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**TOWN OF ERATH  
ERATH, LOUISIANA  
FINANCIAL REPORT  
JUNE 30, 2004**

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

Release Date 1-26-05

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Certified Public Accountants  
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Public Accountants

The Honorable George Dupuis, Mayor,  
and the Board of Aldermen  
Town of Erath, Louisiana

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 Erath, Louisiana, as of and for the year ended June 30, 2004, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. 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 for financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Erath, Louisiana, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Town of Erath, Louisiana has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, "Basic Financial Statements-and Management's Discussion and Analysis-for States and Local Governments," in 2004.

In accordance with Government Auditing Standards, we have also issued our report dated October 29, 2004, on our consideration of the Town of Erath, Louisiana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 3 through 12 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Erath, Louisiana's basic financial statements. The accompanying financial information listed as other supplementary information and the budgetary comparison schedules listed as required supplementary information in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Broussard, Leche, Lewis & Breauy, L.L.P.*

Lafayette, Louisiana  
October 29, 2004

TOWN OF ERATH, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

As financial management of Town of Erath, Louisiana, we offer readers of this financial statement an overview and analysis of the financial activities of Town of Erath, Louisiana. This narrative is designed to assist the reader in focusing on significant financial issues, identify changes in the Town's financial position, identify any material deviations from the approved budget documents, and identify individual fund issues or concerns.

The Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes and currently known facts. It should be read in conjunction with the financial statements that begin on page 14.

**HIGHLIGHTS**

**Financial Highlights**

- Assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$7,906,569 (net assets). Of this amount, 18.5%, or \$1,466,328, (unrestricted net assets) may be used to meet the Town's ongoing obligations to citizens and creditors in accordance with the Town's fund designation and fiscal policies.
- The Town's total net assets increased by \$100,242 (1.3%) during 2004. Governmental activities net assets increased \$25,050, while business-type activities net assets increased \$75,192.
- As of the close of the fiscal year, the Town's governmental funds reported combined ending fund balances of \$266,512, an increase of \$35,186 in comparison with the prior year. All of this amount is available for spending at the Town's discretion (unreserved fund balance).
- Resources available for appropriation in the General Fund were \$74,610 more than budgeted, and expenditures and transfers were \$25,477 more than budgeted for the year.
- At June 30, 2004, unreserved fund balance for the General Fund was \$266,512, or 40.2% of total 2004 General Fund expenditures and transfers.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

With the implementation of Governmental Accounting Standards Board Statement No. 34, a government's presentation of financial statements has been greatly changed. This is the first year that Town of Erath, Louisiana has adopted the new format. The new statements focus on the Town as a whole (government-wide) and the major individual funds. The basic financial statements are comprised of three components:

1. Government-wide Financial Statements
2. Fund Financial Statements
3. Notes to the Financial Statements

### **Government-Wide Financial Statements**

The government-wide financial statements (see Exhibits A and B) are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private sector business. These statements, for the first time, combine governmental fund's current financial resources with capital assets and long-term obligations. Also presented in the government-wide financial statements is a column for the business-type activities of the Town.

The Statement of Net Assets (Exhibit A) presents information on all of the Town's assets and liabilities, with the difference between the two reported as net assets. Over time, changes in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The Statement of Activities (Exhibit B) presents information showing how the Town's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the 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. The focus of the Statement of Activities is on both the gross and net cost of various activities that are provided by the government's general tax and other revenues. This is intended to summarize information and simplify the user's analysis of the cost and/or subsidy of various governmental services and business-type activities.

Both of the government-wide financial statements distinguish functions of Town of Erath, Louisiana 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 reflect the Town's basic services including general government (executive, legislative, judicial, finance), public safety (fire and law enforcement), public works, culture and recreation, and health and welfare. These services are financed primarily with taxes. The business-type activities reflect private sector type operations where the fee for service typically covers all or most of the cost of operations including depreciation.

The government-wide financial statements can be found on pages 14 through 17 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. Town of Erath, Louisiana, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. The focus is now on major funds, rather than generic fund types.

**Governmental Funds** are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. The governmental major funds (see Exhibits C through F) presentation is presented on a sources and uses of liquid resources basis. This is the manner in which the financial plan is typically developed. Unlike the government-wide financial statements, governmental fund financial statements focus on near-term 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 current 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 government's near-term financing decisions. Both the balance sheet and the statement of revenues, expenditures and changes in fund balances for the governmental funds provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Town of Erath, Louisiana maintains three individual governmental funds. Information is presented separately for the General Fund and Sales Tax Fund, both of which are considered to be major funds. The remaining governmental fund, Special Parish Tax Fund, is presented in a column titled other governmental fund.

**Proprietary Funds** represent two individual enterprise funds on the fund financial statements. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The basic proprietary fund financial statements are located in Exhibits G through I.

**Fiduciary Fund** is used to account for resources held by the Town in a trustee capacity. This fund (see Exhibit J) is restricted in purpose and does not represent discretionary assets of the Town. Therefore, these assets are not presented as part of the government-wide financial statements.



The total columns for the governmental funds in the fund financial statements require reconciliation to those amounts presented in the government-wide statements. The governmental funds differences result from the different measurement focus and the reconciliation is presented on the pages following each statement (see Exhibits D and F). The flow of current financial resources will reflect interfund transfers as other financing sources as well as capital expenditures as expenditures. The reconciliation will eliminate these transactions and incorporate the capital assets and long-term obligations into the Governmental Activities column in the government-wide statements. There is no reconciliation for the proprietary fund.

### **Infrastructure Assets**

General capital assets include land, land improvements, buildings and improvements, equipment, infrastructure, and all other assets of a tangible nature that are used in operations and that exceed the Town's capitalization threshold. Prior to the implementation of the new reporting model, no depreciation was charged on general capital assets. Accumulated depreciation was recorded for the first time in the 2004 financial statements based on the date of acquisition and the life span of the asset.

### **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 are a required part of the basic financial statements and can be found on pages 29 through 47 of this report.

### **Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information, the budgetary comparison schedules. Required supplementary information can be found in Exhibits K-1 and K-2 of this report.

Also included in this report is other supplementary information which is presented immediately following the required supplementary information in Exhibits L-1 through L-3.

The following table reflects the condensed statement of net assets for 2004. Prior year data is not presented in the implementation year but will be included in future years for comparison purposes.

**Table 1**  
Town of Erath, Louisiana  
Condensed Statement of Net Assets  
June 30, 2004

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
<b>Assets:</b>			
Current and other assets	\$ 315,702	\$ 1,534,976	\$1,850,678
Restricted assets	-	285,561	285,561
Capital assets	<u>891,706</u>	<u>5,970,116</u>	<u>6,861,822</u>
Total assets	<u>\$ 1,207,408</u>	<u>\$ 7,790,653</u>	<u>\$8,998,061</u>
<b>Liabilities:</b>			
Current liabilities	\$ 32,810	\$ 208,202	\$ 241,012
Long-term liabilities	-	<u>850,480</u>	<u>850,480</u>
Total liabilities	<u>\$ 32,810</u>	<u>\$ 1,058,682</u>	<u>\$1,091,492</u>
<b>Net assets:</b>			
Invested in capital assets, net of debt	\$ 891,706	\$ 5,119,636	\$6,011,342
Restricted	214,718	214,181	428,899
Unrestricted	<u>68,174</u>	<u>1,398,154</u>	<u>1,466,328</u>
Total net assets	<u>\$ 1,174,598</u>	<u>\$ 6,731,971</u>	<u>\$7,906,569</u>

For more detailed information see Exhibit A, the Statement of Net Assets.

The Town's combined net assets at year end total \$7,906,569. Approximately 76.0% (\$6,011,342) of the Town's net assets as of June 30, 2004 reflects the Town's investment in capital assets (land, buildings, equipment and infrastructure) less any related outstanding debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Another 5.4% of the Town's net assets are subject to external restrictions on how they may be used. The remaining 18.6% (\$1,466,328) of net assets, referred to as unrestricted, may be used to meet the ongoing obligations of the Town to citizens and creditors.

Table 2 below provides a summary of the changes in net assets for the year ended June 30, 2004:

**Table 2**  
Town of Erath, Louisiana  
Condensed Statement of Changes in Net Assets  
For the Year Ended June 30, 2004

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
Revenues:			
Program revenues -			
Fees, fines, and charges for services	\$ 74,928	\$ 2,109,186	\$2,184,114
Operating grants and contributions	22,348	-	22,348
Capital grants and contributions	15,997	48,415	64,412
General revenues -			
Property taxes	20,851	-	20,851
Sales and use taxes	187,397	-	187,397
Occupational	77,042	-	77,042
Franchise fees	18,324	-	18,324
Other taxes	920	-	920
Grants and contributions not restricted to specific programs	7,085	-	7,085
Other	8,506	17,193	25,699
Total revenues	<u>\$ 433,398</u>	<u>\$ 2,174,794</u>	<u>\$2,608,192</u>
Expenses:			
General government	\$ 287,558	\$ -	\$ 287,558
Public safety	376,089	-	376,089
Public works	147,374	-	147,374
Culture and recreation	24,504	-	24,504
Health and welfare	1,892	-	1,892
Electric and water	-	1,441,744	1,441,744
Sewer	-	228,789	228,789
Total expenses	<u>\$ 837,417</u>	<u>\$ 1,670,533</u>	<u>\$2,507,950</u>
Increase (decrease) in net assets before transfers	\$ (404,019)	\$ 504,261	\$ 100,242
Transfers	<u>429,069</u>	<u>(429,069)</u>	<u>-</u>
Increase in net assets	\$ 25,050	\$ 75,192	\$ 100,242
Net assets, July 1, 2003	<u>1,149,548</u>	<u>6,656,779</u>	<u>7,806,327</u>
Net assets, June 30, 2004	<u>\$ 1,174,598</u>	<u>\$ 6,731,971</u>	<u>\$7,906,569</u>

The Town's total revenues were \$2,608,192 and the total cost of all programs and services was \$2,507,950. Therefore, net assets increased \$100,242 for the year. Our analysis below separately describes the operations of governmental and business type activities.

*Governmental Activities* net assets increased by \$25,050 in 2004. The cost of all governmental activities this year was \$837,417. As shown in the Statement of Activities in Exhibit B, the amount that our taxpayers financed was \$304,534 because some of the cost was paid by those who directly benefited from the programs (\$74,928) or by other governments and organizations that subsidized certain programs with grants and contributions (\$38,345). Program revenues only covered 13.5% of total costs. The remainder was paid with taxes and other revenues, such as investment income, unrestricted grants and contributions, and transfers from business-type activities.

The Town's largest program in governmental activities is public safety, with \$376,089 of resources applied thereto. Following that is general government, public works, culture and recreation, and health and welfare.

*Business Type Activities* net assets increased by \$75,192 in 2004. Charges for services make up 97.0% of the revenues in the business-type activities. Sewer rates were increased during 2004; all other rates and fees remained the same.

#### **FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS**

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

**Governmental Funds:** The focus of the Town'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'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.

As of the end of the fiscal year, the Town's governmental funds reported combined ending fund balances of \$266,512, an increase of \$35,186 in comparison with the prior year. All of this amount (\$266,512) constitutes unreserved fund balance, which is available for spending at the Town's discretion.

The General Fund is the chief operating fund of Town of Erath, Louisiana. At the end of the fiscal year, total fund balance of the General Fund was \$68,174, all of which was unreserved. Compared with total fund balance of \$52,944 at the end of 2003, fund balance increased \$15,230 during 2004.

Fund balance in the Sales Tax Fund increased \$19,956 in 2004.

**Proprietary Funds:** The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. As of the end of the current fiscal year, the Town's proprietary funds reported ending net assets of \$6,731,971, an increase of \$75,192 in comparison with the prior year.

The Town's proprietary funds include the Utility Fund which accounts for electric and water services and the Sewerage Utility Fund which accounts for sewerage services. As previously noted, the only change in the rates during 2004 was an increase in sewerage rates charged to users.

#### **GENERAL FUND BUDGETARY HIGHLIGHTS**

The total difference between the original General Fund budget and the final amended budget was an increase in appropriations of \$48,500. Supplemental appropriations were approved during the year by the Board of Aldermen for various items, including increases in employee group insurance costs and capital outlay. This increase was funded from revenue increases and the balance from transfers from other funds.

When actual results for 2004 are compared with the final budget, revenue collections, including transfers, were above projections by \$74,610 and expenditures and transfers were \$25,477 more than appropriated; a positive variance of \$49,133. Material differences between actual results and budgeted amounts in the General Fund are as follows:

- Approximately \$51,668 represented revenues received from fines and forfeits in excess of the amount projected.
- Approximately \$10,171 represented revenues received from insurance licenses in excess of the amount projected.
- Approximately \$25,058 of capital outlays were incurred for the general government function in excess of the amount appropriated. \$32,500 of the capital outlay expenditures was to purchase land which was approved by the Board of Aldermen but a revision to the budgeted amount was inadvertently not made.
- Approximately \$22,507 represented transfers from Utility Fund in excess of the amount projected.
- Approximately \$16,961 represented cable franchise taxes which were below the amount projected.

#### **CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets:** Town of Erath, Louisiana's investment in capital assets for its governmental and business type activities as of June 30, 2004 amounts to \$6,861,822 (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings and improvements, equipment, electric, water and sewerage facilities, and streets and drainage. The net decrease in the Town's investment in capital assets for the current fiscal year was 2.0%, a 1.1% decrease for governmental activities and a 2.1% decrease for business-type activities.

**Table 3**  
Town of Erath, Louisiana  
Capital Assets  
(Net of Depreciation)  
June 30, 2004

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
Land	\$ 223,388	\$ 76,663	\$ 300,051
Land improvements	116,017	-	116,017
Buildings and improvements	64,476	5,168	69,644
Equipment	168,440	93,061	261,501
Infrastructure	319,385	-	319,385
Sewer plant	-	2,472,416	2,472,416
Electric plant	-	199,921	199,921
Water plant	-	3,122,887	3,122,887
Total	<u>\$ 891,706</u>	<u>\$ 5,970,116</u>	<u>\$6,861,822</u>

The Town had no major capital asset events during the current fiscal year.

Additional information on the Town's capital assets can be found in Note 5 of this report.

**Long-Term Debt:** At the end of the current fiscal year, the Town had total bonded debt outstanding of \$850,480, which consisted of revenue bonds issued to fund improvements to the sewerage system and the water system.

**Table 4**  
Town of Erath, Louisiana  
Summary of Outstanding Debt at Year End  
June 30, 2004

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
Revenue bonds	<u>\$ -0-</u>	<u>\$ 850,480</u>	<u>\$ 850,480</u>

Town of Erath, Louisiana's total bonded debt decreased during the year by \$55,056, which is the result of scheduled principal payments made by the Town during the year.

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

Town of Erath, Louisiana's management considered many factors when setting the operating budgets for the fiscal year ending June 30, 2005. For the General Fund, there were no major differences between the fiscal year 2004 and 2005 budgets as the Town expects no significant increases or decreases in revenues or expenditures. For the Sales Tax Fund, the Town is anticipating a 6.5% increase in sales taxes and has budgeted accordingly. Expenditures in that fund are expected to remain fairly consistent with the prior year.

As for business-type activities, revenue and expenses are projected to remain basically the same for the Utility Fund while revenues for the Sewerage Utility Fund are expected to increase 15.9% due to the rate increase which became effective late in fiscal year 2004. Expenses for the Sewerage Utility Fund are expected to remain fairly consistent with the prior year.

### **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of Town of Erath, Louisiana's finances and to demonstrate accountability for monies received. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Town of Erath, 115 West Edwards, Erath, Louisiana 70533.

BASIC FINANCIAL STATEMENTS



TOWN OF ERATH, LOUISIANA

STATEMENT OF NET ASSETS  
June 30, 2004

ASSETS	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Cash	\$ 82,783	\$ 528,157	\$ 610,940
Certificates of deposit	11,218	876,943	888,161
Accounts receivable, net	-	243,782	243,782
Unbilled service receivable, net	-	73,827	73,827
Due from other governmental agencies	31,309	-	31,309
Other receivables	2,659	-	2,659
Internal balances	187,733	(187,733)	-
Restricted assets:			
Cash	-	183,120	183,120
Certificates of deposit	-	102,441	102,441
Capital assets:			
Non-depreciable	223,388	76,663	300,051
Depreciable, net	<u>668,318</u>	<u>5,893,453</u>	<u>6,561,771</u>
Total assets	<u>\$ 1,207,408</u>	<u>\$ 7,790,653</u>	<u>\$ 8,998,061</u>

LIABILITIES AND NET ASSETS	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Liabilities:			
Accounts payable and accrued expenses	\$ 32,810	\$ 124,600	\$ 157,410
Customers' deposits	-	55,785	55,785
Accrued interest on bonds	-	15,595	15,595
Deferred revenue	-	12,222	12,222
Long-term liabilities -			
Portion due or payable within one year:			
Revenue bonds payable	-	55,288	55,288
Portion due or payable after one year:			
Revenue bonds payable	-	795,192	795,192
<u>Revenue bonds payable</u>	<u>-</u>	<u>795,192</u>	<u>795,192</u>
Total liabilities	<u>\$ 32,810</u>	<u>\$ 1,058,682</u>	<u>\$ 1,091,492</u>
Net assets:			
Invested in capital assets, net of related debt	\$ 891,706	\$ 5,119,636	\$ 6,011,342
Restricted for -			
Sales tax dedications	214,718	-	214,718
Debt service	-	214,181	214,181
Unrestricted	<u>68,174</u>	<u>1,398,154</u>	<u>1,466,328</u>
Total net assets	<u>\$ 1,174,598</u>	<u>\$ 6,731,971</u>	<u>\$ 7,906,569</u>
Total liabilities and net assets	<u>\$ 1,207,408</u>	<u>\$ 7,790,653</u>	<u>\$ 8,998,061</u>

See Notes to Financial Statements.

TOWN OF ERATH, LOUISIANA

STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2004

		Program Revenues		
	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 287,558	\$ 74,468	\$ -	\$ -
Public safety	376,089	460	22,348	15,997
Public works	147,374	-	-	-
Health and welfare	1,892	-	-	-
Culture and recreation	24,504	-	-	-
Total governmental activities	\$ 837,417	\$ 74,928	\$ 22,348	\$ 15,997
Business-type activities:				
Electric and water	\$1,441,744	\$ 1,998,328	\$ -	\$ 48,415
Sewer	228,789	110,858	-	-
Total business-type activities	\$1,670,533	\$ 2,109,186	\$ -0-	\$ 48,415
Total	\$2,507,950	\$ 2,184,114	\$ 22,348	\$ 64,412

General revenues:

Taxes -  
     Property  
     Sales and use  
     Franchise  
     Other  
 Licenses and permits  
 Grants and contributions not restricted to  
     specific programs  
 Miscellaneous  
 Investment earnings  
 Transfers  
     Total general revenues and transfers

Change in net assets

Net assets, beginning

Net assets, ending

See Notes to Financial Statements.

Net (Expense) Revenue and  
Change in Net Assets

---

Governmental Activities	Business-Type Activities	Total
\$ (213,090)	\$ -	\$ (213,090)
(337,284)	-	(337,284)
(147,374)	-	(147,374)
(1,892)	-	(1,892)
<u>(24,504)</u>	<u>-</u>	<u>(24,504)</u>
 \$ (724,144)	 \$ -0-	 \$ (724,144)
 \$ -	 \$ 604,999	 \$ 604,999
<u>-</u>	<u>(117,931)</u>	<u>(117,931)</u>
 \$ -0-	 \$ 487,068	 \$ 487,068
<u>\$ (724,144)</u>	<u>\$ 487,068</u>	<u>\$ (237,076)</u>
 \$ 20,851	 \$ -	 \$ 20,851
187,397	-	187,397
18,324	-	18,324
920	-	920
77,042	-	77,042
7,085	-	7,085
8,364	1,433	9,797
142	15,760	15,902
429,069	(429,069)	-
<u>\$ 749,194</u>	<u>\$ (411,876)</u>	<u>\$ 337,318</u>
 \$ 25,050	 \$ 75,192	 \$ 100,242
<u>1,149,548</u>	<u>6,656,779</u>	<u>7,806,327</u>
<u>\$ 1,174,598</u>	<u>\$ 6,731,971</u>	<u>\$7,906,569</u>

## TOWN OF ERATH, LOUISIANA

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2004

ASSETS	<u>General</u>	<u>Sales Tax</u>	<u>Other Governmental Fund</u>	<u>Total Governmental Funds</u>
Cash	\$ 50,287	\$ 27,364	\$ 5,132	\$ 82,783
Certificates of deposit	-	11,218	-	11,218
Due from other governmental agencies	-	14,929	-	14,929
Due from other funds	36,728	169,733	1,261	207,722
Other receivables	<u>2,659</u>	<u>-</u>	<u>-</u>	<u>2,659</u>
Total assets	<u>\$ 89,674</u>	<u>\$ 223,244</u>	<u>\$ 6,393</u>	<u>\$ 319,311</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued expenses	\$ 20,238	\$ 6,179	\$ 6,393	\$ 32,810
Due to other funds	<u>1,262</u>	<u>18,727</u>	<u>-</u>	<u>19,989</u>
Total liabilities	<u>\$ 21,500</u>	<u>\$ 24,906</u>	<u>\$ 6,393</u>	<u>\$ 52,799</u>
Fund balances:				
Unreserved and undesignated	<u>\$ 68,174</u>	<u>\$ 198,338</u>	<u>\$ -0-</u>	<u>\$ 266,512</u>
Total liabilities and fund balances	<u>\$ 89,674</u>	<u>\$ 223,244</u>	<u>\$ 6,393</u>	<u>\$ 319,311</u>

See Notes to Financial Statements.

## TOWN OF ERATH, LOUISIANA

RECONCILIATION OF THE GOVERNMENTAL FUNDS  
BALANCE SHEET TO THE STATEMENT OF NET ASSETS  
June 30, 2004

Total fund balances - governmental funds	\$ 266,512
Total net assets reported for governmental activities in the statement of net assets is different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets, net	891,706
Some revenues were collected more than sixty days after year end and therefore are not available soon enough to pay for current period expenditures.	<u>16,380</u>
Total net assets of governmental activities	<u>\$ 1,174,598</u>

See Notes to Financial Statements.

## TOWN OF ERATH, LOUISIANA

STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS

For the Year Ended June 30, 2004

	<u>General</u>	<u>Sales Tax</u>	<u>Other Governmental Fund</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
Taxes	\$ 40,095	\$ 187,846	\$ -	\$ 227,941
Licenses and permits	77,042	-	-	77,042
Intergovernmental	10,582	-	34,848	45,430
Charges for services	460	-	-	460
Fines and forfeits	63,668	-	-	63,668
Investment earnings	-	142	-	142
Miscellaneous	13,071	6,091	-	19,162
Total revenues	<u>\$ 204,918</u>	<u>\$ 194,079</u>	<u>\$ 34,848</u>	<u>\$ 433,845</u>
<b>Expenditures:</b>				
Current -				
General government	\$ 307,373	\$ 2,844	\$ 940	\$ 311,157
Public safety	285,168	-	80,310	365,478
Public works	-	127,841	-	127,841
Health and welfare	1,892	-	-	1,892
Culture and recreation	21,360	-	-	21,360
Total expenditures	<u>\$ 615,793</u>	<u>\$ 130,685</u>	<u>\$ 81,250</u>	<u>\$ 827,728</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (410,875)</u>	<u>\$ 63,394</u>	<u>\$ (46,402)</u>	<u>\$ (393,883)</u>
<b>Other financing sources (uses):</b>				
Transfers in	\$ 472,507	\$ -	\$ 46,402	\$ 518,909
Transfers out	<u>(46,402)</u>	<u>(43,438)</u>	<u>-</u>	<u>(89,840)</u>
Total other financing sources (uses)	<u>\$ 426,105</u>	<u>\$ (43,438)</u>	<u>\$ 46,402</u>	<u>\$ 429,069</u>
Net change in fund balances	<u>\$ 15,230</u>	<u>\$ 19,956</u>	<u>\$ -0-</u>	<u>\$ 35,186</u>
Fund balances, beginning, as previously reported	\$ 38,917	\$ 178,382	\$ -0-	\$ 217,299
Prior period adjustment	<u>14,027</u>	<u>-</u>	<u>-</u>	<u>14,027</u>
Fund balances, beginning, as restated	<u>\$ 52,944</u>	<u>\$ 178,382</u>	<u>\$ -0-</u>	<u>\$ 231,326</u>
Fund balances, ending	<u>\$ 68,174</u>	<u>\$ 198,338</u>	<u>\$ -0-</u>	<u>\$ 266,512</u>

See Notes to Financial Statements.

## TOWN OF ERATH, 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 June 30, 2004

Net change in fund balances - total governmental funds		\$ 35,186
The change in net assets reported for governmental activities in the statement of activities is different because:		
<p style="margin-left: 40px;">Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and is reported as depreciation expense.</p>		
Capital outlays	\$ 63,246	
Depreciation expense	<u>(72,935)</u>	(9,689)
<p style="margin-left: 40px;">Because some revenues will not be collected for several months after year end, they are not considered "available" revenues in the governmental funds.</p>		
Sales taxes		<u>(449)</u>
Change in net assets of governmental activities		<u>\$ 25,048</u>

See Notes to Financial Statements.



TOWN OF ERATH, LOUISIANA

STATEMENT OF NET ASSETS  
 PROPRIETARY FUNDS  
 BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS  
 June 30, 2004

ASSETS	<u>Utility</u>	<u>Sewerage Utility</u>	<u>Total</u>
CURRENT ASSETS:			
Cash	\$ 516,942	\$ 11,215	\$ 528,157
Certificates of deposit	829,645	47,298	876,943
Accounts receivable, net	231,509	12,273	243,782
Unbilled service receivable, net	73,827	-	73,827
Due from other funds	-	321	321
Total current assets	<u>\$ 1,651,923</u>	<u>\$ 71,107</u>	<u>\$ 1,723,030</u>
RESTRICTED ASSETS:			
Cash	\$ 34,419	\$ 148,701	\$ 183,120
Certificates of deposit	54,461	47,980	102,441
Total restricted assets	<u>\$ 88,880</u>	<u>\$ 196,681</u>	<u>\$ 285,561</u>
CAPITAL ASSETS:			
Land	\$ 44,410	\$ 32,253	\$ 76,663
Buildings	9,359	556,769	566,128
Utility plant in service	4,229,090	3,144,674	7,373,764
Equipment	206,892	156,574	363,466
Accumulated depreciation	<u>(1,063,258)</u>	<u>(1,346,647)</u>	<u>(2,409,905)</u>
Total capital assets	<u>\$ 3,426,493</u>	<u>\$ 2,543,623</u>	<u>\$ 5,970,116</u>
Total assets	<u>\$ 5,167,296</u>	<u>\$ 2,811,411</u>	<u>\$ 7,978,707</u>

LIABILITIES AND NET ASSETS	<u>Utility</u>	<u>Sewerage Utility</u>	<u>Total</u>
CURRENT LIABILITIES (payable from current assets):			
Accounts payable and accrued expenses	\$ 120,628	\$ 3,972	\$ 124,600
Due to other funds	<u>125,308</u>	<u>62,746</u>	<u>188,054</u>
Total	<u>\$ 245,936</u>	<u>\$ 66,718</u>	<u>\$ 312,654</u>
CURRENT LIABILITIES (payable from restricted assets):			
Customers' deposits	\$ 55,785	\$ -	\$ 55,785
Revenue bonds payable, due currently	15,000	40,288	55,288
Accrued interest on bonds	<u>7,595</u>	<u>8,000</u>	<u>15,595</u>
Total	<u>\$ 78,380</u>	<u>\$ 48,288</u>	<u>\$ 126,668</u>
Total current liabilities	<u>\$ 324,316</u>	<u>\$ 115,006</u>	<u>\$ 439,322</u>
NONCURRENT LIABILITIES:			
Revenue bonds payable	\$ 270,000	\$ 525,192	\$ 795,192
Deferred revenue	<u>12,222</u>	<u>-</u>	<u>12,222</u>
Total noncurrent liabilities	<u>\$ 282,222</u>	<u>\$ 525,192</u>	<u>\$ 807,414</u>
Total liabilities	<u>\$ 606,538</u>	<u>\$ 640,198</u>	<u>\$ 1,246,736</u>
NET ASSETS:			
Invested in capital assets, net of related debt	\$ 3,141,493	\$ 1,978,143	\$ 5,119,636
Restricted for -			
Debt service	25,500	188,681	214,181
Unrestricted	<u>1,393,765</u>	<u>4,389</u>	<u>1,398,154</u>
Total net assets	<u>\$ 4,560,758</u>	<u>\$ 2,171,213</u>	<u>\$ 6,731,971</u>
Total liabilities and net assets	<u>\$ 5,167,296</u>	<u>\$ 2,811,411</u>	<u>\$ 7,978,707</u>

See Notes to Financial Statements.

TOWN OF ERATH, LOUISIANA  
STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS  
For the Year Ended June 30, 2004

	<u>Utility</u>	<u>Sewerage Utility</u>	<u>Total</u>
Operating revenues:			
Charges for services	\$ 1,976,111	\$ 110,858	\$ 2,086,969
Other	22,217	-	22,217
Total operating revenues	<u>\$ 1,998,328</u>	<u>\$ 110,858</u>	<u>\$ 2,109,186</u>
Operating expenses:			
Salaries	\$ 134,761	\$ 48,781	\$ 183,542
Payroll taxes	10,309	3,732	14,041
Purchase of electric power	993,033	-	993,033
Materials and supplies	50,363	13,593	63,956
Maintenance and repairs	14,666	8,522	23,188
Telephone and utilities	34,949	29,092	64,041
Depreciation	97,905	85,919	183,824
Bad debts	6,435	959	7,394
Other	82,782	11,777	94,559
Total operating expenses	<u>\$ 1,425,203</u>	<u>\$ 202,375</u>	<u>\$ 1,627,578</u>
Operating income (loss)	<u>\$ 573,125</u>	<u>\$ (91,517)</u>	<u>\$ 481,608</u>
Nonoperating revenues (expenses):			
Interest revenue	\$ 14,054	\$ 1,706	\$ 15,760
Interest expense	(15,191)	(26,371)	(41,562)
Loss on disposal of assets	(1,350)	(43)	(1,393)
Grant revenue	48,415	-	48,415
Other revenue	1,433	-	1,433
Total nonoperating revenues (expenses)	<u>\$ 47,361</u>	<u>\$ (24,708)</u>	<u>\$ 22,653</u>
Income (loss) before transfers	\$ 620,486	\$ (116,225)	\$ 504,261
Transfers in	-	73,438	73,438
Transfers out	<u>(502,507)</u>	<u>-</u>	<u>(502,507)</u>
Change in net assets	\$ 117,979	\$ (42,787)	\$ 75,192
Net assets, beginning	<u>4,442,779</u>	<u>2,214,000</u>	<u>6,656,779</u>
Net assets, ending	<u>\$ 4,560,758</u>	<u>\$ 2,171,213</u>	<u>\$ 6,731,971</u>

See Notes to Financial Statements.

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TOWN OF ERATH, LOUISIANA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS  
For the Year Ended June 30, 2004

	<u>Utility</u>	<u>Sewerage Utility</u>	<u>Total</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipt from customers	\$ 1,998,020	\$ 108,394	\$ 2,106,414
Other receipts	1,433	-	1,433
Payments to suppliers for goods and services	(1,201,991)	(61,157)	(1,263,148)
Payments to employees	(119,945)	(43,642)	(163,587)
Net cash provided by operating activities	<u>\$ 677,517</u>	<u>\$ 3,595</u>	<u>\$ 681,112</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers from other funds	\$ -	\$ 73,438	\$ 73,438
Transfers to other funds	(502,507)	-	(502,507)
Increase in customer deposits, net	<u>2,282</u>	<u>-</u>	<u>2,282</u>
Net cash provided by (used in) noncapital financing activities	<u>\$ (500,225)</u>	<u>\$ 73,438</u>	<u>\$ (426,787)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCIAL ACTIVITIES</b>			
Principal payments	\$ (15,000)	\$ (40,056)	\$ (55,056)
Interest paid	(15,590)	(28,120)	(43,710)
Purchase and construction of fixed assets	(69,562)	(5,339)	(74,901)
Grant revenue	<u>48,415</u>	<u>-</u>	<u>48,415</u>
Net cash used in capital and related financing activities	<u>\$ (51,737)</u>	<u>\$ (73,515)</u>	<u>\$ (125,252)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest earnings	<u>\$ 14,054</u>	<u>\$ 1,706</u>	<u>\$ 15,760</u>
Net increase in cash	\$ 139,609	\$ 5,224	\$ 144,833
Cash, beginning of year	<u>411,752</u>	<u>154,692</u>	<u>566,444</u>
Cash, end of year	<u>\$ 551,361</u>	<u>\$ 159,916</u>	<u>\$ 711,277</u>

(continued)

TOWN OF ERATH, LOUISIANA

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS (CONTINUED)  
For the Year Ended June 30, 2004

	<u>Utility</u>	<u>Sewerage Utility</u>	<u>Total</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income (loss)	\$ 573,125	\$ (91,517)	\$ 481,608
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	97,905	85,919	183,824
Other	1,433	-	1,433
Change in assets and liabilities -			
(Increase) decrease in receivables	7,137	(2,499)	4,638
Decrease in due from other funds	-	458	458
Increase (decrease) in accounts payable and accrued expenses	(20,732)	124	(20,608)
Increase in due to other funds	<u>18,649</u>	<u>11,110</u>	<u>29,759</u>
Net cash provided by operating activities	<u>\$ 677,517</u>	<u>\$ 3,595</u>	<u>\$ 681,112</u>
 CASH REPORTED ON STATEMENT OF NET ASSETS AS:			
Current	\$ 516,942	\$ 11,215	\$ 528,157
Restricted	<u>34,419</u>	<u>148,701</u>	<u>183,120</u>
	<u>\$ 551,361</u>	<u>\$ 159,916</u>	<u>\$ 711,277</u>

See Notes to Financial Statements.

TOWN OF ERATH, LOUISIANA  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
June 30, 2004

ASSETS	Agency Fund
Cash	<u>\$ 16,427</u>
LIABILITIES	
Due to external parties	<u>\$ 16,427</u>

See Notes to Financial Statements.

TOWN OF ERATH, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

The financial statements of the Town of Erath, Louisiana are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements for both the government-wide and proprietary fund financial statements. Although the Town has the option to apply FASB pronouncements issued after that date, they have chosen not to do so. The more significant of the Town's accounting policies are described below.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. Certain significant changes in the Statement include the following:

1. For the first time the financial statements include:
  - a. A Management Discussion and Analysis (MD&A) section providing an analysis of the Town's overall financial position and results of operations.
  - b. Financial statements prepared using full accrual accounting for all of the Town's activities, including infrastructure (roads, bridges, etc.).
2. A change in the fund financial statements to focus on the major funds.

The Town implemented Statement No. 34 in the current fiscal year, thus, these and other changes are reflected in the accompanying financial statements (including notes to financial statements).

Reporting entity:

The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.



## NOTES TO FINANCIAL STATEMENTS

### Primary government -

Town of Erath - The Town of Erath, Louisiana was incorporated under the provisions of the Lawrason Act and operates under a Mayor-Board of Aldermen form of government. The Mayor and Board of Aldermen are elected officials. The Town's operations include police and fire protection, streets and drainage, parks and recreation, and general and administrative services. The Town also operates two enterprise activities, a utility fund and sewerage utility fund, which provides electric, water and sewer services.

### Component units -

Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity" establishes criteria for determining which entities should be considered a component unit and, as such, part of the reporting entity for financial reporting purposes. The basic criteria are as follows:

1. Legal status of the potential component unit including the right to incur its own debt, levy its own taxes and charges, expropriate property in its own name, sue and be sued, and the right to buy, sell and lease property in its own name.
2. Whether the primary government's governing authority (Board of Aldermen or Mayor) appoints a majority of board members of the potential component unit.
3. Fiscal interdependency between the primary government and the potential component unit.
4. Imposition of will by the primary government on the potential component unit.
5. Financial benefit/burden relationship between the primary government and the potential component unit.

The Town has no component units.

### Basis of presentation:

The Town's basic financial statements consist of the government-wide statements on all of the non-fiduciary activities of the government and the fund financial statements (individual major fund and combined nonmajor funds). The statements are prepared in accordance with accounting principles generally accepted in the United States of America as applied to governmental units.

## NOTES TO FINANCIAL STATEMENTS

### Government-wide financial statements -

The government-wide financial statements include the statement of net assets and the statement of activities for all non-fiduciary activities of the government. As a general rule, the effect of interfund activity has been removed from these statements. These statements distinguish between the governmental and business-type activities of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange transactions. Business type activities are financed in whole or in part by fees charged to external parties.

In the government-wide statement of net assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, (b) and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Town's net assets are reported in three parts - invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The Town first utilizes restricted resources to finance qualifying activities.

The government-wide statement of activities reports both the gross and net cost of each of the Town's functions and business-type activities. The functions are also supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, etc.). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. The net cost (by function or business-type activity) is normally covered by general revenue (property, sales and use taxes, intergovernmental revenues, investment income, etc.).

The Town does not allocate indirect costs.

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

### Fund financial statements -

The fund financial statements provide information about the Town's funds, including its fiduciary funds. Separate statements for each fund category governmental, proprietary, and fiduciary - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate

NOTES TO FINANCIAL STATEMENTS

column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as investment income, result from nonexchange transactions or ancillary activities.

The Town reports the following major governmental funds:

General Fund - This is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Sales Tax Fund - This fund accounts for the receipts and disbursements of proceeds from the Town's 1.00% sales and use tax levies. These taxes are dedicated as described in Note 9.

The Town reports the following major enterprise funds:

Utility Fund - This fund accounts for the provision of electric and water services to the residents of the Town. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, billing and collection.

Sewerage Utility Fund - This fund accounts for all activities associated with the provision of sewerage services, including, but not limited to, administration, operations, maintenance, billing and collection.

In addition, the Town reports the following:

Agency Fund - This fund accounts for assets held by the Town for bonds related to the Mayor's Court.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds are summarized into a single column. GASB No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The Town has one nonmajor fund which is reported in a column labeled "Other Governmental Fund" in the fund financial statements.

## NOTES TO FINANCIAL STATEMENTS

The Town has one fiduciary fund, an Agency Fund, which is presented in the fiduciary fund financial statements. Since by definition these assets are being held for the benefit of third parties and cannot be used to address activities or obligations of the Town, these funds are not incorporated into the government-wide statements.

### Basis of accounting:

#### Government-wide, proprietary and fiduciary fund financial statements -

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Nonexchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, property taxes are recognized in the year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

#### Governmental fund financial statements -

Governmental funds are reported using the 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 become both 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 be used to pay liabilities of the current period. Sales taxes are considered "measurable" when in the hands of the Sales Tax Collector and are recognized as revenue at that time. Ad valorem taxes are recognized as revenue in the year for which budgeted, that is, in the year in which such taxes are billed and collected. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments and compensated absences, which are recognized to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources. Purchases of various operating supplies are regarded as expenditures at the time purchased.

NOTES TO FINANCIAL STATEMENTS

Budgetary data:

Budgeting policy -

The Town of Erath uses the following budget practices:

1. Prior to June 1, the Mayor submits to the Board of Aldermen a proposed operating and capital budget for the fiscal year commencing July 1. The budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. State law requires the budget for an ensuing fiscal year to be adopted prior to the end of the fiscal year in progress. If the budget is not adopted by the end of the fiscal year, however, state law allows for 50% of the budget for the last completed fiscal year to be reappropriated. The Town formally adopted the fiscal year 2004 budget on September 8, 2003.
4. Budgets for the general and special revenue funds were adopted on a basis consistent with generally accepted accounting principles (GAAP).
5. All appropriations lapse at year end.

All budgeted amounts presented as supplementary information reflect the original budget and the final budget (which has been adjusted for legally authorized revisions during the year).

Cash and cash equivalents:

Cash includes amounts in demand deposits, with paying agent, and on hand. For purposes of statements of cash flows, highly liquid investments (including restricted assets) with an original maturity of three months or less are considered to be cash equivalents. The Town has no cash equivalents at June 30, 2004.

Investments:

State statutes authorize the Town to invest in United States bonds, treasury notes, or certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana.

The Town's investments at June 30, 2004 consisted of time certificates of deposit purchased from local financial institutions. These certificates are not subject to GASB Statement No. 31 requirements; thus, they are stated at cost.

NOTES TO FINANCIAL STATEMENTS

Interfund receivables and payables:

Short-term cash borrowings between funds are considered temporary in nature. These amounts are reported as "due to/from 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."

Receivables:

Accounts receivable for the Utility Fund and Sewerage Utility Fund are reported net of an allowance for doubtful accounts. The allowance amount at June 30, 2004 for the Utility Fund and the Sewerage Utility Fund was \$6,197 and \$484, respectively.

Restricted assets:

Certain resources of the Utility Fund and Sewerage Utility Fund are classified as restricted assets in the statement of net assets because their use is limited by bond indenture or because they represent customers' deposits being held by the Town.

Fixed assets:

The accounting treatment over property, plant, and equipment (fixed assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-wide statements -

In the government-wide financial statements, fixed assets are accounted for as capital assets. All capital assets are valued at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. Prior to July 1, 2003, governmental funds' infrastructure assets were not capitalized. These assets have been valued at estimated historical cost and have been included in the accompanying financial statements.

NOTES TO FINANCIAL STATEMENTS

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

	<u>Years</u>
Land improvements	20 - 40
Buildings and improvements	7 - 40
Infrastructure	20 - 40
Equipment	4 - 20
Aeration basin	50
Electric warehouse	20
Electric distribution system	20 - 50
Water production and storage facilities	8 - 25
Water distribution system	50
Sewerage treatment plant and collection system	50
Water treatment plan	40

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Fund financial statements -

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

Interest on debt issued to finance construction of the sewerage system and to finance sewerage system improvements has been capitalized as a part of the cost of such projects. Fixed assets of the Sewerage Utility Fund include capitalized interest totaling \$47,963.

Compensated absences:

Each employee earns a set amount of annual leave depending on years of service. Any amount not used in the year it is earned is lost; however, it may be converted to sick leave up to a 36 day maximum.

Upon termination, no payment is made for accrued and unused sick leave. However, any accumulated current year annual leave is paid to the employee. Any liability for this accumulated leave is determined immaterial to the financial statements at June 30, 2004 and, therefore, not recorded.

## NOTES TO FINANCIAL STATEMENTS

### Long-term debt:

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements. Long-term debt consists of bonds payable.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. Long-term debt in proprietary fund operations is accounted for the same in the fund financial statements as it is in the government wide statements.

### Equity classifications:

#### Government-wide statements -

Equity is classified as net assets and displayed in three components:

1. Invested in capital assets, net of related debt - Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted net assets - Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
3. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

#### Fund financial statements -

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated. Proprietary fund equity is classified the same as in the government-wide statements.



NOTES TO FINANCIAL STATEMENTS

Interfund transfers:

Permanent reallocation of resources between funds of the primary government are classified as interfund transfers. For the purposes of the statement of activities, all interfund transfers between individual governmental funds and individual proprietary funds have been eliminated.

Use of estimates:

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

Impairments:

The Town evaluates long-term assets to be held and used for impairment when events or changes in economic circumstances indicate the carrying value of such assets may be unrecoverable. The Town uses an estimate of the future undiscounted net cash flows to measure whether the assets are recoverable and measured for impairment by reference to fair value. Fair value is generally estimated using the Town's expectations of discounted net cash flows. Long-term assets to be disposed of are carried at the lower of cost or fair value less the costs of disposal.

Change in accounting principles and restatement of prior year fund equity:

As a result of implementing Statement No. 34, and to correct a prior period error, the following adjustments were required to restate beginning net assets for the governmental activities:

Total fund balances/fund equity, as previously reported	\$ 217,299
Statement No. 34 adjustments:	
Additional governmental fund revenue accruals	16,827
Capital assets, net of depreciation	901,395
Prior period adjustment:	
Equity of Mayor's Court which was omitted from financials in error	<u>14,027</u>
Restated net assets, June 30, 2003	<u>\$1,149,548</u>

The effect of the error on the prior year governmental funds financial statements was not determinable.

NOTES TO FINANCIAL STATEMENTS

Note 2. Deposits

At year end, the carrying amount of the Town's deposits were \$1,735,270 and the bank balance was \$1,758,995. Of the bank balance, \$392,066 was covered by federal depository insurance. The remaining balance of \$1,366,929 was covered by collateral held by a third party bank in the Town's name. Cash on hand and with paying agents at June 30, 2004 aggregated \$65,819. Of the carrying amount, \$16,427 is reported in the fiduciary fund.

Note 3. Interfund Balances

Interfund balances at June 30, 2004 consist of the following:

	Due To:				Total
	General	Sales Tax	Utility	Sewerage Utility	
Due From:					
General	\$ -	\$18,727	\$ 12,421	\$ 5,579	\$ 36,727
Sales Tax	-	-	112,566	57,167	169,733
Sewerage Utility	-	-	321	-	321
Other Governmental Fund	1,262	-	-	-	1,262
Total	<u>\$ 1,262</u>	<u>\$18,727</u>	<u>\$125,308</u>	<u>\$ 62,746</u>	<u>\$208,043</u>

These balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Note 4. Interfund Transfers

Interfund transfers for the year ended June 30, 2004 consist of the following:

	Transfers To:			Total
	General	Sales Tax	Utility	
Transfers From:				
General	\$ -	\$ -	\$472,507	\$472,507
Sewerage Utility	-	43,438	30,000	73,438
Other Governmental Fund	46,402	-	-	46,402
Total	<u>\$46,402</u>	<u>\$43,438</u>	<u>\$502,507</u>	<u>\$592,347</u>

NOTES TO FINANCIAL STATEMENTS

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the fund required to pay the debt, and (3) use unrestricted revenues collected in one fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Note 5. Capital Assets and Depreciation

Capital assets activity for the year ended June 30, 2004 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated -				
Land	\$ 190,888	\$ 32,500	\$ -0-	\$ 223,388
Capital assets being depreciated -				
Land improvements	\$ 252,216	\$ 3,878	\$ -	\$ 256,094
Buildings and improvements	298,472	5,534	-	304,006
Infrastructure	653,105	2,776	-	655,881
Equipment	<u>678,633</u>	<u>18,558</u>	<u>-</u>	<u>697,191</u>
Total capital assets being depreciated	<u>\$ 1,882,426</u>	<u>\$ 30,746</u>	<u>\$ -0-</u>	<u>\$ 1,913,172</u>
Less accumulated depreciation for -				
Land improvements	\$ (131,401)	\$ (8,676)	\$ -	\$ (140,077)
Buildings and improvements	(230,178)	(9,352)	-	(239,530)
Infrastructure	(320,068)	(16,428)	-	(336,496)
Equipment	<u>(490,272)</u>	<u>(38,479)</u>	<u>-</u>	<u>(528,751)</u>
Total accumulated depreciation	<u>\$ (1,171,919)</u>	<u>\$ (72,935)</u>	<u>\$ -0-</u>	<u>\$ (1,244,854)</u>
Total capital assets being depreciated, net	<u>\$ 710,507</u>	<u>\$ (42,189)</u>	<u>\$ -0-</u>	<u>\$ 668,318</u>
Governmental activities capital assets, net	<u>\$ 901,395</u>	<u>\$ (9,689)</u>	<u>\$ -0-</u>	<u>\$ 891,706</u>

NOTES TO FINANCIAL STATEMENTS

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets not being depreciated -				
Land	\$ 76,663	\$ -0-	\$ -0-	\$ 76,663
Capital assets being depreciated -				
Aeration basin	\$ 239,568	\$ -	\$ -	\$ 239,568
Electric warehouse	9,359	-	-	9,359
Electric distributions system	353,487	28,464	(2,873)	379,078
Water production and storage facilities	262,580	-	-	262,580
Water distribution system	1,592,802	-	-	1,592,802
Sewerage treatment plant	556,769	-	-	556,769
Sewerage collection system	2,905,106	-	-	2,905,106
Autos and trucks	118,331	23,066	-	141,397
Other equipment	226,991	7,956	(12,877)	222,070
Water treatment plant	1,994,629	-	-	1,994,629
Total capital assets being depreciated	<u>\$ 8,259,622</u>	<u>\$ 59,486</u>	<u>\$ (15,750)</u>	<u>\$ 8,303,358</u>
Less accumulated depreciation for -				
Aeration basin	\$ (89,439)	\$ (4,791)	\$ -	\$ (94,230)
Electric warehouse	(3,855)	(336)	-	(4,191)
Electric distribution system	(174,204)	(6,476)	1,523	(179,157)
Water production and storage facilities	(262,580)	-	-	(262,580)
Water distribution system	(357,889)	(31,856)	-	(389,745)
Sewerage treatment plant	(219,283)	(12,510)	-	(231,793)
Sewerage collection system	(844,902)	(58,102)	-	(903,004)
Autos and trucks	(115,181)	(3,381)	-	(118,562)
Other equipment	(148,172)	(16,505)	12,833	(151,844)
Water treatment plant	(24,932)	(49,867)	-	(74,799)
Total accumulated depreciation	<u>\$ (2,240,437)</u>	<u>\$ (183,824)</u>	<u>\$ 14,356</u>	<u>\$ (2,409,905)</u>
Total capital assets being depreciated, net	<u>\$ 6,019,185</u>	<u>\$ (124,338)</u>	<u>\$ (1,394)</u>	<u>\$ 5,893,453</u>
Business-type activities capital assets	<u>\$ 6,095,848</u>	<u>\$ (124,338)</u>	<u>\$ (1,394)</u>	<u>\$ 5,970,116</u>

NOTES TO FINANCIAL STATEMENTS

Depreciation was charged as follows:

Governmental activities:		
General government	\$ 11,459	
Public safety	28,266	
Public works	29,024	
Culture and recreation	<u>4,186</u>	
Total governmental activities depreciation expense	<u>\$ 72,935</u>	
Business-type activities:		
Electric and water	\$ 97,905	
Sewer	<u>85,919</u>	
Total business-type activities depreciation expense	<u>\$183,824</u>	

Note 6. Long-term Debt

Revenue Bonds. The Town has issued bonds which are payable from a specific revenue source, income derived from the proprietary funds and a 1% sales and use tax. Proceeds were used to construct the sewerage system, to make extensions to the system, and to construct a new water treatment plant. These bonds, expected to be paid from the Utility and Sewerage Utility proprietary funds, are reported in those funds. Revenue bonds outstanding at June 30, 2004 are as follows:

	Issue Date	Maturity Date	Interest Rate	Balance Outstanding	Due Within One Year
Business-type activities:					
Sewer Revenue					
Bonds	07/09/82	07/09/07	5.00	\$ 160,000	\$ 35,000
	02/09/98	02/09/38	4.50	<u>405,480</u>	<u>5,288</u>
				<u>\$ 565,480</u>	<u>\$ 40,288</u>
Water Revenue					
Bonds	08/06/01	07/01/16	5.33	\$ 285,000	\$ 15,000
Total business-type activities debt				<u>\$ 850,480</u>	<u>\$ 55,288</u>

NOTES TO FINANCIAL STATEMENTS

Debt service requirements to maturity of all bonds outstanding at June 30, 2004 are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 55,288	\$ 40,929	\$ 96,217
2006	61,531	38,110	99,641
2007	62,785	34,977	97,762
2008	69,051	31,778	100,829
2009	25,329	28,264	53,593
2010-2014	150,281	119,600	269,881
2015-2019	131,417	78,751	210,168
2020-2024	56,852	60,280	117,132
2025-2029	71,168	45,964	117,132
2030-2034	89,087	28,045	117,132
2035-2038	77,691	6,605	84,296
	<u>\$ 850,480</u>	<u>\$ 513,303</u>	<u>\$1,363,783</u>

Changes in Long-Term Debt. During the year ended June 30, 2004, the following changes occurred in long-term debt:

	<u>Balance, July 1, 2003</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance, June 30, 2004</u>
Business-type activities:				
Revenue bonds	\$ 905,536	\$ -0-	\$ (55,056)	\$ 850,480

Total interest costs incurred and charged to expense during the year ended June 30, 2004 was \$41,562.

Note 7. Restricted Assets - Enterprise Funds

Restricted assets of the enterprise funds were applicable to the following at June 30:

	<u>Utility Fund</u>	<u>Sewerage Utility Fund</u>	<u>Totals</u>
Cash with paying agent	\$22,595	\$ 43,000	\$ 65,595
Bond sinking fund	-	4,243	4,243
Bond reserve fund	-	55,404	55,404
Depreciation and contingency fund	10,500	94,034	104,534
Customers' deposits	55,785	-	55,785
	<u>\$88,880</u>	<u>\$196,681</u>	<u>\$285,561</u>

NOTES TO FINANCIAL STATEMENTS

Note 8. Flow of Funds; Restrictions on Use

Sewer Revenues

Under the terms of the bond indenture on outstanding Sewer Revenue Bonds dated July 9, 1982, all income and revenues of the sewer system, supplemented by pledge of the proceeds of the Town's 1% sales and use tax, are pledged and dedicated to the retirement of said bonds, and are to be set aside into the following special funds, after payment of expenses for maintaining and operating the system:

Sewer Revenue Bond and Interest Fund: Transfer monthly a sum equal to 1/12 of the principal and interest due on the next payment date.

Sewer Reserve Fund: Transfer monthly a sum equal to 5% of the amount paid into the Bond and Interest Fund until such time as the amount in this fund equals the highest combined principal and interest requirement in any succeeding twelve months (\$47,250).

Sewer Depreciation and Contingency Fund: Transfer \$245 monthly.

Under the terms of the bond indenture on outstanding Sewer Revenue Bonds dated February 9, 1998, all income and revenues of the sewer system, after payment of expenses for maintaining and operating the system, and after making such payments as required by the outstanding Sewer Revenue Bonds dated July 9, 1982 are pledged and dedicated to the retirement of said bonds and are to be set aside into the following special funds:

Sewer Revenue Bond and Interest Sinking Fund: Transfer monthly a sum equal to the principal and interest due on the next payment date.

Sewer Revenue Bond Reserve Fund: Transfer monthly a sum equal to 5% of the amount paid into the Bond and Interest Sinking Fund until such time as the amount in this fund equals \$23,426.

Sewer Depreciation and Contingency Fund: Transfer \$175 monthly.

All required transfers were made for the year ended June 30, 2004.

NOTES TO FINANCIAL STATEMENTS

Water Revenues

Under the terms of the bond indenture on outstanding Water Revenue Bonds dated August 6, 2001, all income and revenues of the water system are pledged and dedicated to the retirement of said bonds, and are to be set aside into the following special funds, after payment of expenses for maintaining and operating the system:

Water Revenue Bond and Interest Sinking Fund: Transfer monthly a sum equal to 1/12 of the principal and 1/6 of the interest due on the next payment date.

Water Depreciation and Contingency Fund: Transfer \$300 monthly until such time as the amount in this fund equals \$18,000.

All required transfers were made for the year ended June 30, 2004.

Note 9. Ad Valorem Taxes

Government-wide financial statements -

Property taxes are recognized in the year for which they are levied, net of uncollectible amounts, as applicable.

Fund financial statements -

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied at the beginning of the fiscal year and are billed on December 1. Although the tax roll is prepared by the Vermilion Parish Tax Assessor, the Town bills and collects its own taxes.

For the year ended June 30, 2004, ad valorem taxes of 3.74 mills were levied on assessed valuations totaling \$5,653,190, and were dedicated to general corporate purposes. Total taxes levied were \$21,143. Taxes receivable at June 30, 2004 totaled \$90, all of which is considered collectible. No receivable has been recorded for this immaterial amount.

Note 10. Dedication of Proceeds and Flow of Funds - 1% Sales and Use Tax

The Town levies a 1% sales and use tax, which taxes are dedicated to: constructing, acquiring, extending, improving and/or maintaining drainage facilities, streets, street lighting facilities, sidewalks, sewers and sewerage disposal works, public buildings and/or fire department stations and equipment; purchasing and acquiring equipment and furnishings for the aforesaid public works, buildings, improvements and facilities; and for paying principal and interest on any bonded or funded indebtedness of the Town. Sales taxes recognized in the governmental fund financial



NOTES TO FINANCIAL STATEMENTS

statements under the modified accrual basis of accounting were \$187,846 while the amount recognized in the government-wide financial statements under the accrual basis of accounting was \$187,397.

Note 11. Special Parish Sales Tax

A portion of a special ½ cent Vermilion Parish sales tax has been dedicated toward constructing, acquiring, improving and/or maintaining fire department facilities and equipment, said funds to be collected by the Parish and to be administered by the Parish and by various municipalities having fire departments. The Vermilion Parish Police Jury has appropriated a portion of the recurring annual revenues from the sales tax to the Town of Erath for maintenance and operating expenses of the Erath Volunteer Fire Department.

Note 12. Compensation of Elected Officials

A detail of compensation paid to individual elected officials for the year ended June 30, 2004 follows:

George Dupuis, Mayor	\$ 6,407
Aldermen:	
Robert Domingues	2,621
John LeBlanc	2,556
Carl Broussard	2,556
Joseph William Cormier	2,556
Donald Menard	2,556
Steven Peltier, Chief of Police	<u>27,367</u>
	<u>\$ 46,619</u>

NOTES TO FINANCIAL STATEMENTS

Note 13. Centralized Sales Tax Collection

Commencing with sales for March 1992, and in accordance with a mandate from State government, sales tax collections for all taxing authorities within Vermilion Parish were assumed by the Sales Tax Collector for the Vermilion Parish School Board. Taxes collected for each taxing entity are forwarded to that entity in the month following collection.

At June 30, 2004, the Vermilion Parish School Board had collected, but not yet remitted, \$14,929 of sales tax collections for Town of Erath under the modified accrual basis of accounting and \$31,309 under the accrual basis of accounting. These amounts are reported as due from other governmental agencies in the fund financial statements and government-wide financial statements, respectively.

Note 14. Contingent Liability

The Town is a defendant in a lawsuit at year end. The attorney for the Town is of the opinion that any judgment awarded would be within the limits of insurance. Accordingly, no liability is recorded for this contingency.

Note 15. Stewardship, Compliance and Accountability

Excess of Expenditures Over Appropriations. The following individual fund had actual expenditures in excess of budgeted expenditures for the year ended June 30, 2004:

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Unfavorable Variance</u>
General Fund	<u>\$537,133</u>	<u>\$585,633</u>	<u>\$615,793</u>	<u>\$ 30,160</u>

Note 16. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town purchases commercial insurance to cover any claims related to these risks.

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REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF ERATH, LOUISIANA  
 BUDGETARY COMPARISON SCHEDULE  
 GENERAL FUND  
 For the Year Ended June 30, 2004

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues:				
Taxes	\$ 55,293	\$ 55,293	\$ 40,095	\$ (15,198)
Licenses and permits	65,400	65,400	77,042	11,642
Intergovernmental	8,822	8,822	10,582	1,760
Charges for services	500	500	460	(40)
Fines and forfeits	12,000	12,000	63,668	51,668
Miscellaneous	<u>10,800</u>	<u>10,800</u>	<u>13,071</u>	<u>2,271</u>
Total revenues	<u>\$ 152,815</u>	<u>\$ 152,815</u>	<u>\$ 204,918</u>	<u>\$ 52,103</u>
Expenditures:				
General governmental	\$ 229,923	\$ 265,923	\$ 307,373	\$ (41,450)
Public safety	273,828	286,328	285,168	1,160
Health and welfare	1,892	1,892	1,892	-
Culture and recreation	<u>31,490</u>	<u>31,490</u>	<u>21,360</u>	<u>10,130</u>
Total expenditures	<u>\$ 537,133</u>	<u>\$ 585,633</u>	<u>\$ 615,793</u>	<u>\$ (30,160)</u>
Excess (deficiency) of revenues over expenditures	<u>\$(384,318)</u>	<u>\$(432,818)</u>	<u>\$(410,875)</u>	<u>\$ 21,943</u>
Other financing sources (uses):				
Transfers in	\$ 450,000	\$ 450,000	\$ 472,507	\$ 22,507
Transfers out	<u>(51,085)</u>	<u>(51,085)</u>	<u>(46,402)</u>	<u>4,683</u>
Total other financing sources (uses)	<u>\$ 398,915</u>	<u>\$ 398,915</u>	<u>\$ 426,105</u>	<u>\$ 27,190</u>
Net change in fund balance	<u>\$ 14,597</u>	<u>\$ (33,903)</u>	<u>\$ 15,230</u>	<u>\$ 49,133</u>
Fund balance, beginning, as previously reported	\$ 38,915	\$ 38,915	\$ 38,917	\$ 2
Prior period adjustment	<u>-</u>	<u>-</u>	<u>14,027</u>	<u>14,027</u>
Fund balance, beginning, as restated	<u>\$ 38,915</u>	<u>\$ 38,915</u>	<u>\$ 52,944</u>	<u>\$ 14,029</u>
Fund balance, ending	<u>\$ 53,512</u>	<u>\$ 5,012</u>	<u>\$ 68,174</u>	<u>\$ 63,162</u>

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TOWN OF ERATH, LOUISIANA  
 BUDGETARY COMPARISON SCHEDULE  
 SALES TAX FUND  
 For the Year Ended June 30, 2004

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues:				
Taxes -				
Sales tax collected	\$ 200,000	\$ 200,000	\$ 187,846	\$ (12,154)
Interest	-	-	142	142
Miscellaneous -				
Maintenance agreement	5,500	5,500	6,091	591
Total revenues	<u>\$ 205,500</u>	<u>\$ 205,500</u>	<u>\$ 194,079</u>	<u>\$ (11,421)</u>
Expenditures:				
Current -				
General government (financial administration):				
Auditing, accounting and legal	\$ 550	\$ 550	\$ 2,582	\$ (2,032)
Office supplies	800	800	262	538
	<u>\$ 1,350</u>	<u>\$ 1,350</u>	<u>\$ 2,844</u>	<u>\$ (1,494)</u>
Public works (streets and bridges):				
Salaries and wages -				
Public works director	\$ 12,693	\$ 12,693	\$ 13,467	\$ (774)
Other	61,635	61,635	56,571	5,064
Payroll taxes	7,683	7,683	5,413	2,270
Insurance	3,500	3,500	3,880	(380)
Material and supplies	20,000	20,000	23,328	(3,328)
Utilities	2,000	2,000	945	1,055
Telephone	1,500	1,500	2,235	(735)
Repairs and maintenance	6,500	6,500	4,799	1,701
Fuel and oil	5,000	5,500	3,726	1,774
Professional services	1,000	1,000	443	557
Uniforms	2,000	2,000	1,410	590
Miscellaneous	850	850	2,133	(1,283)
Capital outlays	14,475	17,975	9,491	8,484
	<u>\$ 138,836</u>	<u>\$ 142,836</u>	<u>\$ 127,841</u>	<u>\$ 14,995</u>
Total expenditures	<u>\$ 140,186</u>	<u>\$ 144,186</u>	<u>\$ 130,685</u>	<u>\$ 13,501</u>

(continued)

TOWN OF ERATH, LOUISIANA

BUDGETARY COMPARISON SCHEDULE (CONTINUED)

SALES TAX FUND

For the Year Ended June 30, 2004

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance With Final Budget Positive (Negative)
Excess (deficiency) of revenue over expenditures	\$ 65,314	\$ 61,314	\$ 63,394	\$ 2,080
Other financing sources (uses):				
Operating transfers out - Sewerage Utility Fund	<u>(44,900)</u>	<u>(44,900)</u>	<u>(43,438)</u>	<u>1,462</u>
Net change in fund balance	\$ 20,414	\$ 16,414	\$ 19,956	\$ 3,542
Fund balance, beginning	<u>178,382</u>	<u>178,382</u>	<u>178,382</u>	<u>-</u>
Fund balance, ending	<u>\$ 198,796</u>	<u>\$ 194,796</u>	<u>\$ 198,338</u>	<u>\$ 3,542</u>



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OTHER SUPPLEMENTARY INFORMATION

## TOWN OF ERATH, LOUISIANA

BUDGETARY COMPARISON SCHEDULE - DETAIL OF REVENUES  
GENERAL FUND

For the Year Ended June 30, 2004

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues:				
Taxes -				
General ad valorem	\$ 19,700	\$ 19,700	\$ 20,851	\$ 1,151
Gas franchise tax	12,733	12,733	15,285	2,552
Cable franchise tax	20,000	20,000	3,039	(16,961)
Housing Authority payment in lieu of taxes	2,860	2,860	920	(1,940)
Licenses and permits -				
Occupational licenses	14,000	14,000	15,589	1,589
Insurance licenses	50,000	50,000	60,171	10,171
Building permits	1,000	1,000	840	(160)
Liquor permits	400	400	442	42
Intergovernmental -				
Federal	-	-	3,497	3,497
State shared revenue:				
Beer taxes	6,322	6,322	5,179	(1,143)
State revenue sharing	2,500	2,500	1,906	(594)
Charges for services -				
Police accident reports	500	500	460	(40)
Fines and forfeits	12,000	12,000	63,668	51,668
Miscellaneous -				
Rent income (Post Office)	10,800	10,800	10,800	-
Other	-	-	2,271	2,271
Total revenues	<u>\$ 152,815</u>	<u>\$ 152,815</u>	<u>\$ 204,918</u>	<u>\$ 52,103</u>

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## TOWN OF ERATH, LOUISIANA

BUDGETARY COMPARISON SCHEDULE - DETAIL OF EXPENDITURES  
GENERAL FUND

For the Year Ended June 30, 2004

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
General government:				
Mayor's salary	\$ 5,094	\$ 5,094	\$ 6,255	\$ (1,161)
Council salaries	12,426	12,426	12,845	(419)
Other salaries	31,593	31,593	40,001	(8,408)
Payroll taxes	5,110	5,110	4,979	131
Group insurance	66,000	98,000	100,853	(2,853)
Unemployment compensation	-	-	5,134	(5,134)
Printing, stationery and supplies	5,000	5,000	4,689	311
Building maintenance and repairs	10,000	10,000	1,441	8,559
Materials and supplies	1,000	1,000	3,036	(2,036)
Audit and accounting	5,900	5,900	6,915	(1,015)
General insurance	6,000	6,000	9,175	(3,175)
Mayor's expenses	1,200	1,200	152	1,048
Dues and subscriptions	1,000	1,000	764	236
Telephone	4,100	4,100	4,234	(134)
Utilities	6,000	6,000	7,243	(1,243)
Publication of minutes	5,000	5,000	2,548	2,452
Tax roll preparation	1,100	1,100	1,440	(340)
Legal fees	3,000	3,000	4,485	(1,485)
Professional fees	1,300	1,300	1,138	162
Autopsy fees	200	200	-	200
General liability insurance	14,500	14,500	15,618	(1,118)
External appropriations	900	900	978	(78)
Workmen's compensation insurance	26,000	26,000	25,967	33
Miscellaneous	7,500	11,500	12,425	(925)
Capital outlays	10,000	10,000	35,058	(25,058)
Total general government	<u>\$ 229,923</u>	<u>\$ 265,923</u>	<u>\$ 307,373</u>	<u>\$ (41,450)</u>
Public safety:				
Police department -				
Chief of Police's salary	\$ 27,156	\$ 27,156	\$ 27,367	\$ (211)
Other salaries	173,365	173,365	181,363	(7,998)
Payroll taxes	18,788	18,788	15,930	2,858
Uniforms	3,000	3,000	2,557	443
Auto expenses	15,500	15,500	11,077	4,423
Building maintenance and repairs	1,000	1,000	1,726	(726)

(continued)

TOWN OF ERATH, LOUISIANA

BUDGETARY COMPARISON SCHEDULE - DETAIL OF EXPENDITURES (CONTINUED)  
GENERAL FUND

For the Year Ended June 30, 2004

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Public safety (continued):				
Police department -				
Auto repairs and maintenance	5,000	9,000	8,784	216
Materials and supplies	1,200	1,200	1,153	47
Utilities	4,369	4,369	3,866	503
Telephone	3,000	3,000	3,149	(149)
General insurance	10,000	10,000	9,423	577
Radio, radar and camera repairs	1,000	1,000	1,245	(245)
Office	2,000	2,000	2,794	(794)
Conventions and schools	2,000	2,000	1,169	831
Miscellaneous	2,550	2,550	2,410	140
Capital outlays	3,900	12,400	11,155	1,245
Total public safety	<u>\$ 273,828</u>	<u>\$ 286,328</u>	<u>\$ 285,168</u>	<u>\$ 1,160</u>
Health and welfare:				
Meals on wheels	<u>\$ 1,892</u>	<u>\$ 1,892</u>	<u>\$ 1,892</u>	<u>\$ -0-</u>
Culture and recreation:				
Salaries	\$ 17,500	\$ 17,500	\$ 11,163	\$ 6,337
Payroll taxes	1,340	1,340	824	516
Materials and supplies	1,300	1,300	1,774	(474)
Utilities	4,000	4,000	4,868	(868)
Contract services	1,000	1,000	425	575
Equipment repairs and maintenance	2,000	2,000	581	1,419
Building repairs and maintenance	400	400	163	237
Maintenance and upkeep	400	400	168	232
Equipment fuel and oil	300	300	236	64
Miscellaneous	300	300	116	184
Capital outlay	2,950	2,950	1,042	1,908
Total culture and recreation	<u>\$ 31,490</u>	<u>\$ 31,490</u>	<u>\$ 21,360</u>	<u>\$ 10,130</u>
Total expenditures	<u>\$ 537,133</u>	<u>\$ 585,633</u>	<u>\$ 615,793</u>	<u>\$ (30,160)</u>

TOWN OF ERATH, LOUISIANA  
 BUDGETARY COMPARISON SCHEDULE  
 NONMAJOR GOVERNMENTAL FUND  
 SPECIAL PARISH TAX FUND  
 For the Year Ended June 30, 2004

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
<b>Revenues:</b>				
Intergovernmental -				
Appropriation from Vermilion				
Parish Police Jury:				
Special parish tax	\$ 22,348	\$ 22,348	\$ 22,348	\$ -
State grant	-	-	12,500	12,500
Total revenues	<u>\$ 22,348</u>	<u>\$ 22,348</u>	<u>\$ 34,848</u>	<u>\$ 12,500</u>
<b>Expenditures:</b>				
Current -				
General government:				
Audit and accounting	\$ 850	\$ 850	\$ 940	\$ (90)
Public safety (fire department):				
Salaries	26,388	26,388	25,574	814
Payroll taxes	1,881	1,881	1,735	146
Training	5,000	5,000	3,448	1,552
Firemen's suppers	1,200	1,200	1,200	-
Materials and supplies	500	500	220	280
Truck expense	5,000	5,000	6,057	(1,057)
Insurance	9,400	9,400	7,698	1,702
Telephone	2,500	2,500	2,914	(414)
Uniforms	250	250	-	250
Building and repair and maintenance	650	650	712	(62)
Equipment repair and maintenance	1,200	1,200	1,774	(574)
Gas	1,000	1,000	712	288
Utilities	1,200	1,200	1,239	(39)
Miscellaneous	2,500	2,500	1,101	1,399
Radio maintenance	1,200	1,200	1,426	(226)
External appropriation	5,500	5,500	18,000	(12,500)
Capital outlays	7,214	7,214	6,500	714
Total expenditures	<u>\$ 73,433</u>	<u>\$ 73,433</u>	<u>\$ 81,250</u>	<u>\$ (7,817)</u>

(continued)

TOWN OF ERATH, LOUISIANA

BUDGETARY COMPARISON SCHEDULE (CONTINUED)

NONMAJOR GOVERNMENTAL FUND

SPECIAL PARISH TAX FUND

For the Year Ended June 30, 2004

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance With Final Budget Positive (Negative)
Deficiency of revenues over expenditures	\$ (51,085)	\$ (51,085)	\$ (46,402)	\$ 4,683
Other financing sources:				
Transfer from General Fund	<u>51,085</u>	<u>51,085</u>	<u>46,402</u>	<u>(4,683)</u>
Net change in fund balance	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Fund balance, beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, ending	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>



## TOWN OF ERATH, LOUISIANA

STATEMENT OF OPERATING REVENUES AND OPERATING  
EXPENSES BY DEPARTMENT  
UTILITY FUND

For the Year Ended June 30, 2004

	<u>Total</u>	<u>Electric</u>	<u>Water</u>
Operating revenues:			
Charges for services	\$1,976,111	\$1,712,073	\$ 264,038
Penalties for delinquent payment	21,410	21,410	-
Miscellaneous	807	807	-
Total operating revenues	<u>\$1,998,328</u>	<u>\$1,734,290</u>	<u>\$ 264,038</u>
Operating expenses:			
Salaries	\$ 134,761	\$ 74,438	\$ 60,323
Payroll taxes	10,309	5,694	4,615
Purchase of electric power	993,033	993,033	-
Materials and supplies	50,363	21,439	28,924
Repairs and maintenance	14,666	5,243	9,423
Contracted repairs	5,625	5,305	320
Fuel	5,150	2,514	2,636
Insurance	3,869	3,175	694
Office supplies and postage	4,271	3,404	867
Telephone and utilities	34,949	3,068	31,881
Audit and accounting	15,708	13,352	2,356
Depreciation	97,905	9,780	88,125
Bad debts	6,435	4,598	1,837
Professional services	150	150	-
Contractual services	15,120	15,120	-
Street lighting	3,377	3,377	-
Damages and claims	58	58	-
Miscellaneous	29,454	3,494	25,960
Total operating expenses	<u>\$1,425,203</u>	<u>\$1,167,242</u>	<u>\$ 257,961</u>
Income from operations	<u>\$ 573,125</u>	<u>\$ 567,048</u>	<u>\$ 6,077</u>

COMPLIANCE AND OTHER GRANT INFORMATION

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**BROUSSARD, POCHÉ, LEWIS & BREAUX, L.L.P.**  
C E R T I F I E D P U B L I C A C C O U N T A N T S

4112 West Congress  
P. O. Box 61400  
Lafayette, Louisiana  
70596-1400  
phone: (337) 988-4930  
fax: (337) 984-4574

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

*Other Offices:*

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(337) 364-4554

Church Point, LA  
(337) 684-2855

Eugene C. Gilder, CPA\*  
Donald W. Kelley, CPA\*  
Herbert Lemoine II, CPA\*  
Frank A. Stagno, CPA\*  
Scott J. Broussard, CPA\*  
L. Charles Abshire, CPA\*  
Kenneth R. Dugas, CPA\*  
P. John Blanchet III, CPA\*  
Stephen L. Lambousy, CPA\*  
Craig C. Babincaux, CPA\*  
Peter C. Borrello, CPA\*  
George J. Trappey III, CPA\*  
Gregory B. Milton, CPA\*  
S. Scott Soileau, CPA\*  
Patrick D. McCarthy, CPA\*  
Martha B. Wyatt, CPA\*  
Troy J. Breaux, CPA\*  
Fayette T. Dupré, CPA\*  
Mary A. Castille, CPA\*  
Joey Breaux, CPA\*  
Terrel P. Dressel, CPA\*

*Retired:*

Sidney L. Broussard, CPA\* 1980  
Leon K. Poché, CPA 1984  
James H. Breaux, CPA 1987  
Erma R. Walton, CPA 1988  
George A. Lewis, CPA\* 1992  
Geraldine J. Wimberley, CPA\* 1995  
Rodney L. Savoy, CPA\* 1996  
Larry G. Broussard, CPA\* 1997  
Lawrence A. Cramer, CPA\* 1999  
Michael P. Crochet, CPA\* 1999  
Ralph Friend, CPA 2002

Members of American Institute of  
Certified Public Accountants  
Society of Louisiana Certified  
Public Accountants

\*A Professional Accounting Corporation

To the Honorable George Dupuis, Mayor,  
and the Board of Aldermen  
Town of Erath, Louisiana

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Erath, Louisiana as of and for the year ended June 30, 2004, and have issued our report thereon dated October 29, 2004. 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.

**Compliance**

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 grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards which are described in the accompanying schedule of findings and questioned costs as items #2004-2, #2004-3, and #2004-5.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Town's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial

reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Town's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the accompanying schedule of findings and questioned costs as items #2004-1 and #2004-4.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable conditions described above are material weaknesses.

This report is intended for the information of management, federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

*Broussard, Poche, Lewis & Breau, L.L.P.*

Lafayette, Louisiana  
October 29, 2004

## TOWN OF ERATH, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2004

We have audited the basic financial statements of Town of Erath, Louisiana as of and for the year ended June 30, 2004, and have issued our report thereon dated October 29, 2004. 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. Our audit of the financial statements as of June 30, 2004 resulted in unqualified opinions.

## Section I. Summary of Auditors' Results

## A. Report on Internal Control and Compliance Material to the Financial Statements

## Internal Control

Material Weaknesses	<u>X</u>	Yes	___	No
Reportable Conditions	<u>X</u>	Yes	___	No

## Compliance

Compliance Material to Financial Statements	<u>X</u>	Yes	___	No
---	----------	-----	-----	----

## Section II. Financial Statement Findings

**#2004-1 Segregation of Duties**

**Finding:** The Town does not have an adequate segregation of duties in the administrative office. A system of internal control procedures contemplates a segregation of duties so that no one individual handles a transaction from its inception to its completion. While we recognize that the Town may not be large enough to permit an adequate segregation of duties for an effective system of internal control procedures, it is important that you be aware of this condition. This condition was also included in the 2003 audit as item #2003-1.

**Recommendation:** Keeping in mind the limited number of employees to which duties can be assigned, the Town should monitor assignment of duties to assure as much segregation of duties and responsibility as possible.

**#2004-2 Income Requirement Related to Bonds**

**Finding:** The Bond Resolution for the Sewer Revenue Bonds dated July 9, 1982 requires the Town to set and maintain fees, rents or other charges for the services and facilities of the System to provide revenues in each year, after paying all reasonable and necessary expenses of administering, operating and maintaining the System in such year, at least equal to 120% of the largest amount of principal and interest maturing on the Bonds in any future fiscal year. For the year ended June 30, 2004, the Town did not meet this requirement of \$56,700; they were under the amount required by \$17,198. A similar finding was reported as item #2003-2 in the prior year audit.

Recommendation: The Town should determine the reason they were unable to meet the requirement. This would involve examining both expenses and revenue. Expenses should be examined to determine if any can be reduced or eliminated without affecting the operations. Rates were increased near the end of the current year. The Town should determine if this increase is adequate.

**#2004-3 Budget Adoption**

Finding: State law (La. Rev. Stat. 39:1308) requires that all action necessary to adopt and otherwise finalize and implement the budget for the ensuring fiscal year be completed prior to the end of the fiscal year in progress. The budget for the 2004 fiscal year was not adopted until September 8, 2003; approximately two months after the fiscal year began. A similar finding was reported as item #2003-3 in the prior year audit.

Recommendation: The budget should be adopted within the time frame required by State law.

**#2004-4 Mayor's Court Bond Fund**

Finding: There is a lack of controls over the operations of the Mayor's Court Bond Fund. During the current fiscal year, fines were being collected at various locations and receipts were not always issued. The collections were then given to the Clerk of Court, who took it home and prepared the deposit. In addition, bank reconciliations were not being prepared on a monthly basis and a general ledger was not maintained for the activity of this Fund.

Recommendation: Fines should be collected at one location, receipts issued and a list maintained of collections. This list should be reconciled to the deposits and periodically, the receipts issued should be reconciled to the deposits. Cash should remain in a locked vault until the time of deposit. Bank reconciliations should be prepared on a monthly basis and all activity should be recorded in the general ledger.

**#2004-5 Court Costs**

Finding: R.S. 33:441 provides that court costs of not more than \$30 per offense may be imposed by the Mayor's Court. For the year ended June 30, 2004, the court imposed court costs of \$49 per offense.

Recommendation: The Town needs to collect court costs in an amount that ensures compliance with R.S. 33:441.

TOWN OF ERATH, LOUISIANA

SCHEDULE OF PRIOR FINDINGS  
Year Ended June 30, 2004

Section I. Internal Control and Compliance Material to the Financial Statements

**#2003-1 Segregation of Duties**

Recommendation: Keeping in mind the limited number of employees to which duties can be assigned, the Town should monitor assignment of duties to assure as much segregation of duties and responsibility as possible.

Current Status: The finding is repeated in the current year at #2004-1. The Town has provided as much segregation as possible with the resources available.

**#2003-2 Income Requirement Related to Bonds**

Recommendation: The Town should determine the reason they were unable to meet the requirement. This would involve examining both expenses and revenue. Expenses should be examined to determine if any can be reduced or eliminated without affecting the operations. Rates being charged should also be examined to determine if a rate increase is necessary to enable the Town to meet the requirement.

Current Status: The Town increased sewer rates in April 2004; however, the requirement was not met in fiscal year 2004 and the finding is repeated at #2004-2.

**#2003-3 Budget Adoption and Subsequent Revisions**

Recommendation: The budget should be adopted as required by State law. A procedure should be established ensuring funds are available to cover any revisions during the year.

Current Status: The budget was adopted after the fiscal year began again in fiscal year 2004 and the finding is repeated at #2004-3. Prior to revisions being made in the current year, fund availability was determined.

Section II. Internal Control and Compliance Material to Federal Awards

No matters were reported.

Section III. Management Letter

The prior year's report did not include a management letter.



George Dupuis, Mayor  
Robert Domingues, Mayor Pro-Tem  
Donald Menard, Alderman  
Billy Cormier, Alderman  
Carl Broussard, Alderman  
John E. LeBlanc, Alderman

TOWN OF ERATH RECEIVED  
LEGISLATIVE AUDITOR

Carla Richard, Town Clerk  
Brenda Brasseur, Utility Clerk



04 DEC 28 PM 12:45

115 West Edwards  
Erath, Louisiana 70533

December 8, 2004

Phone (337) 937-8401  
FAX (337) 937-5932

Mr. Steve Theriot  
Legislative Auditor  
State of Louisiana  
Post Office Box 94397  
Baton Rouge, LA 70804-9397

Town of Erath respectfully submits the following corrective action plan for the year ended June 30, 2004.

Name and address of independent public accounting firm:

Broussard, Poche', Lewis & Breaux, L.L.P.  
Certified Public Accountants  
Post Office Box 61400  
Lafayette, Louisiana 70596-1400

Audit period: July 1, 2003 through June 30, 2004.

The findings from the 2004 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule. Section I of the schedule, Summary of Auditors' Results, does not include findings and is not addressed.

**Section II - Financial Statement Findings**

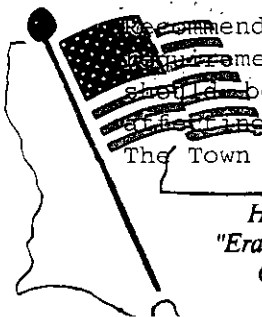
#2004-1 Segregation of Duties

Recommendation: Keeping in mind the limited number of employees to which duties can be assigned, the Town should monitor assignment of duties to assure as much segregation of duties and responsibility as possible.

Action Taken: The Town will budget and hire another full time employee.

#2004-2 Income Requirement Related to Bonds

Recommendation: The Town should determine the reason they were unable to meet the requirement. This would involve examining both expenses and revenue. Expenses should be examined to determine if any can be reduced or eliminated without affecting the operations. Rates were increased near the end of the current year. The Town should determine if this increase is adequate.



Home of the  
"Erath 4th of July"  
Celebration

Mr. Steve Theriot  
Legislative Auditor  
State of Louisiana  
December 8, 2004  
Page - 2 -

Action Taken: The Town increased the sewer rates just before year ended.  
The increase should balance it out.

#2004-3 Budget Adoption and Subsequent Revisions

Recommendation: The budget should be adopted within the time frame required by State law.

Action Taken: The budget will be adopted in the time frame required by State Law.

#2004-4 Mayor's Court Bond Fund

Recommendation: Fines should be collected at one location, receipts issued and a list maintained of collections. This list should be reconciled to the deposits and periodically, the receipts issued should be reconciled to the deposits. Cash should remain in a locked vault until the time of deposit. Bank reconciliations should be prepared on a monthly basis and all activity should be recorded in the general ledger.

Action Taken: Effective January 1, 2005, all court matters and collections will be moved and collected at one location.

#2004-5 Court Costs

Recommendation: The Town needs to collect court costs in an amount that ensures compliance with R.S. 33:441.


Action Taken: The Town will comply with R.S. 33:441 for court cost.

Mr. Steve Theriot  
Legislative Auditor  
State of Louisiana  
December 8, 2004  
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If the Legislative Auditor has questions regarding this plan, please call Carla Richard at (337)937-8401.

Sincerely yours,

TOWN OF ERATH

  
George Dupuis  
Mayor