

**TOWN OF ERATH, LOUISIANA**

Financial Report

Year Ended June 30, 2017

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## INDEPENDENT AUDITORS' REPORT

The Honorable John Earl LeBlanc, Mayor,  
and Members of the Board of Aldermen  
Town of Erath, Louisiana

### Report on the Financial Statements

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, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

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

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

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

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Erath, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Other Matters*

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 37 through 40 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

#### *Other Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The other supplementary information on pages 44 through 53 is presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

The other supplementary information section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2017 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Erath, Louisiana's internal control over financial reporting and compliance.

***Kolder, Champagne, Slaven & Company, LLC***  
Certified Public Accountants

Abbeville, Louisiana  
December 1, 2017

## **BASIC FINANCIAL STATEMENTS**

**GOVERNMENT-WIDE  
FINANCIAL STATEMENTS (GWFS)**

TOWN OF ERATH, LOUISIANA

Statement of Net Position  
June 30, 2017

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and interest-bearing deposits	\$ 164,528	\$ 1,809,398	\$ 1,973,926
Accrued interest receivable	34	1,378	1,412
Accounts receivable, net	-	247,626	247,626
Unbilled service receivable, net	-	23,015	23,015
Other receivables	5,441	-	5,441
Due from other governmental agencies	60,445	516,929	577,374
Internal balances	46,213	(46,213)	-
Restricted assets:			
Cash and interest-bearing deposits	-	361,143	361,143
Accrued interest receivable	-	102	102
Capital assets:			
Non-depreciable	333,388	87,950	421,338
Depreciable	3,095,400	10,980,404	14,075,804
Total assets	<u>3,705,449</u>	<u>13,981,732</u>	<u>17,687,181</u>
LIABILITIES			
Accounts and accrued expenses	33,382	373,180	406,562
Retainage payable	-	248,816	248,816
Other payables	208	4,772	4,980
Customers' deposits	-	89,083	89,083
Accrued interest payable	6,078	-	6,078
Long-term liabilities:			
Portion due or payable within one year -			
Revenue bonds payable	-	58,972	58,972
Loan payable	11,377	-	11,377
Certificates of indebtedness	22,000	-	22,000
Portion due or payable after one year -			
Revenue bonds payable	-	3,568,225	3,568,225
Loan payable	192,663	-	192,663
Certificates of indebtedness	116,000	-	116,000
Total liabilities	<u>381,708</u>	<u>4,343,048</u>	<u>4,724,756</u>
NET POSITION			
Net investment in capital assets	3,086,748	7,460,011	10,546,759
Restricted for:			
Tax dedications	134,955	-	134,955
Debt service	14,839	253,308	268,147
Other	4,439	-	4,439
Unrestricted	<u>82,760</u>	<u>1,925,365</u>	<u>2,008,125</u>
Total net position	<u>\$ 3,323,741</u>	<u>\$ 9,638,684</u>	<u>\$ 12,962,425</u>

The accompanying notes are an integral part of the basic financial statements.

TOWN OF ERATH, LOUISIANA  
Statement of Activities  
For the Year Ended June 30, 2017

Activities	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position		
		Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government	\$ 294,244	\$ 57,184	\$ 3,300	\$ -	\$ (233,760)	\$ -	\$ (233,760)
Public safety	835,498	62,619	83,470	21,745	(667,664)	-	(667,664)
Public works	406,433	13,680	8,455	189	(384,109)	-	(384,109)
Economic development and assistance	3,000	-	-	-	(3,000)	-	(3,000)
Culture and recreation	63,778	-	-	-	(63,778)	-	(63,778)
Total governmental activities	<u>1,602,953</u>	<u>133,483</u>	<u>95,225</u>	<u>21,934</u>	<u>(1,352,311)</u>	<u>-</u>	<u>(1,352,311)</u>
Business-type activities:							
Electric	1,159,481	1,760,568	10,000	116	-	611,203	611,203
Water	315,394	323,312	-	-	-	7,918	7,918
Sewer	306,998	260,761	-	1,679,763	-	1,633,526	1,633,526
Total business-type activities	<u>1,781,873</u>	<u>2,344,641</u>	<u>10,000</u>	<u>1,679,879</u>	<u>-</u>	<u>2,252,647</u>	<u>2,252,647</u>
Total	<u>3,384,826</u>	<u>2,478,124</u>	<u>105,225</u>	<u>1,701,813</u>	<u>(1,352,311)</u>	<u>2,252,647</u>	<u>900,336</u>
General revenues:							
Taxes -							
Property taxes, levied for general purposes					22,101	-	22,101
Sales and use taxes, levied for general purposes					265,952	-	265,952
Franchise taxes					31,829	-	31,829
Other					4,570	-	4,570
Licenses and permits					97,039	-	97,039
Grants and contributions not restricted to specific programs					4,904	-	4,904
Interest and investment earnings					300	11,714	12,014
Miscellaneous					17,090	-	17,090
Gain (loss) on sale of capital assets					5,800	-	5,800
Transfers					793,115	(793,115)	-
Total general revenues and transfers					<u>1,242,700</u>	<u>(781,401)</u>	<u>461,299</u>
Change in net position					(109,611)	1,471,246	1,361,635
Net position, beginning					<u>3,433,352</u>	<u>8,167,438</u>	<u>11,600,790</u>
Net position, ending					<u>\$ 3,323,741</u>	<u>\$ 9,638,684</u>	<u>\$ 12,962,425</u>

The accompanying notes are an integral part of the basic financial statements.

**FUND FINANCIAL STATEMENTS**

TOWN OF ERATH, LOUISIANA

Balance Sheet  
Governmental Funds  
June 30, 2017

	<u>General</u>	<u>Sales Tax</u>	<u>Special Parish Tax Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
ASSETS					
Cash	\$ 127,549	\$ 17,649	\$ 1,349	\$ 4,442	\$ 150,989
Interest-bearing deposits	-	13,539	-	-	13,539
Receivables:					
Ad valorem tax	169	-	-	-	169
Accrued interest	-	34	-	-	34
Due from other governmental agencies	9,483	25,283	-	-	34,766
Other	5,272	-	-	-	5,272
Due from other funds	<u>8,903</u>	<u>70,000</u>	<u>736</u>	<u>-</u>	<u>79,639</u>
Total assets	<u>\$ 151,376</u>	<u>\$ 126,505</u>	<u>\$ 2,085</u>	<u>\$ 4,442</u>	<u>\$ 284,408</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 11,305	\$ 6,443	\$ 1,428	\$ -	\$ 19,176
Due to other funds	26,153	7,270	-	3	33,426
Accrued expenses	10,033	3,516	657	-	14,206
Other liabilities	<u>208</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>208</u>
Total liabilities	<u>47,699</u>	<u>17,229</u>	<u>2,085</u>	<u>3</u>	<u>67,016</u>
Fund balances:					
Restricted	14,839	109,276	-	4,439	128,554
Unassigned	<u>88,838</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>88,838</u>
Total fund balances	<u>103,677</u>	<u>109,276</u>	<u>-</u>	<u>4,439</u>	<u>217,392</u>
Total liabilities and fund balances	<u>\$ 151,376</u>	<u>\$ 126,505</u>	<u>\$ 2,085</u>	<u>\$ 4,442</u>	<u>\$ 284,408</u>

The accompanying notes are an integral part of the basic financial statements.

TOWN OF ERATH, LOUISIANA

Reconciliation of the Governmental Funds Balance Sheet  
to the Statement of Net Position  
June 30, 2017

Total fund balances - governmental funds		\$ 217,392	
Total net position reported for governmental activities in the statement of net position is different because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			
Capital assets, net			3,428,788
Long-term liabilities, including bonds payable, are not due and payable in the current period and are therefore not reported in the governmental funds.			
Accrued interest payable	\$ (6,078)		
Loan payable	(204,040)		
Bonds payable	<u>(138,000)</u>	(348,118)	
Sales taxes which are not "measurable" at year-end and therefore are not available soon enough to pay for current period expenditures.			
			<u>25,679</u>
Total net position of governmental activities			<u>\$ 3,323,741</u>

The accompanying notes are an integral part of the basic financial statements.

TOWN OF ERATH, LOUISIANA  
Statement of Revenues, Expenditures, and Changes in Fund Balances -  
Governmental Funds  
For the Year Ended June 30, 2017

	General	Sales Tax	Special Parish Tax Fund	Other Governmental Funds	Total
<b>Revenues:</b>					
Taxes	\$ 58,500	\$ 265,644	\$ -	\$ -	\$ 324,144
Licenses and permits	97,039	-	-	-	97,039
Intergovernmental	81,299	8,644	28,570	-	118,513
Charges for services	20,177	-	-	-	20,177
Fines and forfeitures	57,337	-	-	-	57,337
Interest	-	285	-	-	285
Miscellaneous	62,919	13,690	5,800	-	82,409
Total revenues	<u>377,271</u>	<u>288,263</u>	<u>34,370</u>	<u>-</u>	<u>699,904</u>
<b>Expenditures:</b>					
Current -					
General government	280,580	-	-	-	280,580
Public safety	644,519	-	98,728	-	743,247
Economic development and assistance	3,000	-	-	-	3,000
Culture and recreation	53,428	-	-	-	53,428
Public works	-	332,274	-	-	332,274
Debt service -					
Principal	21,000	-	-	-	21,000
Interest	3,922	-	-	-	3,922
Capital outlay	24,544	13,781	212,581	-	250,906
Total expenditures	<u>1,030,993</u>	<u>346,055</u>	<u>311,309</u>	<u>-</u>	<u>1,688,357</u>
Deficiency of revenues over expenditures	<u>(653,722)</u>	<u>(57,792)</u>	<u>(276,939)</u>	<u>-</u>	<u>(988,453)</u>
<b>Other financing sources (uses):</b>					
Transfers in	723,096	70,019	276,939	-	1,070,054
Transfers out	(276,939)	-	-	-	(276,939)
Bond proceeds	204,040	-	-	-	204,040
Total other financing sources (uses)	<u>650,197</u>	<u>70,019</u>	<u>276,939</u>	<u>-</u>	<u>997,155</u>
Net change in fund balances	(3,525)	12,227	-	-	8,702
Fund balances, beginning	<u>107,202</u>	<u>97,049</u>	<u>-</u>	<u>4,439</u>	<u>208,690</u>
Fund balances, ending	<u>\$ 103,677</u>	<u>\$ 109,276</u>	<u>\$ -</u>	<u>\$ 4,439</u>	<u>\$ 217,392</u>

The accompanying notes are an integral part of the basic 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, 2017

Net change in fund balances - total governmental funds \$ 8,702

The change in net position reported for governmental activities in the statement of activities is different because:

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

Capital outlay	\$ 250,558	
Depreciation expense	<u>(180,638)</u>	69,920

Because some revenues are not measurable at year end, they are not considered available in the governmental funds:

Sales taxes		568
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Bond proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of activities.

Bond proceeds		(204,040)
Principal payments		21,000

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

Increase in accrued interest payable		<u>(5,761)</u>
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Change in net position of governmental activities \$ (109,611)

The accompanying notes are an integral part of the basic financial statements.

TOWN OF ERATH, LOUISIANA  
Statement of Net Position  
Proprietary Funds  
June 30, 2017

	Utility	Sewerage Utility	Total
<b>ASSETS</b>			
Current assets:			
Cash	\$ 550,789	\$ 270,677	\$ 821,466
Interest-bearing deposits	935,081	52,851	987,932
Accrued interest receivable	1,290	88	1,378
Accounts receivable, net	227,845	19,781	247,626
Unbilled service receivable, net	19,917	3,098	23,015
Due from other governmental agencies	-	516,929	516,929
Interfund receivables	31,251	-	31,251
Total current assets	1,766,173	863,424	2,629,597
Restricted assets -			
Cash	28,126	272,162	300,288
Interest-bearing deposits	60,855	-	60,855
Accrued interest receivable	102	-	102
Total restricted assets	89,083	272,162	361,245
Capital assets, net of accumulated depreciation	2,742,891	8,325,463	11,068,354
Total assets	4,598,147	9,461,049	14,059,196
<b>LIABILITIES</b>			
Current liabilities (payable from current assets):			
Accounts payable and accrued expenses	101,553	271,627	373,180
Retainage payable	-	248,816	248,816
Other payables	4,772	-	4,772
Interfund payables	70,000	7,464	77,464
Total	176,325	527,907	704,232
Current liabilities (payable from restricted assets):			
Customers' deposits	89,083	-	89,083
Current portion of long term debt	-	58,972	58,972
Total	89,083	58,972	148,055
Total current liabilities	265,408	586,879	852,287
Noncurrent liabilities:			
Long term debt	-	3,568,225	3,568,225
Total liabilities	265,408	4,155,104	4,420,512
<b>NET POSITION</b>			
Net investment in capital assets	2,742,891	4,717,120	7,460,011
Restricted for debt service	-	253,308	253,308
Unrestricted	1,589,848	335,517	1,925,365
Total net position	\$ 4,332,739	\$ 5,305,945	\$ 9,638,684

The accompanying notes are an integral part of the basic financial statements.

TOWN OF ERATH, LOUISIANA  
Statement of Revenues, Expenses, and Changes in Fund Net Position  
Proprietary Funds  
Year Ended June 30, 2017

	Utility	Sewerage Utility	Total
	<u>          </u>	<u>          </u>	<u>          </u>
Operating revenues:			
Charges for services	\$ 2,054,694	\$ 260,761	\$ 2,315,455
Miscellaneous	39,186	-	39,186
Total operating revenues	<u>2,093,880</u>	<u>260,761</u>	<u>2,354,641</u>
Operating expenses:			
Salaries	139,488	45,470	184,958
Payroll taxes	10,580	3,440	14,020
Retirement	1,442	751	2,193
Group insurance	29,604	7,401	37,005
Worker's compensation insurance	6,319	3,078	9,397
Purchase of electric power	908,028	-	908,028
Materials and supplies	58,804	5,887	64,691
Maintenance and repairs	64,971	8,536	73,507
Fuel, gas and oil	4,494	2,710	7,204
Telephone and utilities	59,883	47,398	107,281
Insurance	27,387	2,935	30,322
Depreciation	116,467	138,739	255,206
Contractual services	15,600	-	15,600
Professional fees	6,877	7,434	14,311
Equipment rental	-	11,657	11,657
Bad debts	12,282	-	12,282
Other	12,649	5,189	17,838
Total operating expenses	<u>1,474,875</u>	<u>290,625</u>	<u>1,765,500</u>
Operating income (loss)	<u>619,005</u>	<u>(29,864)</u>	<u>589,141</u>
Nonoperating revenues/(expenses):			
Interest income	10,667	1,047	11,714
Interest expense	-	(14,361)	(14,361)
Bond issue costs	-	(2,012)	(2,012)
Grant revenue	116	1,677,897	1,678,013
Total nonoperating revenues/(expenses)	<u>10,783</u>	<u>1,662,571</u>	<u>1,673,354</u>
Income before contributions and transfers	629,788	1,632,707	2,262,495
Capital contributions	-	1,866	1,866
Transfers out	(793,115)	-	(793,115)
Change in net position	<u>(163,327)</u>	<u>1,634,573</u>	<u>1,471,246</u>
Net position, beginning	<u>4,496,066</u>	<u>3,671,372</u>	<u>8,167,438</u>
Net position, ending	<u>\$ 4,332,739</u>	<u>\$ 5,305,945</u>	<u>\$ 9,638,684</u>

The accompanying notes are an integral part of the basic financial statements.

TOWN OF ERATH, LOUISIANA

Statement of Cash Flows  
 Proprietary Funds  
 For the Year Ended June 30, 2017

	Utility	Sewerage Utility	Total
Cash flows from operating activities:			
Receipts from customers	\$2,070,164	\$ 255,103	\$2,325,267
Payments to suppliers	(1,152,124)	(108,185)	(1,260,309)
Payments to employees and for employee-related costs	(186,277)	(59,740)	(246,017)
Other receipts	39,186	-	39,186
Net cash provided by operating activities	<u>770,949</u>	<u>87,178</u>	<u>858,127</u>
Cash flows from noncapital financing activities:			
Transfers to other funds	(803,875)	-	(803,875)
Increase in customer deposits, net	2,529	-	2,529
Net cash used by noncapital financing activities	<u>(801,346)</u>	<u>-</u>	<u>(801,346)</u>
Cash flows from capital and related financing activities:			
Principal paid on long-term debt	(30,000)	(3,131,140)	(3,161,140)
Interest paid on long-term debt	(800)	(88,904)	(89,704)
Payments of bond issue costs	-	(2,012)	(2,012)
Purchase and construction of capital assets	(25,744)	(1,922,926)	(1,948,670)
Grants and other contributions received	13,436	1,649,258	1,662,694
Net cash used by capital and related financing activities	<u>(43,108)</u>	<u>(3,495,724)</u>	<u>(3,538,832)</u>
Cash flows from investing activities:			
Proceeds of interest-bearing deposits with maturity in excess of ninety days	986,927	52,483	1,039,410
Purchase of interest-bearing deposits with maturity in excess of ninety days	(995,936)	(52,851)	(1,048,787)
Interest on investments	10,655	1,047	11,702
Net cash provided by investing activities	<u>1,646</u>	<u>679</u>	<u>2,325</u>
Net change in cash and cash equivalents	(71,859)	(3,407,867)	(3,479,726)
Cash and cash equivalents, beginning of year	<u>650,774</u>	<u>3,950,706</u>	<u>4,601,480</u>
Cash and cash equivalents, end of year	<u>\$ 578,915</u>	<u>\$ 542,839</u>	<u>\$1,121,754</u>

(continued)

TOWN OF ERATH, LOUISIANA

Statement of Cash Flows  
 Proprietary Funds (continued)  
 Year Ended June 30, 2017

	<u>Utility</u>	<u>Sewerage Utility</u>	<u>Total</u>
Cash flows from operating activities:			
Operating income (loss)	\$ 619,005	\$ (29,864)	\$ 589,141
Adjustments to reconcile operating income (loss) to net cash provided by operating activities -			
Depreciation	116,467	138,739	255,206
Provision for bad debts	12,282	(2,021)	10,261
(Increase) decrease in assets:			
Accounts and other receivables	20,937	(11,489)	9,448
Interfund receivables	(5,831)	-	(5,831)
Increase (decrease) in liabilities:			
Accounts payable, accrued expenses and other liabilities	8,089	(15,525)	(7,436)
Interfund payables	-	7,338	7,338
Net cash provided by operating activities	<u>\$ 770,949</u>	<u>\$ 87,178</u>	<u>\$ 858,127</u>
Cash and cash equivalents reported on statement of net position as:			
Current - cash	\$ 550,789	\$ 270,677	\$ 821,466
Restricted - cash	<u>28,126</u>	<u>272,162</u>	<u>300,288</u>
Total cash and cash equivalents	<u>\$ 578,915</u>	<u>\$ 542,839</u>	<u>\$ 1,121,754</u>
Noncash investing, capital and financing activities:			
Capital assets contributed	<u>\$ -</u>	<u>\$ 1,866</u>	<u>\$ 1,866</u>

The accompanying notes are an integral part of the basic financial statements.

TOWN OF ERATH, LOUISIANA  
Fiduciary Funds  
Statement of Fiduciary Net Position  
June 30, 2017

	<u>Agency Fund</u>
ASSETS	
Assets:	
Cash	<u>\$ 19,063</u>
LIABILITIES	
Liabilities:	
Due to external parties	<u>\$ 19,063</u>

The accompanying notes are an integral part of the basic financial statements.

TOWN OF ERATH, LOUISIANA  
Notes to Basic Financial Statements

(1) Summary of Significant Accounting Policies

The accompanying financial statements of the Town of Erath, Louisiana (Town) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsection of this note.

A. Financial Reporting Entity

The Town is incorporated under the provisions of the Lawrason Act. The Town operates under a Mayor-Board of Aldermen form of government. 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. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations 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. The Town has no such component units.

B. Basis of Presentation

Government-Wide Financial Statements (GWFS)

The statement of net position and statement of activities display information about the Town, the primary government, as a whole. They include all funds of the reporting entity, except fiduciary funds and component units that are fiduciary in nature. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of activities presents a comparison between direct expenses and program revenues for the business-type activities of the Town and for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

## TOWN OF ERATH, LOUISIANA

### Notes to Basic Financial Statements

#### Fund Financial Statements

The accounts of the Town are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a separate set of self-balancing accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. Fund financial statements report detailed information about the Town.

The various funds of the Town are classified into two categories: governmental and proprietary. The emphasis on fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. A fund is considered major if it is the primary operating fund of the Town or meets the following criteria:

- a. Total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets and deferred outflows or resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The Town reports the following major governmental funds -

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

**Sales Tax Fund** – This fund accounts for the proceeds of a one percent sales and use tax that is legally restricted to expenditures for specific purposes. These taxes are dedicated as described in Note 4.

**Special Parish Tax Fund** – This fund accounts from monies received from the Vermilion Parish Police Jury to defray the costs of the fire department.

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.

TOWN OF ERATH, LOUISIANA

Notes to Basic Financial Statements

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 Town has two nonmajor funds which are reported in a column labeled “Other Governmental Funds” in the fund 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.

C. Measurement Focus/Basis of Accounting

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide statement of net position and the statement of activities, both governmental and business-type activities are presented using the economic resources measurement focus as defined in item b. below.

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.

## TOWN OF ERATH, LOUISIANA

### Notes to Basic Financial Statements

#### Basis of Accounting

In the government-wide statement of net position and statement of activities, both governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are 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. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. All other receivables collected within 60 days after year end are considered available and recognized as revenue of the current year. 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.

Proprietary fund financial statements utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

#### Program revenues

Program revenues included in the Statement of Activities are derived directly from the program itself or from parties outside the Town's taxpayers or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the Town's general revenues.

#### Allocation of indirect expenses

The Town reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Indirect expenses of other functions are not allocated to those functions, but are reported separately in the Statement of Activities. Depreciation expense is specifically identified by function and is included in the direct expense of each function. Interest on general long-term debt is considered a direct expense and is

TOWN OF ERATH, LOUISIANA

Notes to Basic Financial Statements

reported as a direct expense in the public safety and sewer functions in the amount of \$3,922 and \$14,361, respectively.

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Equity

Cash and interest-bearing deposits

For purposes of the statement of net position, cash and interest-bearing deposits include all demand accounts, savings accounts, and certificates of deposits of the Town. For purposes of the statements of cash flows, all highly liquid investments (including restricted assets) with an original maturity of three months or less are considered to be cash equivalents.

Investments

Under state law the Town may deposit funds with a fiscal agent organized under the laws of the State of Louisiana, the laws of any other state in the union, or the laws of the United States. The Town may invest in United States bonds, treasury notes and bills, government backed agency securities, or certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana. In addition, local governments in Louisiana are authorized to invest in the Louisiana Asset Management Pool (LAMP), a nonprofit corporation formed by the State Treasurer and organized under the laws of the State of Louisiana, which operates a local government investment pool.

Interfund receivables and payables

Short-term cash borrowings between funds are considered temporary in nature. These amounts are reported as "interfund receivables and payables" in the fund financial statements. 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 and unbilled service receivable for the Utility Fund and Sewerage Utility Fund are reported net of an allowance for doubtful accounts. The allowance amount at June 30, 2017 for the Utility Fund and the Sewerage Utility Fund accounts receivable was \$139,331 and \$12,096, respectively. The allowance amount at June 30, 2017 for unbilled services in the Utility Fund and Sewerage Utility Fund was \$509 and \$-0-, respectively.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide or financial statements. Capital assets are capitalized at historical cost or estimated cost if historical is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation.

TOWN OF ERATH, LOUISIANA

Notes to Basic Financial Statements

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Prior to January 1, 2003, governmental funds' infrastructure assets were not capitalized. These assets have been valued at estimated historical cost.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. Land and construction in progress are not depreciated. The range of estimated useful lives by type of asset is as follows:

Buildings	20-40 years
Equipment, furniture, fixtures, and vehicles	4-20 years
Utility system and improvements	20-50 years
Infrastructure	25-50 years

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

Compensated Absences

Town employees are entitled to certain compensated absences based upon their length 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.

Sick and vacation leave is awarded on a calendar year basis and cannot be carried over to the next year. 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, 2017 and, therefore, not recorded in the financial statements.

Restricted Assets

Restricted assets include cash and interest-bearing deposits of the proprietary funds that are legally restricted as to their use. The restricted assets are related to utility meter deposits and revenue bonds.

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. The long-term debt consists of revenue bonds payable and certificates of indebtedness.

## TOWN OF ERATH, LOUISIANA

### Notes to Basic Financial Statements

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. The accounting for proprietary fund long-term debt is the same in the fund statements as it is in the government-wide statements.

#### Deferred Outflows of Resources and Deferred Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

#### Equity Classifications

Net position represents the difference between assets and deferred outflows of resources, less liabilities and deferred inflows of resources. The Town reports three categories of net position, as follows:

- a. Net investment in capital assets – Consists of net capital assets reduced by the outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction or improvement of those assets and increased by balances of deferred outflows of resources related to those assets.
- b. Restricted net position – Net position is considered restricted if its use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws or buyers of the Town's bonds. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets. Constraints may be 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. The Town typically uses restricted assets first, as appropriate opportunities arise, but reserves the right to selectively defer the use until a future project.
- c. Unrestricted net position – Net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in either of the other two categories of net position.

TOWN OF ERATH, LOUISIANA

Notes to Basic Financial Statements

Fund balances are classified as follows in the governmental fund financial statements:

- a. Nonspendable – amounts that cannot be spent because they are either not in spendable form (such as inventories and prepaid amounts) or legally or contractually required to be maintained intact.
- b. Restricted – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.
- c. Committed – amounts that can be spent only for specific purposes determined by a formal action of the government’s highest level of decision-making authority (Board of Aldermen). Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board of Aldermen.
- d. Assigned – amounts the government intends to use for specific purposes that do not meet the criteria to be classified as restricted or committed.
- e. Unassigned – all other spendable amounts not included in other spendable classifications.

As of June 30, 2017, fund balances are composed of the following:

	General Fund	Sales Tax	Nonmajor Funds	Total Governmental Funds
Restricted:				
Public works	\$ -	\$ 109,276	\$ -	\$ 109,276
Debt service	14,839	-	-	14,839
Youth recreation	-	-	4,439	4,439
Unassigned	<u>88,838</u>	<u>-</u>	<u>-</u>	<u>88,838</u>
Total fund balances	<u>\$ 103,677</u>	<u>\$ 109,276</u>	<u>\$ 4,439</u>	<u>\$ 217,392</u>

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Town considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Town considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed unless the Board of Aldermen has provided otherwise in its commitment or assignment actions.

TOWN OF ERATH, LOUISIANA  
Notes to Basic Financial Statements

E. Revenues, Expenditures, and Expenses

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures/expenses are classified as follows:

Governmental Funds - By Character  
Proprietary Fund - By Operating and Nonoperating

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

Interfund Transfers

Permanent reallocations of resources between funds of the reporting entity 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.

F. Revenue Restrictions

The Town has various restrictions placed over certain revenue sources from state or local requirements. The primary restricted revenue source is sales taxes as described in Note 4.

The Town uses unrestricted resources only when restricted resources are fully depleted.

G. Use of Estimates

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

TOWN OF ERATH, LOUISIANA

Notes to Basic Financial Statements

(2) Cash and Interest-Bearing Deposits

Under state law, the Town may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. The Town may invest in certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana. At June 30, 2017, the Town has cash and interest-bearing deposits (book balances) of \$2,354,132.

Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, the Town's deposits may not be recovered or the Town will not be able to recover the collateral securities that are in the possession of an outside party. These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank. Deposit balances (bank balances) at June 30, 2017, are as follows:

Bank balances	<u>\$ 2,328,732</u>
At June 30, 2017 the deposits are secured as follows:	
Federal deposit insurance	767,390
Pledged securities	<u>1,561,342</u>
Total	<u>\$ 2,328,732</u>

(3) Ad Valorem Taxes

Ad valorem taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied by the Town on December 1 and are due by February 28. The Town bills and collects its own property taxes. Property tax revenues are recognized when levied to the extent that they result in current receivables.

For the year ended June 30, 2017, taxes of 3.52 mills were levied on property with assessed valuations totaling \$6,348,314 and were dedicated for general purposes.

Total taxes levied were \$22,284. Taxes receivable at June 30, 2017 totaled \$169, all of which is considered collectible.

(4) Dedication of Proceeds and Flow of Funds - 1 Percent Sales and Use Tax

A one percent sales and use tax levied by the Town is dedicated to the following purposes:

The net proceeds can be used for constructing, acquiring, extending, improving and/or maintaining the Town's 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.

TOWN OF ERATH, LOUISIANA

Notes to Basic Financial Statements

Sales taxes recognized in the governmental fund financial statements under the modified accrual basis of accounting were \$265,644 while the amount recognized in the government-wide financial statements under the accrual basis of accounting was \$265,952.

(5) Aged Accounts Receivable

The Town is owed \$399,053 by its customers at June 30, 2017. The aging of these accounts receivable is as follows:

Current	\$ 218,883
Over 30 days	28,082
Over 60 days	8,214
Over 90 days	<u>143,874</u>
Total	<u>\$ 399,053</u>

(6) Due from Other Governmental Agencies

Amounts due from other governmental agencies consisted of the following at June 30, 2017:

Fund financial statements:

Governmental Funds -

Vermilion Parish School Board:

Sales and use taxes collected but not remitted \$ 20,193

Federal Government:

Other 3,292

State of Louisiana:

Federal grant funds 5,000

Other 6,281

\$ 34,766

Proprietary Funds -

State of Louisiana:

Federal grant funds \$ 501,291

State grant funds 15,638

\$ 516,929

Government-wide financial statements:

Total amount reported in -

Governmental Funds, from above \$ 34,766

Proprietary Funds, from above 516,929

Additional sales and use taxes due from Vermilion Parish School Board 25,679

\$ 577,374

TOWN OF ERATH, LOUISIANA

Notes to Basic Financial Statements

(7) Restricted Assets - Proprietary Fund Type

At June 30, 2017, restricted assets were applicable to the following:

	Utility Fund	Sewerage Utility Fund	Total
	<u>          </u>	<u>          </u>	<u>          </u>
Bond sinking account	\$ -	\$ 1,952	\$ 1,952
Bond reserve account	-	164,633	164,633
Depreciation and contingency account	-	86,723	86,723
Construction account	-	18,854	18,854
Customer deposits	<u>89,083</u>	<u>-</u>	<u>89,083</u>
Total	<u>\$ 89,083</u>	<u>\$ 272,162</u>	<u>\$ 361,245</u>

TOWN OF ERATH, LOUISIANA

Notes to Basic Financial Statements

(8) Capital Assets

Capital asset activity for the year ended June 30, 2017 was as follows:

	Balance 07/01/16	Increases	Decreases	Balance 06/30/17
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 333,388	\$ -	\$ -	\$ 333,388
Capital assets being depreciated:				
Buildings and improvements	2,319,136	-	-	2,319,136
Infrastructure	1,295,478	-	-	1,295,478
Equipment, furniture and fixtures	1,164,457	250,558	(25,000)	1,390,015
Improvements other than buildings	641,066	-	-	641,066
Total capital assets	<u>5,753,525</u>	<u>250,558</u>	<u>(25,000)</u>	<u>5,979,083</u>
Less accumulated depreciation:				
Buildings and improvements	468,745	56,098	-	524,843
Infrastructure	649,838	34,554	-	684,392
Equipment, furniture and fixtures	967,018	71,287	(25,000)	1,013,305
Improvements other than buildings	309,056	18,699	-	327,755
Total accumulated depreciation	<u>2,394,657</u>	<u>180,638</u>	<u>(25,000)</u>	<u>2,550,295</u>
Governmental activities, capital assets, net	<u>\$ 3,358,868</u>	<u>\$ 69,920</u>	<u>\$ -</u>	<u>\$ 3,428,788</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 85,463	\$ -	\$ -	\$ 85,463
Construction in progress	4,140,259	5,465,151	(9,602,923)	2,487
Capital assets being depreciated:				
Equipment and vehicles	452,064	5,490	-	457,554
Electric system	688,257	14,009	-	702,266
Water system	4,058,602	-	-	4,058,602
Sewer system	4,868,540	5,816,146	-	10,684,686
Total capital assets	<u>14,293,185</u>	<u>11,300,796</u>	<u>(9,602,923)</u>	<u>15,991,058</u>
Less accumulated depreciation:				
Equipment and vehicles	413,390	13,585	-	426,975
Electric system	253,574	16,669	-	270,243
Water system	1,712,782	94,071	-	1,806,853
Sewer system	2,287,752	130,881	-	2,418,633
Total accumulated depreciation	<u>4,667,498</u>	<u>255,206</u>	<u>-</u>	<u>4,922,704</u>
Business-type activities, capital assets, net	<u>\$ 9,625,687</u>	<u>\$ 11,045,590</u>	<u>\$ (9,602,923)</u>	<u>\$ 11,068,354</u>

TOWN OF ERATH, LOUISIANA  
Notes to Basic Financial Statements

Depreciation expense was charged to governmental activities as follows:

General government	\$ 13,909
Public safety	82,220
Public works	74,159
Culture and recreation	<u>10,350</u>
Total depreciation expense	<u>\$180,638</u>

Depreciation expense was charged to business-type activities as follows:

Electric	\$ 18,094
Water	98,373
Sewer	<u>138,739</u>
Total depreciation expense	<u>\$255,206</u>

(9) 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.

Certificates of Indebtedness. The Town issued certificates of indebtedness to provide additional funding needed for renovations made to the police station. These certificates are direct obligations and pledge the full faith and credit of the Town.

Loan Payable. The Town obtained a bank loan during the current fiscal year to provide funding for the purchase of a fire truck. This loan is a direct obligation and pledges the full faith and credit of the Town.

The following changes occurred in long-term debt for the year ended June 30, 2017:

	Balance 07/01/16	Additions	Reductions	Balance 06/30/17
Governmental activities:				
Certificates of indebtedness	\$ 159,000	\$ -	\$ (21,000)	\$ 138,000
Loan payable	<u>-</u>	<u>204,040</u>	<u>-</u>	<u>204,040</u>
	<u>\$ 159,000</u>	<u>\$ 204,040</u>	<u>\$ (21,000)</u>	<u>\$ 342,040</u>
Business-type activities:				
Revenue bonds	<u>\$3,666,262</u>	<u>\$ -</u>	<u>\$ (39,065)</u>	<u>\$3,627,197</u>

TOWN OF ERATH, LOUISIANA

Notes to Basic Financial Statements

Long-term debt outstanding at June 30, 2017 is as follows:

	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Balance Outstanding</u>	<u>Due Within One Year</u>
Governmental activities:					
Certificates of Indebtedness	01/18/13	12/01/22	2.625%	\$ 138,000	\$ 22,000
Loan payable	09/07/16	10/07/26	3.50%	204,040	11,377
Governmental activities long-term debt				<u>\$ 342,040</u>	<u>\$ 33,377</u>
Business-type activities:					
Sewer Revenue Bonds	02/09/98	02/09/38	4.50%	\$ 314,197	\$ 9,481
Sewer Revenue Bonds	07/01/16	07/01/56	2.25%	3,313,000	49,491
Business-type activities long-term debt				<u>\$3,627,197</u>	<u>\$ 58,972</u>

The annual debt service requirements to maturity of all debt outstanding at June 30, 2017 follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>
	<u>Principal payments</u>	<u>Interest payments</u>	<u>Principal payments</u>	<u>Interest payments</u>	
2018	33,377	9,865	58,972	81,813	184,027
2019	33,781	8,975	65,083	86,371	194,210
2020	35,199	7,967	66,794	84,661	194,621
2021	35,617	6,944	68,551	82,903	194,015
2022	37,079	5,866	70,362	81,093	194,400
2023 - 2027	166,987	14,793	380,870	376,402	939,052
2028 - 2032	-	-	434,816	322,456	757,272
2033 - 2037	-	-	497,355	259,917	757,272
2038 - 2042	-	-	456,264	197,894	654,158
2043 - 2047	-	-	495,086	145,054	640,140
2048 - 2052	-	-	553,982	86,158	640,140
2053 - 2056	-	-	479,062	21,848	500,910
	<u>\$ 342,040</u>	<u>\$ 54,410</u>	<u>\$3,627,197</u>	<u>\$ 1,826,570</u>	<u>\$ 5,850,217</u>

Bond anticipation notes payable. During a prior fiscal year, the Town authorized issuance of \$3,313,000 of bond anticipation notes, the proceeds of which were to be used to provide interim financing for the Town's sewerage system project. The permanent financing for the Project was to be provided by the Sewer Revenue Bonds, Series 2016, of the Town. These Bonds were delivered to the Town on June 30, 2016 and the Notes were paid off in the current fiscal year.

TOWN OF ERATH, LOUISIANA  
Notes to Basic Financial Statements

Schedule of changes in bond anticipation notes payable for the year ended June 30, 2017 is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Bond anticipation notes payable	\$ 3,122,075	\$ -	\$3,122,075	\$ -

(10) Flow of Funds; Restrictions on Use -

Sewer Revenues

Under the terms of the bond and pledge agreements with the United States Department of Agriculture, all revenues derived from the operation of the sewer utilities system are to be deposited into an account designated as the Sewer Revenue Fund and said account is to be maintained and administered in the following order of priority and for the following express purposes:

- (a) The payment of all reasonable and necessary expenses of operating and maintaining the utilities system.
- (b) Each month there shall be set aside into the Sewer Revenue Bond Sinking Fund on or before the 20<sup>th</sup> day of each month an amount equal to the principal, interest, and administrative fee accruing with respect to the bonds for such calendar month together with such additional proportionate sum as may be required to pay such principal, interest, and administrative fee as they become due.
- (c) Each month, there shall be set aside into the Revenue Bonds Debt Service Reserve Fund on or before the 20<sup>th</sup> day of each month a sum at least equal to 5% of the amount required to be paid into the Sewer Revenue Bond Sinking Fund until such time as the amount in this fund equals \$23,426.
- (d) Funds shall be set aside into the Sewer System Depreciation and Contingency Fund to provide for extensions, additions, improvements, renewals, and replacements necessary to properly operate the utilities system. Transfers shall be made on or before the 20<sup>th</sup> day each month in the amount of \$175.

All required transfers were made for the year ended June 30, 2017.

Certificates of Indebtedness

For the payment of the principal and interest on the Certificates, under the terms of the indenture, the Town shall create and maintain the Sinking Fund. The Town shall deposit into this fund on or before the 20<sup>th</sup> day of each month, a sum equal to the principal and interest accruing on the Certificates for such calendar month, together with such additional proportionate sum as may be required to pay said principal and interest as the same fall due. All required transfers were made for the year ended June 30, 2017.

TOWN OF ERATH, LOUISIANA  
Notes to Basic Financial Statements

(11) Commitments and Contingencies

Litigation

At June 30, 2017, management and legal counsel for the Town believe that the potential claims against the Town would not materially affect the Town's financial position.

(12) Risk Management

The Town is exposed to 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. There have been no significant reductions in the insurance coverage during the year.

(13) On-behalf Payments

The Town has recognized \$43,467 as a revenue and an expenditure for on-behalf salary payments made by the State of Louisiana.

(14) Interfund Transfers

Interfund transfers for the year ended June 30, 2017 consist of the following:

	Transfers In	Transfers Out
General	\$ 723,096	\$ 276,939
Sales Tax	70,019	-
Special Parish Tax Fund	276,939	-
Utility	-	793,115
Total	\$ 1,070,054	\$ 1,070,054

Transfers are used to (a) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and to (b) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

TOWN OF ERATH, LOUISIANA  
Notes to Basic Financial Statements

(15) Interfund Balances

Interfund balances at June 30, 2017 consist of the following:

	Due from	Due to
General	\$ 8,903	\$ 26,153
Sales Tax	70,000	7,270
Special Parish Tax Fund	736	-
Utility	31,251	70,000
Sewerage Utility	-	7,464
Other Governmental Funds	-	3
Total	\$ 110,890	\$ 110,890

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.

(16) Retirement Plan

Effective January 9, 2012, the Town entered into a SIMPLE IRA Adoption Agreement with American Funds Distributors Inc., setting up an Individual Retirement Account (IRA) plan for its employees. All employees are eligible to participate in the Plan. Employees make elective deferrals to the Plan at whatever amount they choose up to a maximum of \$11,500 per year. The Town makes matching contributions of each employee's elective deferral up to a limit of 3% of the employee's compensation. All contributions are made directly to an IRA set up for each employee. Contributions made by the Town for the year ended June 30, 2017 was \$8,258.

(17) Compensation of Town Officials

A detail of compensation paid to elected officials for the year ended June 30, 2017, follows:

Mayor:

John LeBlanc	115 West Edwards St., Erath, LA 70533	\$ <u>9,891</u>
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Aldermen:

Robert Domingues	115 West Edwards St., Erath, LA 70533	\$ 5,072
Timothy Landry	115 West Edwards St., Erath, LA 70533	5,009
Guy Nerren	115 West Edwards St., Erath, LA 70533	5,008
Robert Vincent	115 West Edwards St., Erath, LA 70533	5,072
Loretta Milliman	115 West Edwards St., Erath, LA 70533	2,309
Mark Taylor Mencacci	115 West Edwards St., Erath, LA 70533	2,765
		\$ 25,235

The Mayor of the Town is considered the agency head. The Town did not pay any benefits on his behalf for the year ended June 30, 2017. In addition, the only payments he received from the Town is the salary amount disclosed above.

**REQUIRED  
SUPPLEMENTARY INFORMATION**

TOWN OF ERATH, LOUISIANA  
General Fund  
Budgetary Comparison Schedule  
Year Ended June 30, 2017

	Budget		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
<b>Revenues:</b>				
Taxes	\$ 62,500	\$ 58,070	\$ 58,500	\$ 430
Licenses and permits	90,250	96,250	97,039	789
Intergovernmental	21,745	76,395	81,299	4,904
Charges for services	29,000	22,000	20,177	(1,823)
Fines and forfeitures	68,000	59,000	57,337	(1,663)
Miscellaneous	66,333	64,733	62,919	(1,814)
Total revenues	<u>337,828</u>	<u>376,448</u>	<u>377,271</u>	<u>823</u>
<b>Expenditures:</b>				
Current -				
General government	261,273	283,251	280,580	2,671
Public safety	624,341	668,808	644,519	24,289
Health and welfare	1,892	-	-	-
Economic development and assistance	3,000	3,000	3,000	-
Culture and recreation	49,311	49,511	53,428	(3,917)
Debt service -				
Principal	21,000	21,000	21,000	-
Interest	3,622	4,222	3,922	300
Capital outlay	21,215	29,787	24,544	5,243
Total expenditures	<u>985,654</u>	<u>1,059,579</u>	<u>1,030,993</u>	<u>28,586</u>
Deficiency of revenues over expenditures	<u>(647,826)</u>	<u>(683,131)</u>	<u>(653,722)</u>	<u>29,409</u>
<b>Other financing sources (uses):</b>				
Transfers in	750,000	750,000	723,096	(26,904)
Transfer out	(79,029)	(278,919)	(276,939)	1,980
Bond proceeds	-	202,990	204,040	1,050
Total other financing sources (uses)	<u>670,971</u>	<u>674,071</u>	<u>650,197</u>	<u>(23,874)</u>
Net change in fund balance	23,145	(9,060)	(3,525)	5,535
Fund balance, beginning	<u>108,896</u>	<u>107,202</u>	<u>107,202</u>	<u>-</u>
Fund balance, ending	<u>\$ 132,041</u>	<u>\$ 98,142</u>	<u>\$ 103,677</u>	<u>\$ 5,535</u>

TOWN OF ERATH, LOUISIANA  
Sales Tax Fund  
Budgetary Comparison Schedule  
Year Ended June 30, 2017

	Budget		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues:				
Taxes -				
Sales tax collected	\$ 265,000	\$ 261,000	\$ 265,644	\$ 4,644
Intergovernmental -				
Federal grant	-	8,450	8,455	5
State grant	-	-	189	189
Interest	200	200	285	85
Miscellaneous	15,180	13,880	13,690	(190)
Total revenues	280,380	283,530	288,263	4,733
Expenditures:				
Current -				
Public works:				
Salaries	172,666	162,666	158,847	3,819
Payroll taxes	13,114	13,114	12,142	972
Retirement	-	1,100	1,359	(259)
Group insurance	43,000	38,000	37,629	371
Worker's compensation	25,000	29,562	31,123	(1,561)
Uniforms	1,500	1,500	900	600
Material and supplies	26,000	18,500	16,978	1,522
Truck and tractor expenses	13,000	9,000	7,890	1,110
Insurance	10,000	8,500	8,811	(311)
Telephone	4,500	4,500	4,352	148
Professional services	4,500	6,000	8,398	(2,398)
Office supplies	900	900	515	385
Repairs and maintenance	17,000	23,600	28,402	(4,802)
Fuel and oil	7,000	7,000	7,776	(776)
Utilities	2,800	5,300	5,234	66
Other	3,094	3,094	1,918	1,176
Capital outlay	23,599	23,599	13,781	9,818
Total expenditures	367,673	355,935	346,055	9,880
Excess (deficiency) of revenues over expenditures	(87,293)	(72,405)	(57,792)	14,613
Other financing sources:				
Transfers in	100,000	85,000	70,019	(14,981)
Net change in fund balance	12,707	12,595	12,227	(368)
Fund balance, beginning	103,319	97,049	97,049	-
Fund balance, ending	\$ 116,026	\$ 109,644	\$ 109,276	\$ (368)

TOWN OF ERATH, LOUISIANA  
Special Parish Tax Fund  
Budgetary Comparison Schedule  
Year Ended June 30, 2017

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental -				
Appropriation from Vermillion				
Parish Police Jury:				
Special Parish Tax	\$ 28,570	\$ 28,570	\$ 28,570	\$ -
Miscellaneous	500	5,500	5,800	300
Total revenues	<u>29,070</u>	<u>34,070</u>	<u>34,370</u>	<u>300</u>
Expenditures:				
Current -				
Public safety:				
Salaries	28,285	28,285	29,055	(770)
Payroll taxes	2,664	2,664	2,663	1
Group insurance	7,150	7,150	7,401	(251)
Retirement	-	400	366	34
Worker's compensation insurance	2,300	2,300	4,668	(2,368)
Training	2,000	2,000	2,000	-
Fire prevention and education	2,000	2,000	1,913	87
Office supplies	500	500	1,500	(1,000)
Material and supplies	2,000	2,000	1,528	472
Truck expense	11,500	11,500	7,052	4,448
Insurance	26,000	26,000	22,301	3,699
Telephone	3,000	3,000	3,329	(329)
Professional services	750	750	750	-
Uniforms	350	350	335	15
Repairs and maintenance	7,800	9,300	8,253	1,047
Utilities	6,800	6,800	5,008	1,792
Other	1,000	1,000	606	394
Capital outlay	<u>4,000</u>	<u>206,990</u>	<u>212,581</u>	<u>(5,591)</u>
Total expenditures	<u>108,099</u>	<u>312,989</u>	<u>311,309</u>	<u>1,680</u>
Deficiency of revenues over expenditures	(79,029)	(278,919)	(276,939)	1,980
Other financing sources:				
Transfers in	<u>79,029</u>	<u>278,919</u>	<u>276,939</u>	<u>(1,980)</u>
Net change in fund balance	-	-	-	-
Fund balance, beginning	-	-	-	-
Fund balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

TOWN OF ERATH, LOUISIANA

Note to Budgetary Comparison Schedules

(1) Budgets and Budgetary Accounting

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

1. The Town Clerk and Mayor prepare a proposed operating budget for the fiscal year and submit it to the Board of Aldermen not later than fifteen days prior to the beginning of each fiscal year.
2. A summary of the proposed budget is published and the public notified that the proposed budget is available for public inspection. At the same time, a public hearing is called.
3. A public hearing is held on the proposed budget at least ten days after publication of the call for the hearing.
4. After the holding of the public hearing and completion of all action necessary to finalize and implement the budget, the budget is adopted through passage of an ordinance prior to the commencement of the fiscal year for which the budget is being adopted.
5. Any budgetary amendments require the approval of the Board of Aldermen.
6. All budgetary appropriations lapse at the end of each fiscal year.
7. Budgets for all funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

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

**OTHER SUPPLEMENTARY INFORMATION**

**NONMAJOR GOVERNMENTAL FUNDS**

## **NONMAJOR GOVERNMENTAL FUNDS**

To account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

### **Youth Recreation Fund**

To account for the collection and disbursement of the Town's share of proceeds from the youth recreation hotel/motel sales tax.

### **LCDBG Fund**

To account for capital improvements within the Town funded by federal Community Development Block Grants.

TOWN OF ERATH, LOUISIANA  
Nonmajor Governmental Funds

Combining Balance Sheet  
June 30, 2017

	<u>Youth Recreation Fund</u>	<u>LCDBG</u>	<u>Total</u>
ASSETS			
Cash	<u>\$ 4,439</u>	<u>\$ 3</u>	<u>\$ 4,442</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Due to other funds	<u>-</u>	<u>3</u>	<u>3</u>
Fund balances:			
Restricted	<u>4,439</u>	<u>-</u>	<u>4,439</u>
Total liabilities and fund balances	<u>\$ 4,439</u>	<u>\$ 3</u>	<u>\$ 4,442</u>

TOWN OF ERATH, LOUISIANA  
Nonmajor Governmental Funds

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances -  
Year Ended June 30, 2017

	<u>Youth Recreation Fund</u>	<u>LCDBG</u>	<u>Total</u>
Revenues	\$ -	\$ -	\$ -
Expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	-	-
Fund balances, beginning	<u>4,439</u>	<u>-</u>	<u>4,439</u>
Fund balances, ending	<u>\$ 4,439</u>	<u>\$ -</u>	<u>\$ 4,439</u>

TOWN OF ERATH, LOUISIANA

Schedule of Insurance in Force  
Year Ended June 30, 2017

Insurer	Assets Covered	Limits of Coverage (in Dollars)	Expiration Date
Axis Surplus Insurance Co.	Commercial property	Varies by property	5/6/2018
Rod Prejean & Associates, Inc.	Automobiles	Varies by vehicle	12/29/2017
Dorsey Insurance	Public Officials		
	Mayor	28,500	11/15/2017
	Town Clerk	28,500	11/15/2017
	Tax Collector	28,500	11/15/2017
	Bill Collector	28,500	11/15/2017
	Mayor Pro-tem	28,500	11/15/2017
	Council & other employees	5,000	11/15/2017
Hartford Insurance Company	Crime Policy		
	Mayor	400,000	6/16/2018
	Town Clerk	400,000	6/16/2018
Erath Insurance	Accidental Death: Auxiliary Police	15,000	5/10/2018
LA Municipal Risk Management	Comprehensive general liability	500,000	12/29/2017
	Law enforcement officer	500,000	12/29/2017
	Errors & omissions	500,000	12/29/2017
	Automobile liability	500,000	12/29/2017
Special Risk Insurance, Inc.	Portable equipment - Fire Department	Replacement Cost	3/28/2018
	General liability - Fire Department	2,000,000	3/28/2018
	Management liability - Fire Department	2,000,000	3/28/2018
Bankers Specialty Insurance	Flood - Police station		
	Building	500,000	5/7/2018
	Contents	50,000	5/7/2018

TOWN OF ERATH, LOUISIANA  
Enterprise Funds  
Utility Fund and Sewerage Utility Fund

Schedule of Number of Utility Customers and Rates  
June 30, 2017 and 2016

The following number of customers were being serviced during the month of June:

<u>Department</u>	<u>2017</u>	<u>2016</u>
Electric (metered)	958	956
Water	984	991
Sewerage	944	946

The monthly water rates of the Town are as follows:

Residential:

\$11.00 for the first 2,000 gallons and \$4.50 per 1,000 gallons thereafter

Commercial

\$15.00 for the first 2,000 gallons and \$4.70 per 1,000 gallons thereafter

The monthly sewer rates are based on water consumption as follows:

Residential:

\$13.00 for the first 2,000 gallons and \$3.00 per 1,000 gallons thereafter

Commercial

\$16.00 for the first 2,000 gallons and \$3.00 per 1,000 gallons thereafter

TOWN OF ERATH, LOUISIANA  
 Statements of Net Position  
 Proprietary Funds  
 June 30, 2017 and 2016

	2017	2016
<b>ASSETS</b>		
Current assets:		
Cash	\$ 821,466	\$ 772,929
Interest-bearing deposits	987,932	978,979
Accrued interest receivable	1,378	1,367
Accounts receivable, net	247,626	240,549
Unbilled service receivable, net	23,015	49,801
Due from other governmental agencies	516,929	501,610
Interfund receivables	31,251	420
Total current assets	2,629,597	2,545,655
Restricted assets:		
Cash	300,288	3,828,551
Interest-bearing deposits	60,855	60,431
Accrued interest receivable	102	101
Total restricted assets	361,245	3,889,083
Capital assets, net of accumulated depreciation	11,068,354	9,625,687
Total assets	14,059,196	16,060,425
<b>LIABILITIES</b>		
Current liabilities (payable from current assets):		
Accounts payable and accrued expenses	373,180	763,411
Retainage payable	248,816	193,591
Interfund payables	77,464	55,886
Other payables	4,772	4,408
Total	704,232	1,017,296
Current liabilities (payable from restricted assets):		
Customers' deposits	89,083	86,554
Bond anticipation notes payable	-	3,122,075
Current portion of long term debt	58,972	39,065
Accrued interest on bonds	-	800
Total	148,055	3,248,494
Total current liabilities	852,287	4,265,790
Noncurrent liabilities:		
Long term debt	3,568,225	3,627,197
Total liabilities	4,420,512	7,892,987
<b>NET POSITION</b>		
Net investment in capital assets	7,460,011	5,998,490
Restricted for debt service	253,308	267,915
Unrestricted	1,925,365	1,901,033
Total net position	\$ 9,638,684	\$ 8,167,438

TOWN OF ERATH, LOUISIANA  
 Statements of Revenues, Expenses, and Changes in Fund Net Position  
 Proprietary Funds  
 Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Operating revenues:		
Charges for services	\$ 2,315,455	\$ 2,629,879
Miscellaneous	<u>39,186</u>	<u>32,366</u>
Total operating revenues	<u>2,354,641</u>	<u>2,662,245</u>
Operating expenses:		
Salaries	184,958	191,761
Payroll taxes	14,020	15,078
Retirement	2,193	4,052
Group insurance	37,005	33,276
Worker's compensation insurance	9,397	6,997
Purchase of electric power	908,028	1,070,400
Materials and supplies	64,691	71,493
Maintenance and repairs	73,507	50,370
Fuel, gas and oil	7,204	9,701
Telephone and utilities	107,281	118,246
Insurance	30,322	39,735
Depreciation	255,206	223,174
Contractual services	15,600	15,600
Professional fees	14,311	25,260
Equipment rental	11,657	-
Bad debts	12,282	18,261
Other	<u>17,838</u>	<u>23,732</u>
Total operating expenses	<u>1,765,500</u>	<u>1,917,136</u>
Operating income	<u>589,141</u>	<u>745,109</u>
Nonoperating revenues/(expenses):		
Grant revenue	1,678,013	875,474
Interest income	11,714	12,442
Interest expense	(14,361)	(16,359)
Bond issue costs	<u>(2,012)</u>	<u>(18,061)</u>
Total nonoperating revenues/(expenses)	<u>1,673,354</u>	<u>853,496</u>
Income before contributions and transfers	2,262,495	1,598,605
Capital contributions	1,866	109,232
Transfers out	<u>(793,115)</u>	<u>(807,336)</u>
Change in net position	1,471,246	900,501
Net position, beginning	<u>8,167,438</u>	<u>7,266,937</u>
Net position, ending	<u>\$ 9,638,684</u>	<u>\$ 8,167,438</u>

TOWN OF ERATH, LOUISIANA

Budgetary Comparison Schedule - Detail of Revenues  
 General Fund  
 For the Year Ended June 30, 2017

	Budget		Actual	Variance with Final Budget
	Original	Final		Positive (Negative)
Taxes -				
General ad valorem	\$ 22,000	\$ 22,000	\$ 22,101	\$ 101
Gas franchise	10,000	10,000	10,442	442
Cable franchise	12,000	10,500	10,328	(172)
Slemco franchise	3,000	3,000	3,171	171
Entergy franchise	9,000	8,000	7,888	(112)
Housing Authority payment	6,500	4,570	4,570	-
	<u>62,500</u>	<u>58,070</u>	<u>58,500</u>	<u>430</u>
Licenses and permits -				
Occupational licenses	22,000	24,500	24,845	345
Insurance licenses	65,000	70,500	71,454	954
Building permits	3,000	1,000	565	(435)
Liquor permits	250	250	175	(75)
	<u>90,250</u>	<u>96,250</u>	<u>97,039</u>	<u>789</u>
Intergovernmental -				
On-behalf payments	-	43,467	43,467	-
Federal grants	16,745	27,928	32,928	5,000
State shared revenue:				
Beer taxes	5,000	5,000	4,904	(96)
	<u>21,745</u>	<u>76,395</u>	<u>81,299</u>	<u>4,904</u>
Charges for services -				
Police accident reports	1,000	1,000	725	(275)
Court costs	28,000	21,000	19,452	(1,548)
	<u>29,000</u>	<u>22,000</u>	<u>20,177</u>	<u>(1,823)</u>
Fines and forfeitures	<u>68,000</u>	<u>59,000</u>	<u>57,337</u>	<u>(1,663)</u>
Miscellaneous -				
Rent income (post office)	31,333	37,733	37,732	(1)
Other	35,000	27,000	25,187	(1,813)
	<u>66,333</u>	<u>64,733</u>	<u>62,919</u>	<u>(1,814)</u>
Total revenues	<u>\$ 337,828</u>	<u>\$ 376,448</u>	<u>\$ 377,271</u>	<u>\$ 823</u>

TOWN OF ERATH, LOUISIANA

Budgetary Comparison Schedule - Detail of Expenditures  
 General Fund  
 For the Year Ended June 30, 2017

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Current -				
General government:				
Mayor's salary	\$ 9,921	\$ 9,921	\$ 9,891	\$ 30
Council salaries	25,604	25,604	25,235	369
Clerk of Court salary	29,062	29,062	29,174	(112)
Other salaries	82,317	61,767	61,562	205
Payroll taxes	11,019	9,447	9,528	(81)
Retirement	-	1,200	1,248	(48)
Group insurance	14,300	14,300	15,127	(827)
Workmen's compensation insurance	600	600	746	(146)
Unemployment insurance	-	8,500	7,945	555
Conventions and schools	250	250	-	250
Uniforms	700	700	552	148
Printing, stationery and supplies	5,600	5,600	5,805	(205)
Repairs and maintenance	5,500	9,000	8,767	233
Material and supplies	4,000	3,500	3,126	374
General insurance	21,000	21,000	23,201	(2,201)
Auditing and accounting	5,250	5,250	5,250	-
Dues and subscriptions	1,300	1,300	1,296	4
Telephone	3,000	3,000	2,978	22
Professional fees	5,000	23,500	23,538	(38)
Publication of minutes	2,000	2,000	1,905	95
Tax roll preparation	1,100	1,100	1,041	59
Legal fees	4,000	7,000	6,434	566
Utilities	6,000	6,000	4,904	1,096
Building permits and inspections	3,000	2,000	1,495	505
Election expense	2,500	2,500	1,210	1,290
Landscaping	1,500	1,500	2,225	(725)
Emergency generator fuel and repairs	750	750	-	750

(continued)

TOWN OF ERATH, LOUISIANA

Budgetary Comparison Schedule - Detail of Expenditures  
 General Fund (Continued)  
 For the Year Ended June 30, 2017

	Budget		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Court material and supplies	500	500	420	80
Court dues and subscriptions	300	300	315	(15)
Court printing supplies	1,200	1,200	677	523
Court communications	3,100	3,100	3,131	(31)
Court postage	400	400	303	97
Court professional fees	2,000	6,000	6,163	(163)
Commissions	-	7,900	7,900	-
Magistrate salary	2,400	2,400	2,400	-
Prosecutor salary	2,400	2,400	2,400	-
Other	3,700	2,700	2,688	12
	<u>261,273</u>	<u>283,251</u>	<u>280,580</u>	<u>2,671</u>
Public safety:				
Chief of Police's salary	38,260	36,260	35,464	796
Other salaries	319,029	343,496	335,630	7,866
Payroll taxes	30,477	28,977	27,600	1,377
Retirement	-	2,800	2,930	(130)
Group insurance	69,000	72,000	71,517	483
Workmen's compensation insurance	18,000	29,500	22,436	7,064
Court appearance	1,000	1,000	250	750
Uniforms	2,500	2,500	2,490	10
Conventions and schools	1,300	1,300	1,315	(15)
Dues and subscriptions	700	700	650	50
Material and supplies	3,800	4,800	4,212	588
Auto fuel and oil	28,000	25,500	24,087	1,413
Insurance	48,000	48,000	46,301	1,699
Telephone	5,000	4,000	3,902	98
Task force appropriation	15,000	15,000	15,000	-
Office	2,000	2,500	2,288	212
Repairs and maintenance -				
Auto	12,000	17,000	16,091	909
Building	9,000	12,200	12,349	(149)
Radio, radar and camera	4,000	4,000	3,853	147
Emergency generator fuel	600	600	-	600
Utilities	8,500	8,500	7,904	596
Other	3,375	3,375	3,450	(75)
Salaries - fire department	4,800	4,800	4,800	-
	<u>624,341</u>	<u>668,808</u>	<u>644,519</u>	<u>24,289</u>

(continued)

TOWN OF ERATH, LOUISIANA

Budgetary Comparison Schedule - Detail of Expenditures  
 General Fund (Continued)  
 For the Year Ended June 30, 2017

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Health and welfare:				
Meals on wheels	<u>1,892</u>	<u>-</u>	<u>-</u>	<u>-</u>
Economic development and assistance:				
External appropriation	<u>3,000</u>	<u>3,000</u>	<u>3,000</u>	<u>-</u>
Culture and recreation:				
Salaries	29,949	29,949	30,357	(408)
Payroll taxes	2,268	2,268	2,253	15
Retirement	-	200	162	38
Group insurance	7,150	7,150	7,401	(251)
Workmen's compensation insurance	1,500	1,500	2,144	(644)
Uniforms	250	250	-	250
Materials and supplies	1,200	1,200	1,407	(207)
Insurance	500	500	320	180
Maintenance and upkeep	300	300	3,952	(3,652)
Repairs and maintenance -				
Building	250	250	-	250
Equipment	1,500	1,500	1,906	(406)
Equipment fuel and oil	750	750	692	58
Utilities	2,000	2,000	1,872	128
Other	<u>1,694</u>	<u>1,694</u>	<u>962</u>	<u>732</u>
	<u>49,311</u>	<u>49,511</u>	<u>53,428</u>	<u>(3,917)</u>
Debt service:				
Principal	21,000	21,000	21,000	-
Interest	<u>3,622</u>	<u>4,222</u>	<u>3,922</u>	<u>300</u>
	<u>24,622</u>	<u>25,222</u>	<u>24,922</u>	<u>300</u>
Capital outlay	<u>21,215</u>	<u>29,787</u>	<u>24,544</u>	<u>5,243</u>
Total expenditures	<u>\$ 985,654</u>	<u>\$ 1,059,579</u>	<u>\$ 1,030,993</u>	<u>\$ 28,586</u>

**INTERNAL CONTROL, COMPLIANCE  
AND  
OTHER MATTERS**

# KOLDER, CHAMPAGNE, SLAVEN & COMPANY, LLC

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## INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Honorable John Earl LeBlanc, Mayor  
and members of the Board of Aldermen  
Town of Erath, Louisiana

We have audited, 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, the financial statements of the governmental activities, 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, 2017, and the related notes to the financial statements, which collectively comprise the Town of Erath, Louisiana's basic financial statements and have issued our report thereon dated December 1, 2017.

### Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of current and prior year audit findings and management's corrective action plan as items 2017-001 and 2017-002 that we consider to be significant deficiencies.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town of Erath's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*, described in the accompanying schedule of current and prior year audit findings and management's corrective action plan as item 2017-003.

### **Town of Erath's Response to Findings**

The Town's response to the findings identified in our audit is described in the accompanying schedule of current and prior year audit findings and management's corrective action plan. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

***Kolder, Champagne, Slaven & Company, LLC***  
Certified Public Accountants

Abbeville, Louisiana  
December 1, 2017

# KOLDER, CHAMPAGNE, SLAVEN & COMPANY, LLC

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## INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

The Honorable John Earl LeBlanc, Mayor  
and members of the Board of Aldermen  
Town of Erath, Louisiana

### ***Report on Compliance for Each Major Federal Program***

We have audited Town of Erath's (the Town) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Town's major federal programs for the year ended June 30, 2017. The Town's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

### ***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the Town's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller general of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Town's compliance.

## Opinion on Each Major Federal Program

In our opinion, the Town complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

## Report on Internal Control Over Compliance

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing and internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

***Kolder, Champagne, Slaven & Company, LLC***  
Certified Public Accountants

Abbeville, LA  
December 1, 2017

TOWN OF ERATH, LOUISIANA

Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2017

Federal Grantor/Pass-Through Grantor/ Program Title	Pass-through Identifying Number	CFDA Number	Expenditures
<u>United States Department of Agriculture-</u>			
State of Louisiana, Office of Rural Development:			
Water and Waste Disposal Systems for Rural			
Communities			
	N/A	10.760	<u>\$1,634,251</u>
<u>United States Department of Justice-</u>			
Louisiana Commission on Law Enforcement:			
Edward Byrne Memorial Justice Assistance			
Grant Program			
	2015-DJ-01-3031	16.738	16,745
Edward Byrne Memorial Justice Assistance			
Grant Program			
	2016-DJ-06-3471	16.738	<u>5,000</u>
Total			
			<u>21,745</u>
<u>United States Department of Homeland Security-</u>			
Louisiana Homeland Security & Emergency			
Preparedness:			
Public Assisantance Grants			
	FEMA-4277-DR-LA	97.036	<u>19,638</u>
			<u>\$1,675,634</u>

The accompanying notes are an integral part of this schedule.

TOWN OF ERATH, LOUISIANA

Notes to Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2017

(1) General

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the Town of Erath, Louisiana (Town) under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Town, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Town.

(2) Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in Note 1 to the Town's basic financial statements for the year ended June 30, 2017. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(3) Indirect Cost Rate

The Town has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

(4) Loans outstanding

The balances and transactions related to the federal water and waste disposal systems for rural communities loan program are included in the Town's basic financial statements. Loans made during the year are included in the federal expenditures presented in the schedule. The Town has the following loans outstanding:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amount Outstanding</u>
Water and Waste Disposal Systems for Rural Communities	10.760	<u>\$3,627,197</u>

TOWN OF ERATH, LOUISIANA

Schedule of Findings and Questioned Costs  
Year Ended June 30, 2017

Part I. Summary of Auditors' Results:

1. An unmodified report was issued on the basic financial statements.
2. Significant deficiencies in internal control were disclosed by the audit of the basic financial statements.
3. There were material instances of noncompliance.
4. No significant deficiencies or material weaknesses in internal control over the major program were disclosed by the audit of the basic financial statements.
5. An unmodified opinion was issued on compliance for the major program.
6. The audit disclosed no findings required to be reported in accordance with 2 CFR section 200.516(a) of the Uniform Guidance.
7. The major program was:  
    U.S. Department of Agriculture:  
    Water and Waste Disposal Systems for Rural Communities CFDA 10.760
8. The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
9. The auditee did not qualify as a low-risk auditee.

Part II. Findings which are required to be reported in accordance with generally accepted Governmental Auditing Standards:

A. Compliance Findings –

See schedule of current and prior year audit findings and management's corrective action plan.

B. Internal Control Findings –

See schedule of current and prior year audit findings and management's corrective action plan.

Part III. Findings and questioned costs for Federal awards which include audit findings as defined in 2 CFR section 200 of the Uniform Guidance:

There are no findings to be reported under this section.

TOWN OF ERATH, LOUISIANA

Schedule of Current and Prior Year Audit Findings  
and Management's Corrective Action Plan  
Year Ended June 30, 2017

Part I. Current Year Findings and Management's Corrective Action Plan:

A. Internal Control Over Financial Reporting

2017-001 Inadequate Segregation of Accounting Functions

Fiscal year finding initially occurred: Unknown

CONDITION: The Town of Erath did not have adequate segregation of duties within the accounting function.

CRITERIA: AU-C §315.04, *Understanding the Entity and its Environment and Assessing the Risks of Material Misstatement*, defines internal control as follows:

“Internal control is a process, affected by those charged with governance, management, and other personnel, designed to provide reasonable assurance about the achievement of objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.”

CAUSE: The cause of the condition is the fact that the Town does not have a sufficient number of staff performing administrative and financial duties so as to provide adequate segregation of accounting and financial duties.

EFFECT: Failure to adequately segregate accounting and financial functions increases the risk that errors and/or irregularities including fraud and/or defalcations may occur and not be prevented and/or detected.

RECOMMENDATION: Management should evaluate the cost vs. benefit of complete segregation and whenever possible, reassign incompatible duties among different employees to ensure that a single employee does not have control of more than one of the following responsibilities: (1) authorization; (2) custody; (3) recordkeeping; and (4) reconciliation.

MANAGEMENT'S CORRECTIVE ACTION PLAN: The Town's CPA oversees all financial aspects of the entity. We believe this is an adequate compensating control over our inability to adequately segregate duties in our administrative office.

TOWN OF ERATH, LOUISIANA

Schedule of Current and Prior Year Audit Findings  
and Management's Corrective Action Plan (continued)  
Year Ended June 30, 2017

2017-002 Policies and procedures for utility bills

Fiscal year finding initially occurred: 2015

CONDITION: During a test of utility accounts of the Town's customers, it was noted that some accounts are not being paid in full or timely and the customers continue to receive service.

CRITERIA: Written policies and procedures are necessary to provide a clear understanding of when utility services should be disconnected due to nonpayment for services. Policies and procedures should be applied consistently for all customers.

CAUSE: The Town has not properly applied policies and procedures regarding past due accounts and the proper cut-off procedures to disconnect services relating to nonpayment by customers.

EFFECT: Failure to apply policies and procedures increases the risk of not having continuity of operations and the risk that errors and/or irregularities may occur and not be prevented and/or detected.

RECOMMENDATION: Management needs to apply policies and procedures for every utility customer.

MANAGEMENT'S CORRECTIVE ACTION PLAN: Policies and procedures regarding disconnecting services for unpaid bills will be applied consistently to all customers.

B. Compliance

2017-003 State Bond Commission Approval

Fiscal year finding initially occurred: 2017

CONDITION: A loan was taken out by the Town for the purchase of a fire truck without obtaining prior approval from the State Bond Commission.

CRITERIA: According to state statute R.S. 39:1410.60, no public entity has the authority to borrow money, incur debt, or to issue bonds, or other evidences of debt, without the consent and approval of the State Bond Commission.

CAUSE: The Town entered into a lending agreement with a local financial institution without the consent of the State Bond Commission.

EFFECT: The Town may have violated RS 39:1410.60.

TOWN OF ERATH, LOUISIANA

Schedule of Current and Prior Year Audit Findings  
and Management's Corrective Action Plan (continued)  
Year Ended June 30, 2017

RECOMMENDATION: The Town should request and obtain approval from the State Bond Commission prior to borrowing money or incurring debt.

MANAGEMENT'S CORRECTIVE ACTION PLAN: Procedures are now in place requiring the Town to obtain State Bond Commission approval prior to incurring any debt.

Part II: Prior Year Findings:

A. Internal Control Over Financial Reporting

2016-001 Inadequate Segregation of duties

CONDITION: The Town of Erath did not have adequate segregation of duties within the accounting function.

RECOMMENDATION: Management should evaluate the cost vs. benefit of complete segregation and whenever possible, reassign incompatible duties among different employees to ensure that a single employee does not have control of more than one of the following responsibilities: (1) authorization; (2) custody; (3) recordkeeping; and (4) reconciliation.

CURRENT STATUS: Unresolved. See item 2017-001.

2016-002 Policies and procedures for utility bills

CONDITION: During a test of utility accounts of the Town's customers, it was noted that some accounts are not being paid in full or timely and the customers continue to receive service. It was noted that there are no formal adopted written policies and procedures regarding past due accounts and when utility services should be disconnected.

RECOMMENDATION: Management needs to adopt formal written policies and procedures which should be followed for every utility customer. Policies need to address when customers bills will be considered late, when to issue disconnect notices, and when to disconnect a service.

CURRENT STATUS: Unresolved. See item 2017-002.

TOWN OF ERATH, LOUISIANA

Schedule of Current and Prior Year Audit Findings  
and Management's Corrective Action Plan (continued)  
Year Ended June 30, 2017

B. Compliance

2016-003 Pledged Security Deposits

Fiscal year finding initially occurred: 2016

CONDITION: Bank balances with the Town's fiscal agent were under collateralized at June 30, 2016 by \$2,156,932.

RECOMMENDATION: Management needs to monitor the pledged securities that are used as collateral and make sure that these securities are enough to cover deposits at all times.

CURRENT STATUS: Resolved

**TOWN OF ERATH**  
Erath, Louisiana

Agreed-Upon Procedures Report

Year Ended June 30, 2017

# KOLDER, CHAMPAGNE, SLAVEN & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Retired

Conrad O. Chapman, CPA\* 2006

To the Honorable John Earl Leblanc,  
and Members of Board of Aldermen  
Town of Erath, and The Louisiana  
Legislative Auditor

We have performed the procedures enumerated below, which were agreed to by the management of Town of Erath (Town) and the Legislative Auditor, State of Louisiana, solely to assist the users in evaluating management's assertions about Town's compliance with certain laws, regulations and best practices during the year ended June 30, 2017. Management of the Town is responsible for its financial records and compliance with applicable laws and regulations. This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

### *Written Policies and Procedures*

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

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

*Written policies and procedures were obtained and address the functions noted above.*

b) **Purchasing**, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.

*Written policies and procedures were obtained; however, they do not address the following: (2) how vendors are added to the vendor list.*

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

*Written policies and procedures were obtained and address the functions noted above.*

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

*Written policies and procedures were obtained and address the functions noted above.*

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

*Written policies and procedures were obtained and address the functions noted above.*

- f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.

*Written policies and procedures were obtained and address the functions noted above.*

- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers, and (5) monitoring card usage.

*Written policies and procedures were obtained and address the functions noted above.*

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

*Written policies and procedures were obtained and address the functions noted above.*

- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy. Note: Ethics requirements are not applicable to nonprofits.

*Written policies and procedures were obtained; however, they do not address the following: (2) actions to be taken if an ethics violation takes place, and (3) system to monitor possible ethics violations.*

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

*Written policies and procedures were obtained and address the functions noted above.*

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

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

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

*Obtained and reviewed minutes of the managing board for the fiscal period noting that the board met monthly.*

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

*Minutes made no reference to monthly budget-to-actual comparisons.*

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

*Minutes made no reference to monthly budget-to-actual comparisons; therefore, unable to test this item.*

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

*For at least one meeting during the fiscal period, the minutes referenced non-budgetary financial information.*

***Bank Reconciliations***

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

*Obtained listing of client bank accounts from management and management's representation that listing is complete.*

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

- a) Bank reconciliations have been prepared;

*Obtained bank statements and reconciliations for all months in the fiscal period noting that reconciliations have been prepared for all months.*

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

*Bank reconciliations include evidence that a member of management has reviewed the reconciliations.*

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

*For 1 of the 8 bank reconciliations tested, there was no evidence of documentation for reconciling items outstanding longer than 6 months.*

### ***Collections***

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

*Obtained listing of cash collection locations and management's representation that listing is complete.*

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

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

*In 1 of the 3 locations tested, the person responsible for collecting cash, also deposits the cash in the bank.*

*In 2 of the 3 locations tested, the person responsible for collecting cash, also records the deposit.*

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

*No exceptions noted.*

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

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

*17 collections tested were deposited 7 days after receipt.*

*38 collections tested were deposited 6 days after receipt.*

*68 collections tested were deposited 5 days after receipt.*

*110 collections tested were deposited 4 days after receipt.*

*15 collections tested were deposited 2 days after receipt.*

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

*No exceptions noted.*

7. Obtain existing written documentation (e.g. policy manual, written procedure) and report whether the entity has a process specifically defined (identified as such by the entity) to determine completeness of all collections, including electronic transfers, for each revenue source and agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation) by a person who is not responsible for collections.

*Written policies and procedures were obtained and address the functions noted above.*

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

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

*Obtained a listing of disbursements and management's representation that the listing is complete.*

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

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

*No exceptions noted.*

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

*Examined supporting documentation for each of the 25 disbursements selected and found that 2 purchase orders were not approved.*

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

*No exceptions noted.*

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

*Written policies and procedures were obtained and do not address the functions noted above.*

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

*Written policies and procedures were obtained and do not address the functions noted above.*

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

*No exceptions noted.*

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

*No exceptions noted.*

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

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

*Obtained a listing of active credit cards, bank debit cards, fuel cards and name of person who maintain possession of cards and management's representation that the listing is complete.*

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

*Listing was obtained and randomly selected 1 card.*

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

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

*There was evidence that the monthly statements were reviewed and approved, by someone other than the authorized card holder.*

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

*There were no finance charges and/or late fees assessed.*

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

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

- An original itemized receipt (i.e., identifies precisely what was purchased).

*No exceptions noted.*

- Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.

*No exceptions noted.*

- Other documentation that may be required by written policy (e.g., purchase order, written authorization.)

*No exceptions noted.*

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

*No exceptions noted.*

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

*No exceptions noted.*

### ***Travel and Expense Reimbursement***

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

*Obtained a listing of travel and related expense reimbursements by person and management's representation that the listing is complete.*

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

*Policies were obtained. No amounts listed exceed GSA rates.*

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

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

*No exceptions noted.*

- b) Report whether each expense is supported by:

- An original itemized receipt that identifies precisely what was purchased. [Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) does not require a receipt.]

*No exceptions noted.*

- Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).

*1 reimbursement did not document the individuals participating in the meal.*

- Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance).

*No exceptions noted.*

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

*No exceptions noted.*

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

*No exceptions noted.*

### ***Contracts***

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

*Obtained a listing of all contracts in effect and management's representation that the listing is complete.*

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

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

*No exceptions noted.*

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

- If yes, obtain/compare supporting contract documentation to legal requirements and report whether the entity complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder).

*No noncompliance noted.*

- If no, obtain supporting contract documentation and report whether the entity solicited quotes as a best practice.

*Not applicable.*

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

*One contract was amended four separate times. The original terms provided for such amendments.*

*Amendment 1 was to increase contract time by 54 days.*

*Amendment 2 was to increase the cost of the project by \$44,209 for removal and disposal of excess sludge.*

*Amendment 3 was to increase the cost of the project by \$1,720 for the installation of a portable hoist.*

*Amendment 4 was to increase contract time by 14 days.*

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

*No exceptions noted.*

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

*No exceptions noted.*

### ***Payroll and Personnel***

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

*Obtained a listing of employees with their related salaries and management's representation that the listing is complete.*

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

*No exceptions noted.*

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

*No exceptions noted.*

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

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

*No exceptions noted.*

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

*No exceptions noted.*

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

*No exceptions noted.*

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

*No exceptions noted.*

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

*No exceptions noted.*

***Ethics (excluding nonprofits)***

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

*1 of the 5 employees/officials tested did not complete the required ethics training.*

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

*Management asserted that they have received no allegations during the fiscal period.*

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

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

*Debt was issued during the fiscal period and State Bond Commission approval was not obtained.*

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

*All scheduled debt service payments were made and debt reserves were maintained as required by debt covenants.*

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

*Not applicable.*

***Other***

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

*Management has asserted that the entity did not have any misappropriations of public funds or assets.*

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

*Required notices were posted on the entity's premises and website.*

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

*No exceptions noted.*

We were not engaged to perform, and did not perform, an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on management's assertions. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of management of the Town and the Legislative Auditor, State of Louisiana, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

***Kolder, Champagne, Slaven & Company, LLC***  
Certified Public Accountants

Abbeville, Louisiana  
December 01, 2017