt a budget for the General Fund and all Special Revenue funds prior to December 31. The original budget for the Town was done by the fiscal administrator and was amended on December 8, 2020.

Capital Asset and Debt Administration

Capital Assets. The Town of Sterlington's investment in capital assets for its governmental and business type activities as of December 31, 2020, amounts to \$17,309,960 (net of accumulated depreciation), which decreased by approximately \$753,121 over the prior year due primarily to depreciation expense in the current year of \$792,818.

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

Town of Sterlington Capital Assets December 31, 2020

Land	\$	1,664,517
Construction In Progress		23,288
Building And Improvements		206,146
Sports Complex And Improvements		10,514,025
Land Improvements		162,850
Vehicles And Equipment		1,492,000
Fire Protection System		581,981
Drainage		475,472
Streets		1,487,444
Sewer System		<u>7,595,482</u>
Total		24,203,205
Less: Accumulated Depreciation		<u>(6,853,548)</u>
Total Capital Assets	\$	<u><u>17,309,960</u></u>

As of December 31, 2020, the Town of Sterlington's outstanding long-term debt of \$15,992,999 consists of the following:

Town of Sterlington Long-term Obligations December 31, 2020

Long-term Obligations		Balance December 31, 2020
Revenue bonds	\$	15,946,015
Deferred discount		(6,441)
Compensated absences		<u>53,425</u>
	\$	<u><u>15,992,999</u></u>

During fiscal year 2020, the Town did not issue any additional debt.

Requests for Information

This financial report is designed to provide a general overview of the Town of Sterlington's finances for all of those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town Clerk, 503 Highway 2, Sterlington, Louisiana 71280.

BASIC FINANCIAL STATEMENTS

TOWN OF STERLINGTON
STERLINGTON, LOUISIANA
STATEMENT OF NET POSITION
DECEMBER 31, 2020

	Governmental Activities	Business-Type Activities	Total
<u>Assets</u>			
Cash and Cash Equivalents	\$ 310,313	\$ 172,470	\$ 482,783
Receivables, Net	464,506	93,294	557,800
Due from Other Governments	290	-	290
Restricted Cash	880	322,619	323,499
Restricted Investments	190,510	-	190,510
Notes Receivable, Net	-	45,674	45,674
Capital Assets, Net:	12,873,230	4,436,730	17,309,960
<u>Total Assets</u>	<u>13,839,729</u>	<u>5,070,787</u>	<u>18,910,516</u>
<u>Deferred Outflows of Resources</u>	<u>-</u>	<u>28,753</u>	<u>28,753</u>
<u>Liabilities</u>			
Accounts Payable	113,770	38,535	152,305
Accrued Liabilities	53,878	60,767	114,645
Customer Deposits	-	122,914	122,914
Current Portion of Long-Term Obligations	283,985	540,364	824,349
Non-Current Portion of Long-Term Obligations	7,069,340	8,099,309	15,168,649
<u>Total Liabilities</u>	<u>7,520,973</u>	<u>8,861,889</u>	<u>16,382,862</u>
<u>Net Position</u>			
Net Investment in Capital Assets	5,519,905	-	5,519,905
Restricted for Public Works	56,725	-	56,725
Restricted for Debt Service	16,678	322,619	339,297
Restricted for Economic Development	62,417	-	62,417
Unrestricted	663,031	(4,084,968)	(3,421,937)
<u>Total Net Position</u>	<u>\$ 6,318,756</u>	<u>\$ (3,762,349)</u>	<u>\$ 2,556,407</u>

See accompanying notes to basic financial statements.

TOWN OF STERLINGTON
STERLINGTON, LOUISIANA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020

Function/Program Activities	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Government Activities:				
General Government	\$ 949,109	\$ 141,337	\$ 17,894	\$ -
Public Safety	214,269	133,958	14,747	-
Highways and Streets	74,346	-	-	-
Cultural and Recreation	119,938	112,246	-	-
Interest on Long-Term Debt	608,107	-	-	-
Total Governmental Activities	1,965,769	387,541	32,641	-
Business-Type Activities:				
Consolidated Sewer District	564,214	1,038,205	-	-
Interest on Long-Term Debt	326,817	-	-	-
Total Business-Type Activities	891,031	1,038,205	-	-
<u>Total Government</u>	\$ 2,856,800	\$ 1,425,746	\$ 32,641	\$ -

General Revenues:

Taxes:

Property Taxes

Sales Taxes

Franchise Taxes

Investment Earnings

Transfers

Miscellaneous

Total General Revenues

Changes in Net Position

Net Position - Beginning

Net Position - Ending

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

Governmental Activities	Business-Type Activities	Total
\$ (789,878)	\$ -	\$ (789,878)
(65,564)	-	(65,564)
(74,346)	-	(74,346)
(7,692)	-	(7,692)
(608,107)	-	(608,107)
<u>(1,545,587)</u>	<u>-</u>	<u>(1,545,587)</u>
-	473,991	473,991
-	(326,817)	(326,817)
<u>-</u>	<u>147,174</u>	<u>147,174</u>
(1,545,587)	147,174	(1,398,413)
195,041	-	195,041
1,330,765	-	1,330,765
116,582	-	116,582
5,377	276	5,653
135,319	(135,320)	(1)
137,098	-	137,098
<u>1,920,182</u>	<u>(135,044)</u>	<u>1,785,138</u>
374,595	12,130	386,725
<u>5,944,161</u>	<u>(3,774,479)</u>	<u>2,169,682</u>
<u>\$ 6,318,756</u>	<u>\$ (3,762,349)</u>	<u>\$ 2,556,407</u>

See accompanying notes to basic financial statements.

TOWN OF STERLINGTON
STERLINGTON, LOUISIANA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2020

	Major Funds					Total Governmental Funds
	General Fund	Special Revenue Funds			Capital Projects	
		Road Construction and Maintenance	Recreation Sales Tax	Economic Development District	Sports Complex	
<u>Assets</u>						
Cash and Cash Equivalents	\$ 300,229	\$ 7,324	\$ 394	\$ -	\$ 2,366	\$ 310,313
Receivables						
Ad Valorem Taxes - Net	192,692	-	-	-	-	192,692
Sales Taxes	130,222	50,183	16,676	62,417	-	259,498
Other	12,316	-	-	-	-	12,316
Cash - Restricted	-	-	-	-	880	880
Investments - Restricted	190,510	-	-	-	-	190,510
Due from Other Governments	290	-	-	-	-	290
<u>Total Assets</u>	<u>826,259</u>	<u>57,507</u>	<u>17,070</u>	<u>62,417</u>	<u>3,246</u>	<u>966,499</u>
<u>Liabilities</u>						
Accounts Payable	68,920	782	392	-	43,676	113,770
Accrued Expenses	1,250	-	-	-	-	1,250
<u>Total Liabilities</u>	<u>70,170</u>	<u>782</u>	<u>392</u>	<u>-</u>	<u>43,676</u>	<u>115,020</u>
<u>Fund Balances</u>						
Restricted	-	56,725	16,678	62,417	-	135,820
Unassigned (Deficit)	756,089	-	-	-	(40,430)	715,659
<u>Total Fund Balances</u>	<u>756,089</u>	<u>56,725</u>	<u>16,678</u>	<u>62,417</u>	<u>(40,430)</u>	<u>851,479</u>
<u>Total Liabilities and Fund Balances</u>	<u>\$ 826,259</u>	<u>\$ 57,507</u>	<u>\$ 17,070</u>	<u>\$ 62,417</u>	<u>\$ 3,246</u>	<u>\$ 966,499</u>

See accompanying notes to basic financial statements.

TOWN OF STERLINGTON
STERLINGTON, LOUISIANA
RECONCILIATION OF GOVERNMENTAL
FUND BALANCE TO STATEMENT OF NET POSITION
DECEMBER 31, 2020

Total Governmental Fund Balances \$ 851,479

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

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

Governmental Capital Assets	15,871,272	
Less: Accumulated Depreciation	<u>(2,998,042)</u>	12,873,230

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

Compensated Absences	(53,425)	
Accrued Interest on Bonds	(52,628)	
Bonds Payable	<u>(7,299,900)</u>	<u>(7,405,953)</u>

Net Position of Governmental Activities		<u><u>\$ 6,318,756</u></u>
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See accompanying notes to basic financial statements.

TOWN OF STERLINGTON
STERLINGTON, LOUISIANA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020

	Major Funds					
	General Fund	Special Revenue Funds			Capital Projects	Total Governmental Funds
		Road Construction and Maintenance	Recreation Sales Tax	Economic Development District	Sports Complex	
<u>Revenues</u>						
Property Taxes	\$ 195,041	\$ -	\$ -	\$ -	\$ -	\$ 195,041
Sales Taxes	757,589	252,455	251,814	68,907	-	1,330,765
Franchise Taxes	116,582	-	-	-	-	116,582
Licenses and Permits	134,887	3,150	-	-	-	138,037
Intergovernmental	32,641	-	-	-	-	32,641
Fees	-	-	-	-	112,246	112,246
Charges for Services	3,300	-	-	-	-	3,300
Fines and Forfeitures	133,958	-	-	-	-	133,958
Use of Money and Property	5,344	25	1	-	7	5,377
Miscellaneous	136,082	-	-	-	1,016	137,098
Total Revenues	1,515,424	255,630	251,815	68,907	113,269	2,205,045
<u>Expenditures</u>						
General Government	484,667	-	30	-	-	484,697
Public Safety	214,269	-	-	-	-	214,269
Public Works	10,692	63,654	-	-	-	74,346
Culture and Recreation	-	-	-	-	119,938	119,938
Debt Service:						
Principal Payments	95,000	20,000	100,000	-	30,100	245,100
Interest and Other	221,198	29,540	167,111	6,490	186,035	610,374
Total Expenditures	1,025,826	113,194	267,141	6,490	336,073	1,748,724
<u>Excess (Deficiency) of Revenues</u>						
<u>Over Expenditures</u>	489,598	142,436	(15,326)	62,417	(222,804)	456,321
<u>Other Financing Sources and (Uses)</u>						
Transfers In	168,165	-	-	-	313,350	481,515
Transfers Out	(233,562)	(112,634)	-	-	-	(346,196)
Total Other Financing	(65,397)	(112,634)	-	-	313,350	135,319
<u>Net Change in Fund Balance</u>	424,201	29,802	(15,326)	62,417	90,546	591,640
<u>Fund Balance - Beginning</u>	331,888	26,923	32,004	-	(130,976)	259,839
<u>FUND BALANCE - ENDING</u>	\$ 756,089	\$ 56,725	\$ 16,678	\$ 62,417	\$ (40,430)	\$ 851,479

See accompanying notes to basic financial statements.

TOWN OF STERLINGTON
STERLINGTON, LOUISIANA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020

Net Change in Fund Balances - Total Governmental Funds \$ 591,640

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

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

Capital Outlay - Net	-	
Depreciation expense	(453,519)	(453,519)

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

Principal Payments		245,100
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Increase in Compensated Absences	(10,893)	
Decrease in Accrued Interest	2,267	(8,626)

Change in Net Position in Governmental Activities		\$ 374,595

See accompanying notes to basic financial statements.

TOWN OF STERLINGTON
STERLINGTON, LOUISIANA
STATEMENT OF NET POSITION
BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUND
UTILITY FUND
DECEMBER 31, 2020

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 172,470
Accounts Receivable, Net	93,294
Cash and Cash Equivalents - Restricted	322,619
Total Current Assets	588,383

Non-Current Assets

Notes Receivable, Net	45,674
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Capital Assets:

Land and Land Improvements	74,225
Water Reservoir and Treatment Plant	7,595,482
Equipment	622,529
Less: Accumulated Depreciation	(3,855,506)
Total Capital Assets	4,436,730

TOTAL ASSETS

5,070,787

Deferred Outflows of Resources

28,753

LIABILITIES

Current Liabilities (Payable from Current Assets)

Accounts Payable	38,535
Customer Deposits	122,914
Compensated Absences	-
Total Current Liabilities (Payable from Current Assets)	161,449

Current Liabilities (Payable from Restricted Assets)

Accrued Interest on Revenue Bonds	60,767
Current Portion of Long-Term Debt	540,364
Total Current Liabilities (Payable from Restricted Assets)	601,131

Total Current Liabilities

762,580

Noncurrent Liabilities

Bonds and Notes Payable	8,099,309
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TOTAL LIABILITIES

8,861,889

Net Position

Invested in Capital Assets Net of Related Debt	-
Restricted for Debt Service	322,619
Unrestricted	(4,084,968)
Total Net Position	\$ (3,762,349)

See accompanying notes to basic financial statements.

TOWN OF STERLINGTON
STERLINGTON, LOUISIANA
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUND
UTILITY FUND
FOR THE YEAR ENDED DECEMBER 31, 2020

Operating Revenues

User Fees	\$ 1,038,110
Other Operating Revenues	95
Total Operating Revenues	<u>1,038,205</u>

Operating Expenses

Depreciation and Amortization	339,299
Insurance	13,399
Maintenance and Repairs	71,881
Material and Supplies	13,362
Office Supplies	7,883
Other Operating Expenses	15,697
Professional Fees	2,730
Salaries and Related Benefits	54,317
Utilities and Communications	40,854
Total Operating Expenses	<u>559,422</u>

Net Operating Income (Loss)	478,783
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Nonoperating Revenues (Expenses)

Interest Earnings	276
Amortization Expense	(4,792)
Interest Expense	(326,817)
Total Nonoperating Revenues (Expenses)	<u>(331,333)</u>

Income (Loss) Before Transfers	147,450
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Transfers Out	<u>(135,320)</u>
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Change in Net Position	12,130
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Total Net Position, Beginning	<u>(3,774,479)</u>
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Total Net Position, Ending	<u><u>\$ (3,762,349)</u></u>
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See accompanying notes to basic financial statements.

TOWN OF STERLINGTON
STERLINGTON, LOUISIANA
STATEMENT OF CASH FLOWS
UTILITY FUND
FOR THE YEAR ENDED DECEMBER 31, 2020

Cash Flows From Operating Activities

Receipts from Customers	\$ 1,023,532
Payments to Suppliers	(141,019)
Payments to Employers and Employee Benefits	(54,317)
Net Cash Provided by Operating Activities	828,196

Cash Flows From Noncapital Financing Activities

Customer Deposits	5,716
Transfer to Other Funds	(135,320)
Net Cash Provided (Used) by Noncapital Financing Activities	(129,604)

Cash Flows From Capital and Related Financing

Activities

Purchase of Capital Assets	(39,697)
Principal Paid on Debt	(451,384)
Interest Paid	(330,647)
Net Cash Provided (Used) by Capital and and Related Financing Activities	(821,728)

Cash Flows From Investing Activities

Loans to Contractors (Net)	50,228
Interest Earned on Investments	276
Net Cash Provided by Investing Activities	50,504

Net Increase (Decrease) in Cash and Cash Equivalents (72,632)

Cash and Cash Equivalents - Beginning of Year 567,721

Cash and Cash Equivalents - End of Year \$ 495,089

Unrestricted Cash and Cash Equivalents, End of Year	172,470
Restricted Cash and Cash Equivalents, End of Year	322,619
Total Cash and Cash Equivalents, End of Year	495,089

Continued on next page.

See accompanying notes to basic financial statements.

TOWN OF STERLINGTON
STERLINGTON, LOUISIANA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020

Reconciliation of Operating Income (Loss)

to Net Cash Flows from Operating Activities

Net Operating Income (Loss)	\$ 478,783
Adjustments to Reconcile Net Income (Loss) to Net Cash Used by Operating Activities	
Depreciation	339,299
(Increase) Decrease in Accounts Receivable	(14,673)
Increase (Decrease) in Accounts Payable	24,787
Increase (Decrease) in Compensated Absences	-
Net Cash Provided (Used) by Operating Accounts	<u><u>\$ 828,196</u></u>

See accompanying notes to basic financial statements.

TOWN OF STERLINGTON
STERLINGTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

Note 1 - Summary of Significant Accounting Policies

A. Financial Reporting Entity

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

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

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

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

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

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

TOWN OF STERLINGTON
STERLINGTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

Note 1 - Summary of Significant Accounting Policies (continued)

B. Basis of Presentation

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

Government-wide Financial Statements

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

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

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

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

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

TOWN OF STERLINGTON
STERLINGTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

Note 1 - Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Fund Financial Statements

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

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

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

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

Major Funds:

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

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

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

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

Non-Major Funds:

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

TOWN OF STERLINGTON
STERLINGTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

Note 1 - Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Fund Financial Statements (continued)

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

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

Governmental Funds

Revenues:

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

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

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

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

TOWN OF STERLINGTON
STERLINGTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

Note 1 - Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Fund Financial Statements (continued)

Expenditures:

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

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

Proprietary Funds

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

Revenues:

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

Expenses:

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

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

C. Budgets and Budgetary Accounting

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

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

TOWN OF STERLINGTON
STERLINGTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

Note 1 - Summary of Significant Accounting Policies (continued)

C. Budgets and Budgetary Accounting (continued)

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

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

Cash, Cash Equivalents, and Investments

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

Interfund Receivables and Payables

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

Capital Assets

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

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

TOWN OF STERLINGTON
STERLINGTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

Note 1 - Summary of Significant Accounting Policies (continued)

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

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

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

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

Long-Term Liabilities

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

Bad Debts

The Town uses the allowance method for recording bad debts associated with ad valorem taxes, customer utility accounts receivable, and notes receivable. As of December 31, 2020, an allowance of \$2,349 was recorded for uncollectible ad valorem taxes receivable deemed uncollectible and \$2,117 was recorded for uncollectible notes receivable associated with a zero-interest loan to a local utility provider deemed to not be fully collectible. Uncollectible amounts for customers' sewer charges are generally not significant. Therefore, the direct write-off method of recognizing bad debts is used. Under this method, the receivable is charged to expense when the account is deemed to be uncollectible, and the result is substantially the same as that provided by use of the allowance method.

Fund Equity of Fund Financial Statements

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

TOWN OF STERLINGTON
STERLINGTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

Note 1 - Summary of Significant Accounting Policies (continued)

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

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

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

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

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

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

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

Net Position

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

TOWN OF STERLINGTON
STERLINGTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

Note 1 - Summary of Significant Accounting Policies (continued)

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

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

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

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

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

Deferred Outflows/Inflows of Resources

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

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

Use of Estimates

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

TOWN OF STERLINGTON
STERLINGTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

Note 2 - Cash and Investments

Custodial Credit Risk – Deposits

The custodial credit risk is the risk that in the event of a bank failure, the Town’s deposits may not be returned to it. The Town’s policy to ensure there is no exposure to this risk is to require each financial institution to pledge its own securities to cover any amount in excess of Federal Depository Insurance Coverage. Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the Town that the fiscal agent bank has failed to pay deposited funds upon demand. Accordingly, the Town did have custodial risk related to its deposits at December 31, 2020.

At December 31, 2020, the Town has cash and cash equivalents (book balances net of overdrafts) in the amount of \$806,282.

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance, or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent.

These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable by both parties. Cash and cash equivalents (bank balances) at December 31, 2020, are secured as follows:

Bank Balances	\$ <u>821,454</u>
Federal Deposits Insurance	\$ 475,017
Pledged Securities (Uncollateralized)	<u>346,436</u>
<u>TOTAL</u>	<u>\$ 996,792</u>
Governmental Funds Cash	\$ 311,193
Enterprise Funds Cash	<u>495,089</u>
<u>TOTAL BOOK BALANCES BY FUND TYPE</u>	<u>\$ 806,282</u>

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

TOWN OF STERLINGTON
STERLINGTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

Note 2 - Cash and Investments (continued)

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

Investments

Custodial Credit Risk – Investments

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town had no custodial credit risk related to its investments on December 31, 2020.

Under state law, the Town may invest funds in obligations of the United States, in federally insured investments, or in time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana. The forbearance agreement with Argent allows a portion of the sales tax collections to be invested until all reserves are met on the debts. At December 31, 2020, the Town had restricted investments held by Argent of \$190,510.

Note 3 - Receivables/Allowance for Doubtful Accounts

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

Receivables at December 31, 2020, consist of the following:

	<u>Governmental Funds</u>	<u>Proprietary Funds</u>	<u>Total</u>
Ad Valorem Taxes (Net)	\$ 192,692	\$ -	\$ 192,692
Sales Taxes	259,498	-	259,498
Accounts Receivable	-	93,294	93,294
Other	<u>12,316</u>	<u>-</u>	<u>12,316</u>
Total	<u>\$ 464,506</u>	<u>\$ 93,294</u>	<u>\$ 557,800</u>

TOWN OF STERLINGTON
STERLINGTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

Note 4 - Capital Assets

Capital asset activity for the year ended December 31, 2020, is as follows:

	<u>1/1/2020</u> <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>12/31/2020</u> <u>Balance</u>
Government Activities:				
Non-Depreciable Assets:				
Land	\$ 1,590,292	\$ -	\$ -	\$ 1,590,292
Construction in Process	<u>23,288</u>	<u>-</u>	<u>-</u>	<u>23,288</u>
Total Non-Depreciable Assets	1,613,580	-	-	1,613,580
Depreciable Assets:				
Sports Complex	10,516,255		-	10,516,255
Buildings	203,916	-	-	203,916
Land Improvements	162,850	-	-	162,850
Vehicles and Equipment	829,774	-	-	829,774
Fire Protection System	581,981	-	-	581,981
Infrastructure: Drainage	475,472	-	-	475,472
Infrastructure: Streets	<u>1,487,444</u>	<u>-</u>	<u>-</u>	<u>1,487,444</u>
Total at Historical Cost	14,257,692		-	14,257,692
Less Accumulated Depreciation	<u>(2,544,523)</u>	<u>(453,519)</u>	<u>-</u>	<u>(2,998,042)</u>
<u>Government Activities Capital Assets, Net</u>	<u>\$ 13,326,749</u>	<u>\$ (453,519)</u>	<u>\$ -</u>	<u>\$ 12,873,230</u>
 Business-Type Activities:				
Non-Depreciable Assets:				
Land	\$ 74,225	\$ -	\$ -	\$ 74,225
Depreciable Assets:				
Sewer Plant	7,595,482		-	7,595,482
Equipment	<u>582,832</u>	<u>39,697</u>	<u>-</u>	<u>622,529</u>
Totals at Historical Cost	8,178,314	39,697	-	8,218,011
Less Accumulated Depreciation	<u>(3,516,207)</u>	<u>(339,299)</u>	<u>-</u>	<u>(3,855,506)</u>
Total Depreciable Assets, Net	<u>4,662,107</u>	<u>(299,602)</u>	<u>-</u>	<u>4,362,505</u>
<u>Business-Type Activities Capital Assets, Net</u>	<u>\$ 4,736,332</u>	<u>\$ (299,602)</u>	<u>\$ -</u>	<u>\$ 4,436,730</u>

Depreciation expense for the year ended December 31, 2020, was charged to functions of the Town as follows:

TOWN OF STERLINGTON
STERLINGTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

Note 4 - Capital Assets (continued)

Government Activities:	
General Government	\$ 9,237
Public Safety	33,978
Public Works	117,336
Culture and Recreation	<u>292,968</u>
Total Depreciation Expense - Governmental Activities	<u>453,519</u>
Business-Type Activities:	
Sewer	\$ 339,299

Note 5 - Long-Term Debt

The following is a summary of long-term obligation transactions for the year ended December 31, 2020:

Long-term Obligations	Balance 1/1/2020	Additions	Deductions	Balance 12/31/2020	Amounts Due Within One Year
General long-term obligations					
Compensated absences	\$ 42,532	\$ 14,155	\$ (3,262)	\$ 53,425	\$ 13,985
Long-term debt	<u>7,545,000</u>	<u>-</u>	<u>(245,100)</u>	<u>7,299,900</u>	<u>270,000</u>
Subtotal - General	<u>7,587,532</u>	<u>14,155</u>	<u>(248,362)</u>	<u>7,353,325</u>	<u>283,985</u>
Enterprise Fund					
Compensated absences	-	-	-	-	-
Long-term debt	9,098,302	-	(452,188)	8,646,114	540,364
Deferred discount	<u>(7,245)</u>	<u>-</u>	<u>804</u>	<u>(6,441)</u>	<u>(804)</u>
Subtotal - Enterprise	<u>9,091,057</u>	<u>-</u>	<u>(451,384)</u>	<u>8,639,673</u>	<u>539,560</u>
Grand Total	<u>\$ 16,678,589</u>	<u>\$ 14,155</u>	<u>\$ (699,746)</u>	<u>\$ 15,992,998</u>	<u>\$ 823,545</u>

The Town has the following debt issues:

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

TOWN OF STERLINGTON
STERLINGTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

Note 5 - Long-Term Debt (continued)

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

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

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

<u>Year Ending December 31,</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Principal and Interest</u>
2021	\$ 270,000	\$ 315,770	\$ 585,770
2022	300,000	304,515	604,515
2023	310,000	285,188	595,188
2024	330,000	273,048	603,048
2025	370,000	255,408	625,408
2026-2030	2,060,000	1,031,175	3,091,175
2031-2035	2,325,000	591,225	2,916,225
2036-2040	940,000	185,319	1,125,319
2041-2043	394,900	30,375	448,025
Total	<u>\$ 7,299,900</u>	<u>\$ 3,272,021</u>	<u>\$ 10,571,921</u>

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

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

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

TOWN OF STERLINGTON
STERLINGTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

Note 5 - Long-Term Debt (continued)

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

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

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

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

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

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

TOWN OF STERLINGTON
STERLINGTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

Note 5 - Long-Term Debt (continued)

The following is a summary of long-term bonded indebtedness for the year ended December 31, 2020:

<u>Revenue Bonds</u>	<u>Issue Date</u>	<u>Original Borrowing</u>	<u>Interest Rates to Maturity</u>	<u>Interest to Maturity</u>	<u>Final Maturity</u>	<u>Outstanding 12/31/2020</u>
Series 2011 DEQ Sewer	05/09/11	\$696,000	0.45%	\$ 10,018	06/01/31	\$406,585
Series 2013 DEQ Taxable	08/28/13	\$350,000	0.45%	14,341	12/01/33	224,717
Series 2013 Refunding Revenue Bonds	09/19/13	\$2,710,000	2.00% - 4.75%	319,114	06/01/28	1,975,000
Series 2014 Wastewater	08/13/14	\$300,000	5.00%	110,500	09/01/34	225,000
Series 2014 Wastewater	08/13/14	\$300,000	5.00%	110,500	09/01/34	225,000
Series 2017 Wastewater	04/27/17	\$4,000,000	3.11%	1,163,101	12/01/36	3,822,775
Series 2018 Sewer Refunding	09/28/18	\$4,000,000	2.10% plus US Treasury Yield	874,930	12/01/38	1,767,037
Total				\$2,602,504		\$8,646,114

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

<u>Year Ending December 31,</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Principal and Interest</u>
2021	\$ 540,364	\$ 303,104	\$ 843,468
2022	559,850	284,872	844,722
2023	574,660	265,677	840,337
2024	588,806	245,640	834,446
2025	605,302	224,354	829,656
2026-2030	2,608,222	811,914	3,420,136
2031-2035	2,137,266	408,910	2,546,176
2036-2038	1,031,644	58,033	1,089,677
Total	\$ 8,646,114	\$ 2,602,504	\$ 11,248,618

TOWN OF STERLINGTON
STERLINGTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

Note 5 - Long-Term Debt (continued)

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

1. Bond and Interest Redemption Fund / Sinking Fund – to provide for the accumulation of monies for the purpose of paying principal and interest. The Series 2011 DEQ Revenue Bonds require the establishment of a “Sewer Revenue Bond Debt Service Fund,” whereby monthly transfers will be made into the account on or before the 20th day of each month of each year, a sum equal to one-sixth (1/6th) of the interest falling due on the next interest payment date and one-twelfth (1/12th) of the principal falling due on the next principal payment date. As of December 31, 2020, the balance in the Series 2011 DEQ was \$7, which was underfunded.

The agreement for the 2013 DEQ Bonds states that funds must be transferred from the Sales Tax Fund to the Sinking Fund, monthly in advance on or before the 20th day of each month of each year, a sum equal to the pro-rata amount of interest falling due on the bonds and any additional parity bonds on the next interest payment date and the pro-rata amount of the principal falling due on the bonds and any additional parity bonds on the next principal date, together with such additional proportionate sum as may be required to pay said principal and interest as the same respectively come due. As of December 31, 2020, the balance in the Series 2013 DEQ was \$1,149, which was underfunded.

The 2013 Refunding Bonds are subject to mandatory Sinking Fund redemption prior to maturity, including interest accrued to the redemption date on an annual basis commencing June 1, 2014, and continuing each June 1 thereafter until maturity. For the year 2014, the Town will be required to have \$15,000 deposited into the Sinking Fund, and in subsequent years, the deposited amount increases to \$110,000. As of December 31, 2020, the balance in the account was \$0, which was underfunded.

The agreement for the 2014 Wastewater and Utilities Revenue Bonds requires the establishment of a "Wastewater and Utilities Revenue Bonds, Series (2014) Sinking Fund," whereby monthly deposits shall be made into the account on or before the 20th day of each month (commencing the first 20th day of the month following delivery of the bonds), a sum equal to one-sixth (1/6th) of the interest falling due on the next interest payment date and a sum equal to one-twelfth (1/12th) of the principal falling due on the next principal payment date. As of December 31, 2020, the balance in the account was \$20, which was underfunded.

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

TOWN OF STERLINGTON
STERLINGTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

Note 5 - Long-Term Debt (continued)

The agreement for the Series 2011 DEQ Bonds provides that at least 20% of the reserve fund requirement must be deposited into the reserve fund each bond year so that the reserve fund is fully funded no later than five years after the delivery date. As of December 31, 2020, the balance in the fund totaled \$21,367.

The agreement for the Series 2013 DEQ Bonds provides that at least 25% of the amount required to be paid into the sinking fund must be deposited into the reserve fund on or before the 20th day of each month of each year until such time as there has been accumulated therein a sum equal to the reserve fund requirement. As of December 31, 2020, the balance in the account was \$44,369.

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

The agreement for the 2011 DEQ Bonds provides that, on or before the 20th day of each month of each year, a sum equal to five (5%) of the preceding month's Net Revenues as provided in the agreement for the preceding month shall be transferred to this account, provided that such sum is available provision is made. Payments in this fund shall continue until such time as \$50,000 has accumulated in this fund, whereby such payments may cease, and need be resumed only if the total amount of money on deposit is reduced below \$50,000. This fund had an ending balance of \$444 at December 31, 2020.

Note 6 - Ad-valorem Taxes

The Town considers ad valorem taxes receivable at December 31st and recognizes income in the year of assessment. For the year ended December 31, 2020, taxes of 9.25 mills were levied on properties with assessed valuations totaling \$21,595,079 and were not dedicated to any particular purpose. The total taxes originally levied were \$195,041 at December 31, 2020.

The property tax calendar is as follows:

Assessment date	January 1, 2020
Levy date	November 15, 2020
Date taxes are due	December 31, 2020
Lien date	January 1, 2021

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

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

TOWN OF STERLINGTON
STERLINGTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

Note 7 - On-Behalf Payments

Certain Town employees in the Police Department receive supplemental pay from the state of Louisiana. In accordance with GASB Statement No. 24 “*Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*,” the Town has recorded revenues and expenditures for these payments in the General Fund in the amounts of \$14,747 during the year ended December 31, 2020.

Note 8 - Interfund Receivables and Payables

There were no due to/from balances at December 31, 2020.

Note 9 - Interfund Transfers

The following transfers were made between the various funds of the Town during 2020:

	Transfers Out				
	Governmental Funds				
	General	Road Construction and Maintenance	Sports Tax	Enterprise	Total
<u>Transfers In</u>					
Governmental Funds					
Major Funds					
General Fund	\$ -	\$ 112,634	\$ -	\$ 55,532	\$117,938
Road Const & Maintenance	-	-	-	-	-
Recreation Sales Tax	-	-	-	-	-
Sports Complex	233,562	-	-	79,788	313,350
Total	<u>\$ 233,562</u>	<u>\$ 112,634</u>	<u>\$ -</u>	<u>\$ 135,320</u>	<u>\$ 431,288</u>

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

Note 10 - Retirement Plan

During 2015, the Town began a defined-contribution plan for all full-time employees. The Town contributes up to 3% of salaries into a Savings Incentive Match Plan for Employees of Small Employers Individual Retirement Account (SIMPLE IRA) Plan. All contributions made by the Town are fully vested and non-forfeitable. The maximum contribution to the plan is the lesser of 100% of earned income up to the contribution limit for each calendar year. Employees are immediately eligible to participate upon employment with the Town. During 2020, the Town contributed \$7,522 into this retirement plan.

TOWN OF STERLINGTON
STERLINGTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

Note 11 - Risk Financing Activities

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

Note 12 - Litigation and Claims

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

Note 13 - Restricted Fund Balances (FFS Level Only)

The following Governmental Fund's fund balance is legally restricted for the following purposes:
Road maintenance (\$56,725).

The following Governmental Fund's fund balance is legally restricted for the following purposes:
Sales tax sports complex (\$16,678).

The following Governmental Fund's fund balance is legally restricted for the following purposes:
Economic Development (\$62,417).

Note 15 - Deficit Net Position

At December 31, 2020, the business-type activities of the Town reported an unrestricted net position deficit of \$4,095,204.

In prior years debt was issued related to sewerage system and sports complex. These assets were transferred to the Sports Complex during 2018, resulting in a large deficit for that year and an overall large deficit in unrestricted net position.

Note 16 - Subsequent Events

Subsequent events have been evaluated through April 12, 2024, the date that the financial statements were available to be issued. All subsequent events determined to be relevant and material to the financial statements have been appropriately recorded or disclosed.

**REQUIRED SUPPLEMENTAL INFORMATION
(PART B)**

TOWN OF STERLINGTON, LOUISIANA
STERLINGTON, LOUISIANA
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE (GAAP BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
BUDGETARY FUND BALANCE BEGINNING OF YEAR	\$ -	\$ -	\$ 331,888	\$ 331,888
Resources				
Ad Valorem Taxes	160,000	175,000	195,041	20,041
Sales and Other Taxes	565,000	655,000	874,171	219,171
Charges for Services	1,500	3,360	3,300	(60)
Licenses and Permits	148,525	129,330	134,887	5,557
Intergovernmental	37,350	29,350	32,641	3,291
Fees	128,700	63,930	-	(63,930)
Fines and Forfeitures	66,895	116,020	133,958	17,938
Use of Money and Property	3,500	5,480	5,344	(136)
Contributions	-	-	-	-
Miscellaneous	4,000	187,990	136,082	(51,908)
Transfers From Other Funds	-	-	168,165	168,165
Total Resources	<u>1,115,470</u>	<u>1,365,460</u>	<u>1,683,589</u>	<u>318,129</u>
Amounts available for appropriations	<u>1,115,470</u>	<u>1,365,460</u>	<u>2,015,477</u>	<u>650,017</u>
Charges to appropriations				
Current				
General government	442,125	448,580	484,667	(36,087)
Public Safety	235,320	186,415	214,269	(27,854)
Public Works	13,425	10,585	10,692	(107)
Capital Outlay	1,100	2,850	-	2,850
Debt Service	399,356	370,715	316,198	54,517
Transfers To Other Funds	19,095	269,475	233,562	35,913
Total Charges to appropriations	<u>1,110,421</u>	<u>1,288,620</u>	<u>1,259,388</u>	<u>29,232</u>
BUDGETARY FUND BALANCE END OF YEAR	<u>\$ 5,049</u>	<u>\$ 76,840</u>	<u>\$ 756,089</u>	<u>\$ 679,249</u>

See accompanying independent auditors' report.

TOWN OF STERLINGTON
STERLINGTON, LOUISIANA
SPECIAL REVENUES - ROAD CONSTRUCTION AND MAINTENANCE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (GAAP) AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2020

	Original Budget	Amended Budget	Actual Year to Date	Variance With Final Budget Positive (Negative)
BUDGETARY FUND BALANCE BEGINNING OF YEAR	\$ -	\$ -	\$ 26,923	\$ 26,923
Resources				
Sales and Other Taxes	210,000	217,740	252,455	34,715
Licenses and Permits	700	350	3,150	2,800
Use of Money and Property	-	630	25	(605)
Miscellaneous Income	-	730	-	(730)
Transfers In	-	-	-	-
Total Revenues	<u>210,700</u>	<u>219,450</u>	<u>255,630</u>	<u>36,180</u>
Amounts available for appropriations	<u>210,700</u>	<u>219,450</u>	<u>255,630</u>	<u>36,180</u>
Charges to Appropriations				
Public Works	101,705	74,590	63,654	10,936
Capital Outlay	-	-	-	-
Debt Service	108,995	120,700	49,540	71,160
Transfers Out	-	24,160	112,634	(88,474)
Total Charges to appropriations	<u>210,700</u>	<u>219,450</u>	<u>225,828</u>	<u>(6,378)</u>
BUDGETARY FUND BALANCE END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 56,725</u>	<u>\$ 56,725</u>

See accompanying independent auditors' report.

TOWN OF STERLINGTON
STERLINGTON, LOUISIANA
SPECIAL REVENUES - RECREATION SALES TAX FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (GAAP) AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2020

	Original Budget	Amended Budget	Actual Year to Date	Variance With Final Budget Positive (Negative)
BUDGETARY FUND BALANCE				
BEGINNING OF YEAR	\$ -	\$ -	\$ 32,004	\$ 32,004
Resources				
Sales and Other Taxes	210,000	217,740	251,814	34,074
Use of Money and Property	-	-	1	1
Total Revenues	<u>210,000</u>	<u>217,740</u>	<u>251,815</u>	<u>34,075</u>
Amounts available for appropriations	<u>210,000</u>	<u>217,740</u>	<u>251,815</u>	<u>34,075</u>
Charges to Appropriations				
Debt Service - Principal	210,000	217,740	100,000	117,740
Debt Service - Interest	-	-	167,111	(167,111)
Transfers Out	-	-	-	-
Total Charges to appropriations	<u>210,000</u>	<u>217,740</u>	<u>267,111</u>	<u>(49,371)</u>
BUDGETARY FUND BALANCE				
END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,708</u>	<u>\$ 16,708</u>

See accompanying independent auditors' report.

TOWN OF STERLINGTON
STERLINGTON, LOUISIANA
SPECIAL REVENUES - ECONOMIC DEVELOPMENT DISTRICT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (GAAP) AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual Year to Date</u>	<u>Variance With Final Budget Positive (Negative)</u>
BUDGETARY FUND BALANCE BEGINNING OF YEAR	\$ -	\$ -	\$ -	\$ -
Resources				
Sales and Other Taxes	-	50,000	68,907	18,907
Amounts available for appropriations	-	50,000	68,907	18,907
Charges to Appropriations				
Debt Service - Principal	-	50,000	6,490	43,510
Total Charges to appropriations	-	50,000	6,490	43,510
BUDGETARY FUND BALANCE END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 62,417</u>	<u>\$ (24,603)</u>

See accompanying independent auditors' report.

TOWN OF STERLINGTON
STERLINGTON, LOUISIANA
SPORTS COMPLEX - RECREATION FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (GAAP) AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual Year to Date</u>	<u>Variance With Final Budget Positive (Negative)</u>
BUDGETARY FUND BALANCE				
BEGINNING OF YEAR	\$ -	\$ -	\$ (130,976)	\$ (130,976)
Resources				
Concessions	100,000	25,680	21,649	(4,031)
Field Rental Fees	48,000	47,910	41,150	(6,760)
Gate Admissions	38,000	32,375	27,415	
Parking Fees	6,000	570	475	
Registration Fees	17,000	14,240	14,240	
Sign Purchases	10,000	2,315	7,316	5,001
Use of Money and Property	-	5	8	3
Other Revenue	750	1,040	1,016	
Transfers In	19,095	1,150	313,350	312,200
Total Revenues	<u>238,845</u>	<u>125,285</u>	<u>426,619</u>	<u>301,334</u>
Amounts available for appropriations	<u>238,845</u>	<u>125,285</u>	<u>426,619</u>	<u>301,334</u>
Charges to Appropriations				
Recreation and Parks	128,525	125,285	118,732	6,553
Capital Outlay	4,000	-	1,206	(1,206)
Debt Service - Principal	106,320	-	30,100	
Debt Service - Interest	-	-	186,035	
Transfers Out	-	-	-	-
Total Charges to appropriations	<u>238,845</u>	<u>125,285</u>	<u>336,073</u>	<u>5,347</u>
BUDGETARY FUND BALANCE				
END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (40,430)</u>	<u>\$ (40,430)</u>

See accompanying independent auditors' report.

OTHER SUPPLEMENTAL INFORMATION

TOWN OF STERLINGTON, LOUISIANA
SCHEDULE OF COMPENSATION, BENEFITS
AND OTHER PAYMENTS TO AGENCY HEAD
DECEMBER 31, 2020

Agency Head	<u>Mayor Caesar Velasquez</u>
Salary	\$ 66,777
Travel	229
Meals	<u>61</u>
Total	<u>\$ 67,067</u>

TOWN OF STERLINGTON, LOUISIANA
SCHEDULE OF COMPENSATION PAID TO COUNCIL MEMBERS
FOR THE YEAR ENDED DECEMBER 31, 2020

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

Ronald A Hill	\$	4,200
Benjamin Hobson		750
Brian T McCarthy		3,000
Donald L Vocker		2,000
Matt Talbert		3,000
Zachary D Howse		3,000
	\$	<u>15,950</u>

OTHER REPORTS



REGIONS TOWER
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April 12, 2024

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

Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Sterlington, Louisiana (the Town), as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated April 12, 2024.

Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the organization's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies, identified as 2020-01 and 2020-02 described in the accompanying schedule of findings and responses to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings and responses as items 2020-01, 2020-02, 2020-03, 2020-04 and 2020-05.

Town of Sterlington, Louisiana's Response to Findings

Town of Sterlington, Louisiana's response to the findings identified in our engagement is described in the accompanying schedule of findings and responses. Town of Sterlington, Louisiana's response was not subjected to the auditing procedures applied in the engagement to audit the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

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

Shreveport, Louisiana

TOWN OF STERLINGTON, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2020

A. Summary of Audit Results

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

B. Findings – Financial Statement Audit

2020-1: Late Filing of Audit Report:

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

2019-2: Town Placed Under Fiscal Administration:

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

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

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

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

2020-3: Debt Covenant Non-Compliance:

At December 31, 2020, the Town had not adequately funded the cash accounts for certain bonds as described in footnote No. 5 (Long-Term Debt) to the financial statements.

2020-4: Insurance Claim:

During 2020 a false property insurance claim was made by former Mayor in the amount of \$689. Full reimbursement was made by the Town to insurance company.

2020-5: Budgetary Non-Compliance:

The required budgets for fiscal year 2020 were not approved timely in accordance with the Louisiana Local Government Budget Act.

TOWN OF STERLINGTON, LOUISIANA
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2020

2019-1: Late Filing of Audit Report:

Status: Repeated as 2020-1.

2019-2: Town Placed Under Fiscal Administration:

Status: Repeated as 2020-2.

2019-3: Debt Covenant Non-Compliance:

Status: Repeated as 2020-3.

TOWN OF STERLINGTON, LOUISIANA
MANAGEMENT'S CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED DECEMBER 31, 2020

2020-1: Late Filing of Audit Report:

The current mayor has worked with the LLA, CPA and auditor to put together a plan to complete 2021-2023 audits that are late and be caught up in 2024.

2020-2: Town Placed Under Fiscal Administration:

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

2020-3: Debt Covenant Non-Compliance:

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

2020-4: Insurance Claim:

When the Town Council was made aware of the false claim, the former Mayor and Town Clerk were advised to contact the insurance company and refund the claim amount. Current administration will ensure no fraudulent claims are made.

2020-5: Budgetary Non-Compliance:

The fiscal administrator was tasked with preparing the budget in 2020. Management will ensure budgets are prepared and adopted prior to the beginning of the new fiscal year.