

TOWN OF ERATH, LOUISIANA

Financial Report

Year Ended June 30, 2025

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INDEPENDENT AUDITOR'S REPORT

To Honorable Taylor Mencacci, Mayor
and the Members of the Board of Aldermen
Town of Erath, Louisiana

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Erath, Louisiana (the Town), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

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, as of June 30, 2025, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter Regarding Restatement of Beginning Net Position

As described in Note 20, the Town adopted Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*. As a result of this adoption, beginning net position and various beginning fund balances have been restated. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Town's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of 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 has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of 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.

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 justice system funding schedules, the schedule of compensation, benefits and other payments to the agency head, and the schedule of compensation paid to board members are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the justice system funding schedules, the schedule of compensation, benefits and other payments to the agency head, and the schedule of compensation paid to board members are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the combining nonmajor fund financial statements, the schedule of insurance in force, the schedule of number of utility customers and rates, the comparative statement of net position – proprietary funds, comparative statement of revenues, expenses, and changes in net position – proprietary funds, budgetary comparison schedule – detail of revenue – general fund, budgetary comparison schedule – detail of expenditures – general fund, and budgetary comparison schedule – special parish tax fund but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2025, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Kolder, Slaven & Company, LLC
Certified Public Accountants

Abbeville, Louisiana
December 22, 2025

BASIC FINANCIAL STATEMENTS

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

TOWN OF ERATH, LOUISIANA

Statement of Net Position
June 30, 2025

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and interest-bearing deposits	\$ 401,538	\$ 1,071,159	\$ 1,472,697
Accrued interest receivable	63	7,329	7,392
Accounts receivable, net	-	276,146	276,146
Unbilled service receivable, net	-	45,440	45,440
Leases receivable	43,696	-	43,696
Other receivables	5,140	-	5,140
Due from other governmental agencies	116,157	21,170	137,327
Internal balances	89,457	(89,457)	-
Restricted assets:			
Cash and interest-bearing deposits	-	614,369	614,369
Accrued interest receivable	-	1,362	1,362
Leases receivable, non-current	7,421	-	7,421
Capital assets:			
Non-depreciable	333,388	518,462	851,850
Depreciable	<u>2,486,125</u>	<u>9,636,721</u>	<u>12,122,846</u>
Total assets	<u>3,482,985</u>	<u>12,102,701</u>	<u>15,585,686</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pensions	<u>585,000</u>	<u>-</u>	<u>585,000</u>
LIABILITIES			
Accounts and accrued expenses	81,076	241,636	322,712
Retainage payable	-	16,543	16,543
Other payables	-	3,801	3,801
Customers' deposits	-	100,707	100,707
Accrued interest payable	152	5,934	6,086
Accrued compensated absences	19,909	8,673	28,582
Long-term liabilities:			
Portion due or payable within one year -			
Revenue bonds payable	-	78,149	78,149
Certificates of indebtedness	25,000	-	25,000
Portion due or payable after one year -			
Accrued compensated absences	64,970	18,891	83,861
Revenue bonds payable	-	2,996,806	2,996,806
Certificates of indebtedness	27,000	-	27,000
Net pension liability	<u>695,569</u>	<u>-</u>	<u>695,569</u>
Total liabilities	<u>913,676</u>	<u>3,471,140</u>	<u>4,384,816</u>
DEFERRED INFLOWS OF RESOURCES			
Pensions	21,041	-	21,041
Leases	<u>51,117</u>	<u>-</u>	<u>51,117</u>
Total deferred inflows of resources	<u>72,158</u>	<u>-</u>	<u>72,158</u>
NET POSITION			
Net investment in capital assets	2,767,513	7,066,999	9,834,512
Restricted for:			
Tax dedications	413,312	-	413,312
Debt service	17,923	509,090	527,013
Unrestricted	<u>(116,597)</u>	<u>1,055,472</u>	<u>938,875</u>
Total net position	<u>\$ 3,082,151</u>	<u>\$ 8,631,561</u>	<u>\$ 11,713,712</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, 2025

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	\$ 287,546	\$ 73,795	\$ -	\$ -	\$ (213,751)	\$ -	\$ (213,751)
Public safety	1,349,224	139,573	106,024	22,000	(1,081,627)	-	(1,081,627)
Public works	255,581	19,725	-	-	(235,856)	-	(235,856)
Urban redevelopment and housing	9,891	-	-	9,891	-	-	-
Culture and recreation	66,398	-	-	-	(66,398)	-	(66,398)
Total governmental activities	<u>1,968,640</u>	<u>233,093</u>	<u>106,024</u>	<u>31,891</u>	<u>(1,597,632)</u>	<u>-</u>	<u>(1,597,632)</u>
Business-type activities:							
Electric	1,878,656	2,375,654	-	-	-	496,998	496,998
Water	366,290	311,722	-	70,984	-	16,416	16,416
Sewer	525,680	405,802	-	112,345	-	(7,533)	(7,533)
Total business-type activities	<u>2,770,626</u>	<u>3,093,178</u>	<u>-</u>	<u>183,329</u>	<u>-</u>	<u>505,881</u>	<u>505,881</u>
Total	<u>4,739,266</u>	<u>3,326,271</u>	<u>106,024</u>	<u>215,220</u>	<u>(1,597,632)</u>	<u>505,881</u>	<u>(1,091,751)</u>
General revenues:							
Taxes -							
Property taxes, levied for general purposes					26,940	-	26,940
Sales and use taxes, levied for general purposes					407,936	-	407,936
Franchise taxes					36,179	-	36,179
Other					16,389	-	16,389
Licenses and permits					102,946	-	102,946
Grants and contributions not restricted to specific programs					23,584	-	23,584
Interest and investment earnings					2,081	32,043	34,124
Miscellaneous					18,961	-	18,961
Loss on disposal of capital assets					(161)	-	(161)
Transfers					822,078	(822,078)	-
Total general revenues and transfers					<u>1,456,933</u>	<u>(790,035)</u>	<u>666,898</u>
Change in net position					(140,699)	(284,154)	(424,853)
Net position, beginning, restated					<u>3,222,850</u>	<u>8,915,715</u>	<u>12,138,565</u>
Net position, ending					<u>\$ 3,082,151</u>	<u>\$ 8,631,561</u>	<u>\$ 11,713,712</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, 2025

	General	Sales Tax	Other Governmental Funds	Total
ASSETS				
Cash	\$ 69,645	\$ 315,382	\$ 1,025	\$ 386,052
Interest-bearing deposits	-	15,486	-	15,486
Receivables:				
Accrued interest	-	63	-	63
Other	4,985	-	155	5,140
Due from other governmental agencies	16,380	38,849	9,891	65,120
Due from other funds	91,404	-	1,773	93,177
Lease receivable, current	43,696	-	-	43,696
Lease receivable, long-term	7,421	-	-	7,421
Total assets	\$ 233,531	\$ 369,780	\$ 12,844	\$ 616,155
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 20,874	\$ 15,654	\$ 12,741	\$ 49,269
Due to other funds	1,942	1,675	103	3,720
Accrued expenses	46,297	5,419	-	51,716
Total liabilities	69,113	22,748	12,844	104,705
Deferred inflows of resources:				
Leases	51,117	-	-	51,117
Fund balances:				
Restricted	31,429	347,032	-	378,461
Unassigned	81,872	-	-	81,872
Total fund balances	113,301	347,032	-	460,333
Total liabilities, deferred inflows of resources and fund balances	\$ 233,531	\$ 369,780	\$ 12,844	\$ 616,155

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, 2025

Total fund balances - governmental funds		\$ 460,333
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 governmental funds.		
Capital assets, net		2,819,513
Deferred outflows of expenditures are not a use of current resources and, therefore, are not reported in the governmental funds.		
Deferred outflows of resources - pension		585,000
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 compensated absences	\$ (64,970)	
Accrued interest payable	(152)	
Bonds payable	(52,000)	
Net pension liability	<u>(695,569)</u>	(812,691)
Deferred inflows of contributions are not available resources and, therefore, are not reported in the governmental funds.		
Deferred inflows of resources - pension		(21,041)
Sales taxes which are not "measurable" at year-end and therefore are not available soon enough to pay for current period expenditures are not reported in the governmental funds.		
		<u>51,037</u>
Total net position of governmental activities		<u>\$ 3,082,151</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, 2025

	<u>General</u>	<u>Sales Tax</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Revenues:				
Taxes	\$ 108,512	\$ 354,724	\$ -	\$ 463,236
Licenses and permits	102,946	-	-	102,946
Intergovernmental	68,641	14,000	41,477	124,118
Charges for services	30,042	-	-	30,042
Fines and forfeitures	79,184	-	-	79,184
Interest	136	1,817	-	1,953
Miscellaneous	<u>137,750</u>	<u>20,166</u>	<u>2,323</u>	<u>160,239</u>
Total revenues	<u>527,211</u>	<u>390,707</u>	<u>43,800</u>	<u>961,718</u>
Expenditures:				
Current -				
General government	279,793	-	-	279,793
Public safety	917,847	-	139,759	1,057,606
Culture and recreation	57,734	-	-	57,734
Urban redevelopment and housing	-	-	9,891	9,891
Public works	-	203,904	-	203,904
Debt service -				
Principal	24,000	-	-	24,000
Interest	2,240	-	-	2,240
Capital outlay	<u>14,349</u>	<u>82,973</u>	<u>17,044</u>	<u>114,366</u>
Total expenditures	<u>1,295,963</u>	<u>286,877</u>	<u>166,694</u>	<u>1,749,534</u>
Excess (deficiency) of revenues over expenditures	<u>(768,752)</u>	<u>103,830</u>	<u>(122,894)</u>	<u>(787,816)</u>
Other financing sources (uses):				
Transfers in	867,846	-	122,894	990,740
Transfers out	<u>(87,894)</u>	<u>(80,768)</u>	<u>-</u>	<u>(168,662)</u>
Total other financing sources (uses)	<u>779,952</u>	<u>(80,768)</u>	<u>122,894</u>	<u>822,078</u>
Net change in fund balances	11,200	23,062	-	34,262
Fund balances, beginning , restated	<u>102,101</u>	<u>323,970</u>	<u>-</u>	<u>426,071</u>
Fund balances, ending	<u>\$ 113,301</u>	<u>\$ 347,032</u>	<u>\$ -</u>	<u>\$ 460,333</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, 2025

Net change in fund balances - total governmental funds		\$ 34,262
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	\$ 114,366	
Depreciation expense	<u>(173,790)</u>	(59,424)
The net effect of various miscellaneous transactions involving net assets.		
		(162)
Because some revenues are not measurable at year end, they are not considered available in the governmental funds:		
Sales taxes	24,142	
Non-employer pension contributions	<u>19,970</u>	44,112
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.		
Principal payments		24,000
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 compensated absences	(5,060)	
Decrease in accrued interest payable	60	
Pension expense	<u>(178,487)</u>	<u>(183,487)</u>
Change in net position of governmental activities		<u>\$ (140,699)</u>

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

TOWN OF ERATH, LOUISIANA

Statement of Net Position
 Proprietary Funds
 June 30, 2025

	<u>Utility</u>	<u>Sewerage Utility</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash	\$ 78,162	\$ 72,780	\$ 150,942
Interest-bearing deposits	862,811	57,406	920,217
Accrued interest receivable	6,146	1,183	7,329
Accounts receivable, net	247,677	28,469	276,146
Unbilled service receivable, net	39,962	5,478	45,440
Due from other governmental agencies	17,687	3,483	21,170
Interfund receivables	<u>172</u>	<u>-</u>	<u>172</u>
Total current assets	<u>1,252,617</u>	<u>168,799</u>	<u>1,421,416</u>
Restricted assets:			
Cash	33,246	515,024	548,270
Interest-bearing deposits	66,099	-	66,099
Accrued interest receivable	<u>1,362</u>	<u>-</u>	<u>1,362</u>
Total restricted assets	<u>100,707</u>	<u>515,024</u>	<u>615,731</u>
Capital assets, net of accumulated depreciation	<u>2,838,632</u>	<u>7,316,551</u>	<u>10,155,183</u>
Total assets	<u>4,191,956</u>	<u>8,000,374</u>	<u>12,192,330</u>
LIABILITIES			
Current liabilities (payable from current assets):			
Accounts payable and accrued expenses	220,073	21,563	241,636
Accrued compensated absences	6,955	1,718	8,673
Retainage payable	-	16,543	16,543
Due to other funds	88,000	1,629	89,629
Other payables	<u>3,801</u>	<u>-</u>	<u>3,801</u>
Total	<u>318,829</u>	<u>41,453</u>	<u>360,282</u>
Current liabilities (payable from restricted assets):			
Customers' deposits	100,707	-	100,707
Accrued interest payable	-	5,934	5,934
Current portion of long term debt	<u>-</u>	<u>78,149</u>	<u>78,149</u>
Total	<u>100,707</u>	<u>84,083</u>	<u>184,790</u>
Total current liabilities	<u>419,536</u>	<u>125,536</u>	<u>545,072</u>
Noncurrent liabilities:			
Accrued compensated absences	17,263	1,628	18,891
Long term debt	<u>-</u>	<u>2,996,806</u>	<u>2,996,806</u>
Total noncurrent liabilities	<u>17,263</u>	<u>2,998,434</u>	<u>3,015,697</u>
Total liabilities	<u>436,799</u>	<u>3,123,970</u>	<u>3,560,769</u>
NET POSITION			
Net investment in capital assets	2,830,272	4,236,727	7,066,999
Restricted for debt service	-	509,090	509,090
Unrestricted	<u>924,885</u>	<u>130,587</u>	<u>1,055,472</u>
Total net position	<u>\$ 3,755,157</u>	<u>\$ 4,876,404</u>	<u>\$ 8,631,561</u>

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, 2025

	<u>Utility</u>	<u>Sewerage Utility</u>	<u>Total</u>
Operating revenues:			
Charges for services	\$2,645,278	\$ 405,802	\$ 3,051,080
Miscellaneous	42,098	-	42,098
Total operating revenues	<u>2,687,376</u>	<u>405,802</u>	<u>3,093,178</u>
Operating expenses:			
Salaries	167,614	49,655	217,269
Payroll taxes	12,524	3,754	16,278
Retirement	2,531	1,459	3,990
Group insurance	35,295	9,408	44,703
Worker's compensation insurance	2,658	934	3,592
Purchase of electric power	1,560,969	-	1,560,969
Materials and supplies	74,267	8,176	82,443
Maintenance and repairs	101,422	13,505	114,927
Fuel, gas and oil	5,613	1,939	7,552
Telephone and utilities	36,389	81,474	117,863
Insurance	43,819	14,330	58,149
Depreciation	127,749	242,191	369,940
Contractual services	15,600	-	15,600
Professional fees	37,843	9,564	47,407
Other	20,653	14,042	34,695
Total operating expenses	<u>2,244,946</u>	<u>450,431</u>	<u>2,695,377</u>
Operating income (loss)	<u>442,430</u>	<u>(44,629)</u>	<u>397,801</u>
Nonoperating revenues/(expenses):			
Interest income	30,417	1,626	32,043
Interest expense	-	(75,249)	(75,249)
Grant revenue	70,984	112,345	183,329
Total nonoperating revenues/(expenses)	<u>101,401</u>	<u>38,722</u>	<u>140,123</u>
Income (loss) before transfers	543,831	(5,907)	537,924
Transfers in (out):			
Transfers in	45,768	-	45,768
Transfers out	(867,846)	-	(867,846)
Total transfers in (out)	<u>(822,078)</u>	<u>-</u>	<u>(822,078)</u>
Change in net position	(278,247)	(5,907)	(284,154)
Net position, beginning, restated	<u>4,033,404</u>	<u>4,882,311</u>	<u>8,915,715</u>
Net position, ending	<u>\$3,755,157</u>	<u>\$4,876,404</u>	<u>\$8,631,561</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, 2025

	Utility	Sewerage Utility	Total
Cash flows from operating activities:			
Receipts from customers	\$ 2,616,375	\$ 407,206	\$ 3,023,581
Payments to suppliers	(1,835,357)	(134,020)	(1,969,377)
Payments to employees and for employee-related costs	(209,705)	(64,105)	(273,810)
Other receipts	42,098	-	42,098
Net cash provided by operating activities	<u>613,411</u>	<u>209,081</u>	<u>822,492</u>
Cash flows from noncapital financing activities:			
Transfers from other funds	45,768	-	45,768
Transfers to other funds	(874,846)	-	(874,846)
Net cash used by noncapital financing activities	<u>(829,078)</u>	<u>-</u>	<u>(829,078)</u>
Cash flows from capital and related financing activities:			
Principal paid on long-term debt	-	(76,115)	(76,115)
Interest paid on long-term debt	-	(75,339)	(75,339)
Purchase and construction of capital assets	(294,642)	(170,699)	(465,341)
Grants and other contributions received	54,476	108,862	163,338
Net cash used by capital and related financing activities	<u>(240,166)</u>	<u>(213,291)</u>	<u>(453,457)</u>
Cash flows from investing activities:			
Proceeds of interest-bearing deposits with maturity in excess of ninety days	1,091,182	57,276	1,148,458
Purchase of interest-bearing deposits with maturity in excess of ninety days	(928,910)	(57,406)	(986,316)
Interest on investments	24,909	484	25,393
Net cash provided by investing activities	<u>187,181</u>	<u>354</u>	<u>187,535</u>
Net increase (decrease) in cash and cash equivalents	(268,652)	(3,856)	(272,508)
Cash and cash equivalents, beginning of year	<u>380,060</u>	<u>591,660</u>	<u>971,720</u>
Cash and cash equivalents, end of year	<u>\$ 111,408</u>	<u>\$ 587,804</u>	<u>\$ 699,212</u>

(continued)

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

TOWN OF ERATH, LOUISIANA

Statement of Cash Flows
 Proprietary Funds (continued)
 For the Year Ended June 30, 2025

	<u>Utility</u>	<u>Sewerage Utility</u>	<u>Total</u>
Cash flows from operating activities:			
Operating income (loss)	\$ 442,430	\$ (44,629)	\$ 397,801
Adjustments to reconcile operating income (loss) to net cash provided by operating activities -			
Depreciation	127,749	242,191	369,940
Provision for bad debts	4,766	776	5,542
(Increase) decrease in assets:			
Accounts and other receivables	(34,932)	628	(34,304)
Increase (decrease) in liabilities:			
Accounts payable, accrued expenses and other liabilities	73,398	8,486	81,884
Interfund payables	<u>-</u>	<u>1,629</u>	<u>1,629</u>
Net cash provided by operating activities	<u>\$ 613,411</u>	<u>\$ 209,081</u>	<u>\$ 822,492</u>
Cash and cash equivalents reported on statement of net position as:			
Current - cash	\$ 78,162	\$ 72,780	\$ 150,942
Restricted - cash	<u>33,246</u>	<u>515,024</u>	<u>548,270</u>
Total cash and cash equivalents	<u>\$ 111,408</u>	<u>\$ 587,804</u>	<u>\$ 699,212</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, 2025

	<u>Custodial Fund</u>
ASSETS	
Cash	<u>\$ 36,764</u>
LIABILITIES	
Accounts payable	<u>16,211</u>
NET POSITION	
Restricted for:	
Individuals, organizations, and other governments	<u>\$ 20,553</u>

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

TOWN OF ERATH, LOUISIANA
Erath, Louisiana

Fiduciary Funds
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2025

	<u>Custodial Fund</u>
Additions:	
Bonds	\$ 14,630
Deductions:	
Payments of court costs to other governments	<u>(13,349)</u>
Net increase in fiduciary net position	1,281
Net position, beginning	<u>19,272</u>
Net position, ending	<u>\$ 20,553</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.

The Town reports the following major enterprise funds:

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

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

TOWN OF ERATH, LOUISIANA

Notes to Basic Financial Statements

In addition, the Town reports the following:

The Town has one fiduciary fund, a Custodial 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.

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.

TOWN OF ERATH, LOUISIANA

Notes to Basic Financial Statements

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 reported as a direct expense in the public safety and sewer functions in the amount of \$2,180 and \$75,249, 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.

TOWN OF ERATH, LOUISIANA

Notes to Basic Financial Statements

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, 2025, for the Utility Fund and the Sewerage Utility Fund accounts receivable was \$184,055 and \$19,929, respectively.

Leases receivable

The Town recognizes a lease receivable and a deferred inflow of resources at the commencement of the lease term. The Town measures the lease receivable at the present value of lease payments anticipated to be received during the lease term, reduced by any provision for estimated uncollectible amounts. Interest revenue is recognized on the lease receivable over the lease term using the effective interest method. The Town recognizes lease payments received as a reduction of the lease receivable.

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.

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.

TOWN OF ERATH, LOUISIANA

Notes to Basic Financial Statements

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 and improvements	20-40 years
Equipment, vehicles, furniture and fixtures	4-20 years
Utility system (electric, water and sewer)	20-50 years
Infrastructure	25-50 years
Land improvements	10-40 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

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

Upon termination, no payment is made for accrued and unused sick leave. However, any accumulated current year annual leave is paid to the employee.

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.

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.

TOWN OF ERATH, LOUISIANA

Notes to Basic Financial 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. At June 30, 2025, the Town reported \$940,325 of restricted net position, \$413,312 of which was restricted by enabling legislation.
- 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, 2025, fund balances are composed of the following:

	General Fund	Sales Tax	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
Restricted:			
Public works	\$ -	\$ 347,032	\$ 347,032
Public safety	13,506		13,506
Debt service	17,923	-	17,923
Unassigned	<u>81,872</u>	<u>-</u>	<u>81,872</u>
Total fund balances	<u>\$ 113,301</u>	<u>\$ 347,032</u>	<u>\$ 460,333</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

H. Pensions

The net pension liability, deferred outflows of resources, and deferred inflows of resources related to pensions, and pension expense, has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. Non-employer contributions are recognized as revenues in the government-wide financial statements. In the governmental fund financial statements contributions are recognized as expenditures when due.

(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.

These deposits are stated at cost, which approximates market. 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. The Town does not have a policy for custodial credit risk; however, 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) are secured as follows:

Bank balances	<u>\$ 2,367,560</u>
The Town's deposits are secured as follows:	
Insured deposits	1,000,000
Collateral held by the pledging bank's trust department or agent	<u>1,367,560</u>
Total	<u>\$ 2,367,560</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, 2025, taxes of 3.6 mills were levied on property with assessed valuations totaling \$7,569,285 and were dedicated for general purposes.

Total taxes levied were \$27,249. Taxes receivable at June 30, 2025 has not been recorded due to immateriality.

TOWN OF ERATH, LOUISIANA

Notes to Basic Financial Statements

(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.

Sales taxes recognized in the governmental fund financial statements under the modified accrual basis of accounting were \$383,728 while the amount recognized in the government-wide financial statements under the accrual basis of accounting was \$407,936.

(5) Aged Accounts Receivable

The Town is owed \$480,130 by its customers at June 30, 2025. The aging of these accounts receivable is as follows:

Current	\$ 251,993
Over 30 days	26,383
Over 60 days	1,362
Over 90 days	<u>200,392</u>
Total	<u>\$ 480,130</u>

TOWN OF ERATH, LOUISIANA

Notes to Basic Financial Statements

(6) Leases

The Town has entered into a non-cancelable lease agreement with the United States Postal Service (USPS) involving a building for operations with a lease term from September 1, 2021 through August 31, 2026 with an incremental borrowing rate of 3.250%. During the year, the Town recognized \$42,300 in lease revenue and \$2,410 of interest income related to this agreement. At June 30, 2025, the Town recorded \$51,117 in lease receivable for this agreement. Also, the Town has \$51,117 in deferred inflows of resources associated with this lease that will be recognized as revenue over the lease term.

A summary of lease receivable is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Payments</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Lease receivable:					
Building	\$ 93,417	\$ -	\$ (42,300)	\$ 51,117	\$ 43,696

Remaining amounts to be received associated with this lease are as follows:

<u>Year Ending June 30,</u>	<u>Principal payments</u>	<u>Interest payments</u>	<u>Total</u>
2026	43,696	1,014	44,710
2027	7,421	30	7,451
	<u>\$ 51,117</u>	<u>\$ 1,044</u>	<u>\$ 52,161</u>

TOWN OF ERATH, LOUISIANA

Notes to Basic Financial Statements

(7) Due from Other Governmental Agencies

Amounts due from other governmental agencies consisted of the following at June 30, 2025:

Fund financial statements:

Governmental Funds -

Vermilion Parish School Board:

Sales and use taxes collected but not remitted \$ 46,719

State of Louisiana:

Federal grant funds 9,891

Other 8,510

\$ 65,120

Proprietary Funds -

State of Louisiana:

Federal grant funds \$ 3,483

State grant funds 17,471

Other 216

\$ 21,170

Government-wide financial statements:

Total amount reported in -

Governmental Funds, from above \$ 65,120

Proprietary Funds, from above 21,170

Additional sales and use taxes due from Vermilion Parish School Board 51,037

\$ 137,327

(8) Restricted Assets - Proprietary Fund Type

At June 30, 2025, restricted assets were applicable to the following:

	Utility Fund	Sewerage Utility Fund	Total
Bond sinking account	\$ -	\$ 14,056	\$ 14,056
Bond reserve account	-	164,731	164,731
Depreciation and contingency account	-	207,537	207,537
Short lived asset account	-	128,700	128,700
Customer deposits	<u>100,707</u>	<u>-</u>	<u>100,707</u>
Total	<u>\$ 100,707</u>	<u>\$ 515,024</u>	<u>\$ 615,731</u>

TOWN OF ERATH, LOUISIANA

Notes to Basic Financial Statements

(9) Capital Assets

Capital asset activity for the year ended June 30, 2025 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 333,388	\$ -	\$ -	\$ 333,388
Capital assets being depreciated:				
Buildings and improvements	2,270,995	-	-	2,270,995
Infrastructure	1,333,645	14,124	-	1,347,769
Equipment, furniture and fixtures	1,821,009	95,142	(133,718)	1,782,433
Improvements other than buildings	693,874	5,100	(69,758)	629,216
Total capital assets	<u>6,452,911</u>	<u>114,366</u>	<u>(203,476)</u>	<u>6,363,801</u>
Less accumulated depreciation:				
Buildings and improvements	877,194	52,262	-	929,456
Infrastructure	935,511	24,032	-	959,543
Equipment, furniture and fixtures	1,317,646	80,686	(133,557)	1,264,775
Improvements other than buildings	443,462	16,810	(69,758)	390,514
Total accumulated depreciation	<u>3,573,813</u>	<u>173,790</u>	<u>(203,315)</u>	<u>3,544,288</u>
Governmental activities, capital assets, net	<u>\$ 2,879,098</u>	<u>\$ (59,424)</u>	<u>\$ (161)</u>	<u>\$ 2,819,513</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 85,463	\$ 106,787	\$ -	\$ 192,250
Construction in progress	70,181	256,031	-	326,212
Capital assets being depreciated:				
Electric system	964,848	31,716	(4,094)	992,470
Water system	4,799,393	25,617	(9,846)	4,815,164
Sewer system	11,497,560	25,300	(9,464)	11,513,396
Total capital assets	<u>17,417,445</u>	<u>445,451</u>	<u>(23,404)</u>	<u>17,839,492</u>
Less accumulated depreciation:				
Electric system	586,787	16,893	(4,094)	599,586
Water system	2,557,113	110,856	(9,846)	2,658,123
Sewer system	4,193,873	242,191	(9,464)	4,426,600
Total accumulated depreciation	<u>7,337,773</u>	<u>369,940</u>	<u>(23,404)</u>	<u>7,684,309</u>
Business-type activities, capital assets, net	<u>\$ 10,079,672</u>	<u>\$ 75,511</u>	<u>\$ -</u>	<u>\$ 10,155,183</u>

TOWN OF ERATH, LOUISIANA

Notes to Basic Financial Statements

Depreciation expense was charged to governmental activities as follows:

General government	\$ 7,558
Public safety	105,891
Public works	51,677
Culture and recreation	<u>8,664</u>
Total depreciation expense	<u>\$173,790</u>

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

Electric	\$ 16,893
Water	110,856
Sewer	<u>242,191</u>
Total depreciation expense	<u>\$369,940</u>

(10) Long-Term Debt

Long term liabilities at June 30, 2025 are comprised of the following individual issues:

Governmental activities –

Direct borrowing certificates of indebtedness:

Series 2018 Certificate of Indebtedness, dated September 21, 2018,
original amount of \$187,000, bearing interest of 3.50%, maturing on
December 1, 2026.

\$ 52,000

TOWN OF ERATH, LOUISIANA

Notes to Basic Financial Statements

Business-type activities –

Direct borrowing revenue bond payable:

\$430,000 Sewer Revenue Bonds, issued February 9, 1998, due in monthly installments of \$1,952 over forty years through 2038; interest at 4.500% \$ 224,962

\$2,485,000 Sewer Revenue Bonds, Series 2016, issued July 1, 2016, due in monthly installments of \$2,845 over forty years through 2056; interest at 2.250% \$2,137,768

\$828,000 Sewer Revenue Bonds, Series 2016, issued July 1, 2016, due in monthly installments of \$2,667 over forty years through 2056; interest at 2.250% \$ 712,225

The annual requirement to amortize all debt outstanding is as follows:

Year Ending June 30,	Governmental Activities		Business-type Activities		Total
	Principal payments	Interest payments	Principal payments	Interest payments	
2026	25,000	1,382	78,149	73,305	177,836
2027	27,000	473	80,239	71,216	178,928
2028	-	-	82,392	69,062	151,454
2029	-	-	84,610	66,844	151,454
2030	-	-	86,895	64,560	151,455
2031-2035	-	-	471,214	286,058	757,272
2036-2040	-	-	480,351	220,660	701,011
2041-2045	-	-	473,325	166,815	640,140
2046-2050	-	-	529,626	110,514	640,140
2051-2055	-	-	592,628	47,512	640,140
2056	-	-	115,526	1,300	116,826
	<u>\$ 52,000</u>	<u>\$ 1,855</u>	<u>\$3,074,955</u>	<u>\$ 1,177,846</u>	<u>\$ 4,306,656</u>

In the event that the above sewer revenue bonds are in default, the bonding agency has the right to compel the performance of all duties, including the fixing, charging, and collecting of rentals, fees or other charges for the use of the System. The Bond owner may also appoint an agent to take possession of the System to hold, operate, maintain, manage and control the System in the name of the bond owner. This agent shall collect and receive all fees, rentals, and other revenues, maintain and operate the System in a manner to compensate the bond issuer for the amount owed, until the bond is repaid in full. The other bonds contain no monetary default provisions.

TOWN OF ERATH, LOUISIANA

Notes to Basic Financial Statements

The following is a summary of changes in long-term debt of the Town:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Series 2018 Certificate of Indebtedness	\$ 76,000	\$ -	\$ (24,000)	\$ 52,000	\$ 25,000
Business-type activities:					
Sewer Revenue Bonds	\$ 237,946	\$ -	\$ (12,984)	\$ 224,962	\$ 13,581
Sewer Revenue Bonds, Series 2016	\$2,185,113	\$ -	\$ (47,345)	\$2,137,768	\$ 48,422
Sewer Revenue Bonds, Series 2016	\$ 728,011	\$ -	\$ (15,786)	\$ 712,225	\$ 16,146

(11) 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 20th 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 20th 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 \$163,457.
- (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 20th day each month in the amount of \$1,262.
- (e) Funds shall be set aside into the Short Lived Asset Fund to provide for maintenance and replacement of short lived assets of the system, by transferring monthly, on or before the 20th day of each month, a sum of \$1,300.

All required transfers were made for the year ended June 30, 2025.

TOWN OF ERATH, LOUISIANA

Notes to Basic Financial Statements

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 20th 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, 2025.

(12) Commitments and Contingencies

Litigation

At June 30, 2025, management and legal counsel for the Town believe that the potential claims against the Town would not materially affect the Town's financial position.

(13) 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, nor have settlements exceeded coverage for the last three years.

(14) On-behalf Payments

The Town has recognized \$55,940 as a revenue and an expenditure for on-behalf salary payments made by the State of Louisiana.

(15) Compensated Absences

Compensated absences consist of the following:

	<u>Beginning Balance</u>	<u>Net Change</u>	<u>Ending Balance</u>	<u>Due Within One year</u>
Accrued compensated absences -				
Governmental Activities	<u>\$ 84,042</u>	<u>\$ 837</u>	<u>\$ 84,879</u>	<u>\$ 19,909</u>
Business-Type Activities	<u>\$ 19,624</u>	<u>\$ 7,940</u>	<u>\$ 27,564</u>	<u>\$ 8,673</u>

TOWN OF ERATH, LOUISIANA

Notes to Basic Financial Statements

(15) Interfund Transfers

Interfund transfers for the year ended June 30, 2025, consist of the following:

	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 867,846	\$ 87,894
Sales Tax	-	80,768
Utility	45,768	867,846
Other Governmental Funds	<u>122,894</u>	<u>-</u>
Total	<u>\$ 1,036,508</u>	<u>\$ 1,036,508</u>

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.

(16) Interfund Balances

Interfund balances at June 30, 2025, consist of the following:

	<u>Due from</u>	<u>Due to</u>
General	\$ 91,404	\$ 1,942
Sales Tax	-	1,675
Utility	172	88,000
Sewerage Utility	-	1,629
Other Governmental Funds	<u>1,773</u>	<u>103</u>
Total	<u>\$ 93,349</u>	<u>\$ 93,349</u>

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

(17) 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 \$15,500 for employees under age 50 or \$19,000 for employees age 50 or older. 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, 2025, was \$8,565.

TOWN OF ERATH, LOUISIANA

Notes to Basic Financial Statements

(18) Employee Retirement

The Town is a participating employer in a cost-sharing defined benefit pension plan. The plan is administered by the Municipal Police Employee's Retirement System of Louisiana (MPERS).

The retirement system issues an annually publicly available stand-alone report on the financial statements and required supplementary information. The report may be obtained on the retirement system's website or on the Louisiana Legislative Auditor's website as follows:

Municipal Police Employees' Retirement System – www.mpersla.com
Louisiana Legislative Auditor – www.la.la.gov

Plan description:

Municipal Police Employees' Retirement System of Louisiana (MPERS)

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

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

Membership Prior to January 1, 2013: A member is eligible for regular retirement after he has been a member of the System and has 25 years of creditable service at any age or has 20 years of creditable service and is age 50 or has 12 years creditable service and is age 55. A member is eligible for early retirement after he has been a member of the System for 20 years of creditable service at any age with an actuarially reduced benefit.

Benefit rates are three and one-third percent of average final compensation (average monthly earnings during the highest 36 consecutive months or joined months if service was interrupted) per number of years of creditable service, not to exceed 100% of final salary.

Upon the death of an active contributing member, or disability retiree, the plan provides for surviving spouses and minor children. Under certain conditions outlined in the statutes, the benefits range from forty to sixty percent of the member's average final compensation for the surviving spouse. In addition, each child under age eighteen receives benefits equal to ten percent of the member's average final compensation or \$200 per month, whichever is greater.

Membership Commencing January 1, 2013: Member eligibility for regular retirement, early retirement, disability and survivor benefits are based on Hazardous Duty and Non Hazardous Duty sub plans. Under the Hazardous Duty sub plan, a member is eligible for regular retirement after he has been a member of the System and has 25 years of creditable service at any age or has 12 years of creditable service

TOWN OF ERATH, LOUISIANA

Notes to Basic Financial Statements

at age 55. Under the Non Hazardous Duty sub plan, a member is eligible for regular retirement after he has been a member of the System and has 30 years of creditable service at any age, 25 years of creditable service at age 55, or 10 years of creditable service at age 60. Under both sub plans, a member is eligible for early retirement after he has been a member of the System for 20 years of creditable service at any age, with an actuarially reduced benefit from age 55.

Under the Hazardous and Non Hazardous Duty sub plans, the benefit rates are three percent and two and a half percent, respectively, of average final compensation (average monthly earnings during the highest 60 consecutive months or joined months if service was interrupted) per number of years of creditable service not to exceed 100% of final salary.

Upon death of an active contributing member, or disability retiree, the plan provides for surviving spouses and minor children. Under certain conditions outlined in the statutes, the benefits range from twenty-five to fifty-five percent of the member's average final compensation for the surviving spouse. In addition, each child under age eighteen receives ten percent of average final compensation or \$200 per month whichever is greater. If the deceased member had less than ten years of service, the beneficiary will receive a refund of employee contributions only.

Cost of Living Adjustments: The Board of Trustees is authorized to provide annual cost-of-living adjustments (COLA) computed on the amount of the current regular retirement, disability, beneficiary or survivor's benefit, not to exceed 3% in any given year. The Board is authorized to provide an additional 2% COLA, computed on the member's original benefit, to all regular retirees, disability, survivors and beneficiaries who are 65 years of age or older on the cut-off date which determines eligibility.

No regular retiree, survivor or beneficiary shall be eligible to receive a cost-of-living adjustment until benefits have been received at least one full fiscal year and the payment of such COLA, when authorized, shall not be effective until the lapse of at least one-half of the fiscal year. Members who elect early retirement are not eligible for a cost of living adjustment until they reach regular retirement age.

A COLA may only be granted if funds are available from interest earnings in excess of normal requirements, as determined by the actuary.

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

TOWN OF ERATH, LOUISIANA

Notes to Basic Financial Statements

If the member elects a money market investment return, the funds are transferred to a government money market account and earn interest at the money market rate.

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

Funding policy:

Employer Contributions: According to state statute, contribution requirements for all employers are actuarially determined each year for MPERS. The contribution rates in effect for the year for the Town were as follows:

	<u>Employer</u>
Municipal Police Employees' Retirement System of Louisiana	
Hired prior to 1/1/2013	31.25%
Hazardous Duty Members hired after 1/1/2013	31.25%
Non Hazardous Duty Members hired after 1/1/2013	31.25%
Earnable compensation is below poverty limit	33.75%

In accordance with state statute, the Systems receive ad valorem taxes and state revenue sharing funds. These additional sources of income are used as employer contributions and are considered support from non-employer contributing entities. Non-employer contributions are recognized as revenue and excluded from pension expense. The Town recognized non-employer contributions of \$19,970.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: The Town reported a liability of \$695,569 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The Town's proportion was .077%, a .053 increase from its proportion measured as of the prior period.

The Town recognized pension expense of \$272,842 net of employer's amortization of change in proportionate share and differences between employer contributions and proportionate share of contributions.

TOWN OF ERATH, LOUISIANA

Notes to Basic Financial Statements

The Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 37,660	\$ 21,041
Change of assumptions	-	-
Change in proportion and differences between the employer's contributions and the employer's proportionate share of contributions	433,649	-
Net difference between projected and actual earnings on plan investments	19,336	-
Contributions subsequent to the measurement date	<u>94,355</u>	<u>-</u>
Total	<u>\$ 585,000</u>	<u>\$ 21,041</u>

Deferred outflows of resources of \$94,355 related to pensions resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended <u>June 30:</u>	
2026	\$ 164,715
2027	229,258
2028	87,819
2029	<u>(12,188)</u>
	<u>\$ 469,604</u>

Actuarial Methods and Assumptions

The net pension liability was measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service, less the amount of the pension plan's fiduciary net position.

TOWN OF ERATH, LOUISIANA

Notes to Basic Financial Statements

A summary of the actuarial methods and assumptions used in determining the total pension liability are as follows:

Valuation Date	June 30, 2024
Actuarial Cost Method	Entry Age Normal Cost
Investment Rate of Return	6.750%, net of investment expense
Expected Remaining Service Lives	4 years
Inflation Rate	2.50%
Projected Salary Increases	1 - 2 years of service 12.30%; Above 2 years of service 4.70%
Mortality Rates	<p>For annuitants and beneficiaries, the Pub-2010 Public Retirement Plan Mortality Table for Safety Below-Median Healthy Retirees multiplied by 115% for males and 125% for females, each with full generational projection using the MP2019 scale was used.</p> <p>For disabled lives, the Pub-2010 Public Retirement Plans Mortality Table for Safety Disable Retirees multiplied by 105% for males and 115% for females, each with full generational projection using the MP2019 scale was used.</p> <p>For employees, the Pub-2010 Public Retirement Plans Mortality Table for Safety Below-Median Employees multiplied by 115% for males and 125% for females, each with full generational projection using the MP2019 scale was used.</p>
Cost of Living Adjustments	<p>The present value of future retirement benefits is based on benefits currently being paid by the System and includes previously granted cost-of-living increases. The present values do not include provisions for potential future increases not yet authorized by the Board of Trustees.</p>

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

TOWN OF ERATH, LOUISIANA

Notes to Basic Financial Statements

The forecasted long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by target asset allocation percentage and by adding expected inflation and an adjustment for the effect of rebalancing/diversification. The resulting long-term rate of return is 7.86% for the year ended June 30, 2024.

The best estimates of the arithmetic rates of return for each major asset class included in the System's target allocation as of June 30, 2024, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Portfolio Real Rate of Return
Equity	52%	3.14%
Fixed income	34%	1.07%
Alternatives	14%	1.03%
Totals	<u>100%</u>	<u>5.24%</u>
Inflation		<u>2.62%</u>
Expected Arithmetic Nominal Return		<u>7.86%</u>

The discount used to measure the total pension liability was 6.75%, which was unchanged from the discount rate used as of the prior period. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made at the actuarially determined rates approved by PRSAC taking into consideration the recommendation of the System's actuary. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected payments to determine the total pension liability.

Sensitivity to Changes in Discount Rate:

The following presents the net pension liability of the Town's net pension liability, using the discount rate of 6.75%, as well as what the Town's net pension liability would be if it were calculated using a discount rate that is one percentage point lower, or one percentage point higher, than the current rate.

	Changes in Discount Rate		
	1.0% Decrease	Current Discount Rate	1.0% Increase
Employer's proportionate share of the net pension liability	<u>5.75%</u>	<u>6.75%</u>	<u>7.75%</u>
	\$ 1,033,251	\$ 695,569	\$ 413,671

TOWN OF ERATH, LOUISIANA

Notes to Basic Financial Statements

MPERS filed a petition alleging that the Town did not comply with applicable State statues regarding the enrollment of police employees in the retirement system. As of June 30, 2025, there is no determination regarding any potential financial impact of this petition.

(19) Subsequent Events

On September 25, 2025, the Town issued \$1,300,000 of Electric Revenue Bonds, Series 2025, with an interest rate of 5.00% for the purpose of acquiring, constructing, extending, and improving the Town’s electrical system, including equipment therefore and paying the costs of the issuance of the Bond. The Bond matures on September 9, 2040.

On September 25, 2025, the Town issued \$855,000 of Grant Anticipation Notes, Series 2025, with an interest rate of 5.80% for the purpose of acquiring, constructing, installing, and equipping street lighting, including equipment therefore. The Bond matures on September 9, 2028.

(20) Change in Accounting Principles and Restatement

During the year, the Town adopted Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*, and as a result, the implementation had the following effect on the Town’s net position and various fund balances:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Governmental Funds</u>
Net position/fund balance, beginning of year, as previously reported	\$ 3,306,892	\$ 8,935,339	\$ 450,204
Adjustment for GASB 101	<u>(84,042)</u>	<u>(19,624)</u>	<u>(24,132)</u>
Net position/fund balance, as restated	<u>\$ 3,222,850</u>	<u>\$ 8,915,715</u>	<u>\$ 426,072</u>

(21) Upcoming Accounting Pronouncements

In April 2024, the Governmental Accounting Standards Board issued Statement No. 103, Financial Reporting Model improvements. GASB 103 is effective for fiscal years beginning after June 15, 2025, and will revise certain financial reporting requirements, including management’s discussion and analysis, the presentation of proprietary fund financial statements, budgetary comparisons, and reporting of unusual or infrequent items. The Town has not yet determined the effect, if any, that the adoption of this statement will have on its financial statements.

**REQUIRED
SUPPLEMENTARY INFORMATION**

TOWN OF ERATH, LOUISIANA
General Fund

Budgetary Comparison Schedule
Year Ended June 30, 2025

	Budget		Actual	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues:				
Taxes	\$ 70,000	\$ 118,000	\$ 108,512	\$ (9,488)
Licenses and permits	97,700	101,700	102,946	1,246
Intergovernmental	4,600	61,687	68,641	6,954
Charges for services	28,300	28,800	30,042	1,242
Fines and forfeitures	60,000	77,000	79,184	2,184
Interest	-	-	136	136
Miscellaneous	94,710	128,710	137,750	9,040
Total revenues	<u>355,310</u>	<u>515,897</u>	<u>527,211</u>	<u>11,314</u>
Expenditures:				
Current -				
General government	281,762	288,462	279,793	8,669
Public safety	845,852	967,232	917,847	49,385
Economic development and assistance	2,000	-	-	-
Culture and recreation	58,941	57,941	57,734	207
Debt service -				
Principal	24,000	24,000	24,000	-
Interest	2,240	2,240	2,240	-
Capital outlay	1,200	10,200	14,349	(4,149)
Total expenditures	<u>1,215,995</u>	<u>1,350,075</u>	<u>1,295,963</u>	<u>54,112</u>
Deficiency of revenues over expenditures	<u>(860,685)</u>	<u>(834,178)</u>	<u>(768,752)</u>	<u>65,426</u>
Other financing sources (uses):				
Transfers in	980,000	940,000	867,846	(72,154)
Transfers out	(131,797)	(101,797)	(87,894)	13,903
Total other financing sources (uses)	<u>848,203</u>	<u>838,203</u>	<u>779,952</u>	<u>(58,251)</u>
Net change in fund balance	(12,482)	4,025	11,200	7,175
Fund balance, beginning, restated	<u>82,044</u>	<u>124,149</u>	<u>102,101</u>	<u>(22,048)</u>
Fund balance, ending	<u>\$ 69,562</u>	<u>\$ 128,174</u>	<u>\$ 113,301</u>	<u>\$ (14,873)</u>

TOWN OF ERATH, LOUISIANA
Sales Tax Fund

Budgetary Comparison Schedule
Year Ended June 30, 2025

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes -				
Sales tax collected	\$ 325,000	\$ 335,000	\$ 354,724	\$ 19,724
Intergovernmental -				
State grant	14,000	14,000	14,000	-
Interest	200	200	1,817	1,617
Miscellaneous	<u>13,680</u>	<u>13,680</u>	<u>20,166</u>	<u>6,486</u>
Total revenues	<u>352,880</u>	<u>362,880</u>	<u>390,707</u>	<u>27,827</u>
Expenditures:				
Current -				
Public works:				
Salaries	103,732	78,732	76,010	2,722
Payroll taxes	7,936	6,436	5,754	682
Retirement	1,237	1,237	398	839
Group insurance	29,520	20,020	18,817	1,203
Worker's compensation	8,500	4,500	132	4,368
Uniforms	600	600	417	183
Material and supplies	21,636	24,136	26,466	(2,330)
Truck expenses	6,700	6,700	6,165	535
Insurance	11,000	11,000	9,612	1,388
Telephone	3,500	3,500	3,000	500
Professional services	5,703	5,703	6,003	(300)
Office supplies	200	200	190	10
Repairs and maintenance	19,114	14,114	15,901	(1,787)
Contract services	22,692	22,692	22,867	(175)
Equipment fuel and oil	8,000	8,000	7,204	796
Utilities	3,500	3,500	2,501	999
Other	1,990	1,990	2,467	(477)
Capital outlay	<u>84,399</u>	<u>84,399</u>	<u>82,973</u>	<u>1,426</u>
Total expenditures	<u>339,959</u>	<u>297,459</u>	<u>286,877</u>	<u>10,582</u>
Excess (deficiency) of revenues over expenditures	12,921	65,421	103,830	38,409
Other financing uses:				
Transfers out	<u>(49,500)</u>	<u>(122,673)</u>	<u>(80,768)</u>	<u>41,905</u>
Net change in fund balance	(36,579)	(57,252)	23,062	80,314
Fund balance, beginning, retated	<u>286,602</u>	<u>326,055</u>	<u>323,970</u>	<u>(2,085)</u>
Fund balance, ending	<u>\$ 250,023</u>	<u>\$ 268,803</u>	<u>\$ 347,032</u>	<u>\$ 78,229</u>

TOWN OF ERATH, LOUISIANA

Schedule of Employer's Share of Net Pension Liability
Municipal Police Employees' Retirement System
For the Year Ended June 30, 2025

* Year ended June 30,	Employer Proportion of the Net Pension Liability (Asset)	Employer Proportionate Share of the Net Pension Liability (Asset)	Employer's Covered Payroll	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2024	0.024%	\$ 257,933	\$ 82,735	311.76%	71.30%
2025	0.077%	\$ 695,569	\$ 251,557	276.51%	75.84%

* The amounts presented have a measurement date of the previous fiscal year end.

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

TOWN OF ERATH, LOUISIANA

Schedule of Employer Contributions
Municipal Police Employees' Retirement System
For the Year Ended June 30, 2025

Year ended June 30,	Contractually Required Contribution	Contributions in Relation to Contractual Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
2024	\$ 85,340	\$ 85,340	\$ -	\$ 251,557	33.92%
2025	\$ 94,355	\$ 94,355	\$ -	\$ 265,041	35.60%

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

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).

(2) Pension Plan

Changes of Benefit Terms –

There were no changes benefit terms.

Changes of Assumptions –

* Year ended June 30,	Discount Rate	Investment Rate of Return	Inflation Rate	Expected Remaining Lives	Projected Salary Increase	
					Lower Range	Upper Range
2024	6.75%	6.75%	2.50%	4	4.70%	12.30%
2025	6.75%	6.75%	2.50%	4	4.70%	12.30%

* The amounts presented have a measurement date of the previous fiscal year end.

SUPPLEMENTARY INFORMATION

TOWN OF ERATH, LOUISIANA

Justice System Funding Schedule - Collecting/Disbursing Entity
As Required by Act 87 for the 2020 Regular Legislative Session
For the Year Ended June 30, 2025

Cash Basis Presentation as Required by La. R.S. 24:515.2	Six Month Period Ended 12/31/2024	Six Month Period Ended 6/30/2025
1. Beginning Cash Balance	\$ 29,985	\$ 26,433
2. Collections		
a. Civil Fees	-	-
b. Bond Fees	-	-
c. Cash Bonds	-	-
d. Asset Forfeiture/Sale	-	-
e. Pre-Trial Diversion Program Fees	-	-
f. Criminal Court Costs/Fees	24,188	24,766
g. Criminal Fines - Contempt	-	-
h. Criminal Fines - Other/Non-Contempt	48,462	30,722
i. Restitution	-	-
j. Probation/Parole/Supervision Fees	-	-
k. Service Fees	-	-
l. Collection Fees	-	-
m. Interest Earnings on Collected Balances	-	-
n. Other	-	-
Total Collected	72,650	55,488
3. Deductions: Collections Retained by the Town of Erath		
I. Collection Fee for Collecting/Disbursing to Others Based on Percentage of Collections	-	-
II. Collection Fee for Collecting/Disbursing to Other Based on Fixed Amount	-	-
III. Other Amounts "Self-Disbursed"		
a. Civil Fees	-	-
b. Bond Fees	-	-
c. Cash Bonds	-	-
d. Asset Forfeiture/Sale	-	-
e. Pre-Trial Diversion Program Fees	-	-
f. Criminal Court Costs/Fees	19,155	9,930
g. Criminal Fines - Contempt	-	-
h. Criminal Fines - Other/Non-Contempt	48,462	30,722
i. Restitution	-	-
j. Probation/Parole/Supervision Fees	-	-
k. Service Fees	-	-
l. Collection Fees	-	-
m. Interest Earnings on Collected Balances	-	-
n. Other	-	-
Total Collections Retained by the Town of Erath	67,617	40,652
4. Deductions: Amounts disbursed to individuals and Entities, Excluding Governments and Nonprofits		
a. Collection/Processing Fees Paid to Third Party Entities	-	-
b. Civil Fee Refunds	-	-
c. Bond Refunds	-	-
d. Restitution Disbursements to Individuals and Entities, Excluding Governments or a Nonprofit	-	-
e. Other Disbursements to Individuals and Entities, Excluding Governments or a Nonprofit	-	-
Total Amounts Disbursed to Individuals and Entities, Excluding Governments and Nonprofits	-	-
5. Deductions: Total Disbursements to Other Governments and Nonprofits	8,585	4,505
6. Total Amounts Disbursed/Retained	76,202	45,157
7. Ending Cash Balance	26,433	36,764
8. Ending Balance of "partial Payments" Collected but not Disbursed	-	-
Other Information:		
I. Ending Balance of Amounts Assessed but not yet Collected	-	-
II. Total Waivers During the Fiscal Period	-	-

TOWN OF ERATH, LOUISIANA

Schedule of Compensation, Benefits, and
Other Payments to Agency Head
For the Year Ended June 30, 2025

The Mayor of the Town, Taylor Mencacci, is considered the agency head. The Town did not pay any benefits on his behalf for the year ended June 30, 2025. In addition, the only payments he received from the Town is the salary amount below.

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 9,600

TOWN OF ERATH, LOUISIANA

Schedule of Compensation Paid to Board Members
For the Year Ended June 30, 2025

<u>Alderman</u>	<u>Address</u>	<u>Phone Number</u>	<u>Amounts</u>
Mike Richard	115 West Edwards St., Erath, LA 70533	337-937-8401	\$ 4,800
Scott Bernard	115 West Edwards St., Erath, LA 70533	337-937-8401	4,799
Jason C. Conner	115 West Edwards St., Erath, LA 70533	337-937-8401	4,800
Stephanie Broussard	115 West Edwards St., Erath, LA 70533	337-937-8401	4,800
Cory Duplantis	115 West Edwards St., Erath, LA 70533	337-937-8401	4,800
			<u>\$ 23,999</u>

OTHER 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.

Special Parish Tax Fund

To account for monies received from the Vermilion Parish Police Jury to defray costs of the fire department.

Housing Authority Grant Fund

To account for capital projects for the Housing Authority funded through a federal grant.

LCDBG Fund

To account for capital projects funded through the Community Development Block Grant program.

TOWN OF ERATH, LOUISIANA
Nonmajor Governmental Funds

Combining Balance Sheet
June 30, 2025

	<u>Special Parish Tax Fund</u>	<u>LCDBG</u>	<u>Housing Authority Grant Fund</u>	<u>Total</u>
ASSETS				
Cash	\$ 922	\$ 3	\$ 100	\$ 1,025
Other receivables	-	-	155	155
Due from other governmental agencies	-	-	9,891	9,891
Due from other funds	<u>1,773</u>	<u>-</u>	<u>-</u>	<u>1,773</u>
Total assets	<u>\$ 2,695</u>	<u>\$ 3</u>	<u>\$ 10,146</u>	<u>\$12,844</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 2,695	\$ -	\$ 10,046	\$12,741
Due to other funds	<u>-</u>	<u>3</u>	<u>100</u>	<u>103</u>
Total liabilities	<u>2,695</u>	<u>3</u>	<u>10,146</u>	<u>12,844</u>
Fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 2,695</u>	<u>\$ 3</u>	<u>\$ 10,146</u>	<u>\$12,844</u>

TOWN OF ERATH, LOUISIANA
Nonmajor Governmental Funds

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances -
Year Ended June 30, 2025

	<u>Special Parish Tax Fund</u>	<u>LCDBG</u>	<u>Housing Authority Grant Fund</u>	<u>Total</u>
Revenues:				
Intergovernmental	\$ 31,586	\$ -	\$ 9,891	\$ 41,477
Miscellaneous	<u>2,323</u>	<u>-</u>	<u>-</u>	<u>2,323</u>
Total revenues	<u>33,909</u>	<u>-</u>	<u>9,891</u>	<u>43,800</u>
Expenditures:				
Current-				
Public safety	139,759	-	-	139,759
Urban redevelopment and housing	-	-	9,891	9,891
Capital outlay	<u>17,044</u>	<u>-</u>	<u>-</u>	<u>17,044</u>
Total expenditures	<u>156,803</u>	<u>-</u>	<u>9,891</u>	<u>166,694</u>
Deficiency of revenues over expenditures	(122,894)	-	-	(122,894)
Other financing sources:				
Transfers in	<u>122,894</u>	<u>-</u>	<u>-</u>	<u>122,894</u>
Net change in fund balances	-	-	-	-
Fund balances, beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

TOWN OF ERATH, LOUISIANA

Schedule of Insurance in Force
Year Ended June 30, 2025

Insurer	Assets Covered	Limits of Coverage (in Dollars)	Expiration Date
Various CNASurety	Commercial property	Varies by property	6/6/2026
	Public Officials		
	Mayor	28,500	11/15/2025
	Town Clerk	28,500	11/15/2025
	Tax Collector	28,500	11/15/2025
	Bill Collector	28,500	11/15/2025
	Mayor Pro-tem Council & other employees	28,500 5,000	11/15/2025 11/15/2025
Hartford Insurance Company	Crime Policy		
	Mayor Town Clerk	152,000 152,000	6/16/2026 6/16/2026
Louisiana Municipal Risk Management Agency	Comprehensive general liability	500,000	12/29/2025
	Law enforcement officer	500,000	12/29/2025
	Errors & omissions	500,000	12/29/2025
	Comprehensive automobile	500,000	12/29/2025
Special Risk Insurance, Inc.	Portable equipment - Fire Department	Replacement Cost	3/28/2026
	General liability - Fire Department	2,000,000	3/28/2026
	Management liability - Fire Department	2,000,000	3/28/2026
Wright National Flood Insurance Company	Flood - Police station		
	Building	250,000	5/7/2026

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

Schedule of Number of Utility Customers and Rates
June 30, 2025 and 2024

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

<u>Department</u>	<u>2025</u>	<u>2024</u>
Electric (metered)	913	927
Water	997	1001
Sewerage	884	877

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:

\$16.00 for the first 2,000 gallons and \$7.10 per 1,000 gallons thereafter

Commercial

\$19.00 for the first 2,000 gallons and \$7.10 per 1,000 gallons thereafter

TOWN OF ERATH, LOUISIANA

Statements of Net Position
 Proprietary Funds
 June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
ASSETS		
Current assets:		
Cash	\$ 150,942	\$ 454,143
Interest-bearing deposits	920,217	1,082,509
Accrued interest receivable	7,329	1,995
Accounts receivable, net	276,146	255,567
Unbilled service receivable, net	45,440	37,256
Due from other governmental agencies	21,170	1,179
Interfund receivables	<u>172</u>	<u>172</u>
Total current assets	<u>1,421,416</u>	<u>1,832,821</u>
Restricted assets:		
Cash	548,270	517,577
Interest-bearing deposits	66,099	65,950
Accrued interest receivable	<u>1,362</u>	<u>47</u>
Total restricted assets	<u>615,731</u>	<u>583,574</u>
Capital assets, net of accumulated depreciation	<u>10,155,183</u>	<u>10,079,672</u>
Total assets	<u>12,192,330</u>	<u>12,496,067</u>
LIABILITIES		
Current liabilities (payable from current assets):		
Accounts payable and accrued expenses	241,636	205,389
Accrued compensated absences	8,673	6,378
Retainage payable	16,543	-
Interfund payables	89,629	95,000
Other payables	<u>3,801</u>	<u>3,809</u>
Total	<u>360,282</u>	<u>310,576</u>
Current liabilities (payable from restricted assets):		
Customers' deposits	100,707	99,436
Accrued interest on bonds	5,934	6,024
Current portion of long term debt	<u>78,149</u>	<u>76,115</u>
Total	<u>184,790</u>	<u>181,575</u>
Total current liabilities	<u>545,072</u>	<u>492,151</u>
Noncurrent liabilities:		
Accrued compensated absences	18,891	13,246
Long term debt	<u>2,996,806</u>	<u>3,074,955</u>
Total noncurrent liabilities	<u>3,015,697</u>	<u>3,088,201</u>
Total liabilities	<u>3,560,769</u>	<u>3,580,352</u>
NET POSITION		
Net investment in capital assets	7,066,999	6,878,940
Restricted for debt service	509,090	478,114
Unrestricted	<u>1,055,472</u>	<u>1,558,661</u>
Total net position	<u>\$8,631,561</u>	<u>\$8,915,715</u>

TOWN OF ERATH, LOUISIANA

Statements of Revenues, Expenses, and Changes in Fund Net Position
 Proprietary Funds
 Years Ended June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Operating revenues:		
Charges for services	\$ 3,051,080	\$ 2,991,100
Miscellaneous	<u>42,098</u>	<u>38,450</u>
Total operating revenues	<u>3,093,178</u>	<u>3,029,550</u>
Operating expenses:		
Salaries	217,269	204,849
Payroll taxes	16,278	15,817
Retirement	3,990	4,897
Group insurance	44,703	44,745
Worker's compensation insurance	3,592	803
Purchase of electric power	1,560,969	1,430,122
Materials and supplies	82,443	102,460
Maintenance and repairs	114,927	60,430
Fuel, gas and oil	7,552	6,747
Telephone and utilities	117,863	129,744
Insurance	58,149	65,555
Depreciation	369,940	358,712
Contractual services	15,600	21,816
Professional fees	47,407	32,288
Equipment rental	-	5,803
Other	<u>34,695</u>	<u>18,155</u>
Total operating expenses	<u>2,695,377</u>	<u>2,502,943</u>
Operating income	<u>397,801</u>	<u>526,607</u>
Nonoperating revenues/(expenses):		
Grant revenue	183,329	258,757
Interest income	32,043	8,490
Interest expense	<u>(75,249)</u>	<u>(77,101)</u>
Total nonoperating revenues/(expenses)	<u>140,123</u>	<u>190,146</u>
Income before transfers	537,924	716,753
Transfers in	45,768	160,000
Transfers out	<u>(867,846)</u>	<u>(850,564)</u>
Change in net position	(284,154)	26,189
Net position, beginning	<u>8,915,715</u>	<u>8,889,526</u>
Net position, ending	<u>\$ 8,631,561</u>	<u>\$ 8,915,715</u>

TOWN OF ERATH, LOUISIANA

Budgetary Comparison Schedule - Detail of Revenues
 General Fund
 For the Year Ended June 30, 2024

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Taxes -				
General ad valorem	\$ 22,000	\$ 26,800	\$ 26,940	\$ 140
Sales tax	-	40,000	29,004	(10,996)
Gas franchise	13,000	13,000	13,918	918
Cable franchise	7,000	7,000	5,554	(1,446)
Slemco franchise	3,000	3,000	3,049	49
Entergy franchise	11,000	12,200	13,658	1,458
Housing Authority payment	14,000	16,000	16,389	389
	<u>70,000</u>	<u>118,000</u>	<u>108,512</u>	<u>(9,488)</u>
Licenses and permits -				
Occupational licenses	26,000	26,000	26,765	765
Insurance licenses	70,000	74,000	74,121	121
Building permits	1,500	1,500	1,885	385
Liquor permits	200	200	175	(25)
	<u>97,700</u>	<u>101,700</u>	<u>102,946</u>	<u>1,246</u>
Intergovernmental -				
Federal grants	-	-	8,000	8,000
State funds:				
On-behalf payments	-	56,000	55,940	(60)
State grants	-	1,087	1,087	-
State shared revenue:				
Beer taxes	4,600	4,600	3,614	(986)
	<u>4,600</u>	<u>61,687</u>	<u>68,641</u>	<u>6,954</u>
Charges for services -				
Police accident reports	300	300	957	657
Court costs	28,000	28,500	29,085	585
	<u>28,300</u>	<u>28,800</u>	<u>30,042</u>	<u>1,242</u>
Fines and forfeitures	<u>60,000</u>	<u>77,000</u>	<u>79,184</u>	<u>2,184</u>
Interest	<u>-</u>	<u>-</u>	<u>136</u>	<u>136</u>
Miscellaneous -				
Rent income (post office)	44,710	44,710	44,710	-
Other	50,000	84,000	93,040	9,040
	<u>94,710</u>	<u>128,710</u>	<u>137,750</u>	<u>9,040</u>
Total revenues	<u>\$ 355,310</u>	<u>\$ 515,897</u>	<u>\$ 527,211</u>	<u>\$ 11,314</u>

TOWN OF ERATH, LOUISIANA

Budgetary Comparison Schedule - Detail of Expenditures
 General Fund
 For the Year Ended June 30, 2025

	Budget		Actual	Variance with
	Original	Final		Final Budget
				Positive
				(Negative)
Current -				
General government:				
Mayor's salary	\$ 9,664	\$ 9,664	\$ 9,600	\$ 64
Council salaries	24,320	24,320	23,999	321
Clerk of Court salary	29,933	29,933	30,106	(173)
Other salaries	49,637	49,637	49,828	(191)
Payroll taxes	8,687	8,687	8,659	28
Retirement	2,387	2,387	2,387	-
Group insurance	19,680	19,680	20,917	(1,237)
Workmen's compensation insurance	636	636	130	506
Printing, stationery and supplies	6,000	6,000	7,065	(1,065)
Repairs and maintenance	6,000	6,000	5,889	111
Material and supplies	2,200	3,200	3,294	(94)
General insurance	29,000	29,000	19,884	9,116
Auditing and accounting	14,868	13,568	13,541	27
Dues and subscriptions	2,200	2,200	2,038	162
Telephone	3,900	3,900	3,900	-
Professional fees	45,000	48,500	54,135	(5,635)
Publication of minutes	2,500	3,500	3,550	(50)
Tax roll preparation	1,400	1,400	1,449	(49)
Legal fees	2,000	2,000	1,200	800
Utilities	5,500	5,500	5,988	(488)
Building permits and inspections	3,000	3,000	2,000	1,000
Emergency generator fuel and repairs	2,000	2,000	1,252	748

(continued)

TOWN OF ERATH, LOUISIANA

Budgetary Comparison Schedule - Detail of Expenditures
 General Fund (Continued)
 For the Year Ended June 30, 2025

	Budget		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Filing fees	2,000	2,000	-	2,000
Court printing supplies	500	500	658	(158)
Court material and supplies	200	200	216	(16)
Court professional fees	2,500	2,500	1,406	1,094
Election expense	-	2,500	699	1,801
Magistrate salary	2,400	2,400	2,400	-
Prosecutor salary	2,400	2,400	2,400	-
Other	1,250	1,250	1,203	47
	<u>281,762</u>	<u>288,462</u>	<u>279,793</u>	<u>8,669</u>
Public safety:				
Chief of Police's salary	39,407	44,087	44,143	(56)
Other salaries	348,402	400,752	407,198	(6,446)
On-behalf payments	-	56,000	55,940	60
Payroll taxes	34,625	39,425	37,500	1,925
Retirement	97,785	110,594	95,916	14,678
Group insurance	118,080	107,460	99,449	8,011
Workmen's compensation insurance	18,500	9,500	8,462	1,038
Court appearance	300	300	50	250
Uniforms	3,000	3,000	3,265	(265)
Conventions and schools	5,000	5,000	5,032	(32)
Dues and subscriptions	4,053	5,053	4,436	617
Material and supplies	3,500	3,500	2,530	970
Auto fuel and oil	40,000	30,000	23,078	6,922
Insurance	60,000	58,000	44,860	13,140
Telephone	5,000	5,000	4,925	75
Task force appropriation	15,000	15,000	15,000	-
Crime Lab appropriation	-	8,861	6,646	2,215
Sales tax expense	-	1,000	1,000	-
Office	3,000	3,000	3,174	(174)
Repairs and maintenance -				
Auto	16,500	16,500	14,656	1,844
Building	5,500	10,500	10,465	35
Radio, radar and camera	7,800	12,300	8,672	3,628
Emergency generator fuel	2,000	2,000	1,252	748
Utilities	9,200	9,200	8,885	315
Other	4,400	6,400	6,513	(113)
Salaries - fire department	4,800	4,800	4,800	-
	<u>845,852</u>	<u>967,232</u>	<u>917,847</u>	<u>49,385</u>

(continued)

TOWN OF ERATH, LOUISIANA

Budgetary Comparison Schedule - Detail of Expenditures
 General Fund (Continued)
 For the Year Ended June 30, 2025

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Economic development and assistance:				
External appropriation	<u>2,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Culture and recreation:				
Salaries	30,972	30,972	30,737	235
Payroll taxes	2,369	2,369	2,314	55
Retirement	310	310	308	2
Group insurance	9,840	9,840	9,408	432
Workmen's compensation insurance	1,650	650	479	171
Uniforms	200	200	128	72
Material and supplies	2,500	2,500	1,513	987
Insurance	700	700	619	81
Maintenance and upkeep	2,500	2,500	3,677	(1,177)
Repairs and maintenance -				
Building	1,000	1,000	979	21
Equipment	1,200	1,200	1,714	(514)
Equipment fuel and oil	2,000	2,000	2,161	(161)
Utilities	1,900	1,900	1,608	292
Other	<u>1,800</u>	<u>1,800</u>	<u>2,089</u>	<u>(289)</u>
	<u>58,941</u>	<u>57,941</u>	<u>57,734</u>	<u>207</u>
Debt service:				
Principal	24,000	24,000	24,000	-
Interest	<u>2,240</u>	<u>2,240</u>	<u>2,240</u>	<u>-</u>
	<u>26,240</u>	<u>26,240</u>	<u>26,240</u>	<u>-</u>
Capital outlay	<u>1,200</u>	<u>10,200</u>	<u>14,349</u>	<u>(4,149)</u>
Total expenditures	<u>\$ 1,215,995</u>	<u>\$ 1,350,075</u>	<u>\$ 1,295,963</u>	<u>\$ 54,112</u>

TOWN OF ERATH, LOUISIANA

Budgetary Comparison Schedule
 Special Parish Tax Fund
 For the Year Ended June 30, 2025

	Budget		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
Revenues:				
Intergovernmental -				
Appropriation from Vermilion				
Parish Police Jury:				
Special Parish Tax	\$ 28,570	\$ 31,570	\$ 31,586	\$ 16
Miscellaneous	-	2,300	2,323	23
Total revenues	<u>28,570</u>	<u>33,870</u>	<u>33,909</u>	<u>39</u>
Expenditures:				
Current -				
Public safety:				
Salaries	30,888	23,888	19,884	4,004
Payroll taxes	2,363	2,363	1,606	757
Group insurance	9,840	9,840	9,408	432
Retirement	927	-	-	-
Worker's compensation insurance	3,740	2,740	660	2,080
Training	5,000	5,000	1,548	3,452
Fire prevention and education	3,500	3,500	3,500	-
Office supplies	3,000	3,000	901	2,099
Material and supplies	2,500	2,500	1,371	1,129
Truck expense	30,500	37,000	33,303	3,697
Insurance	38,000	36,500	34,088	2,412
Telephone	3,500	3,500	3,933	(433)
Professional services	851	851	851	-
Uniforms	500	500	463	37
Repairs and maintenance	18,275	18,275	14,012	4,263
Utilities	10,000	12,000	11,602	398
Other	2,483	3,983	2,629	1,354
Capital outlay	<u>14,000</u>	<u>16,900</u>	<u>17,044</u>	<u>(144)</u>
Total expenditures	<u>179,867</u>	<u>182,340</u>	<u>156,803</u>	<u>25,537</u>
Deficiency of revenues over expenditures	(151,297)	(148,470)	(122,894)	25,576
Other financing sources:				
Transfers in	<u>151,297</u>	<u>148,470</u>	<u>122,894</u>	<u>(25,576)</u>
Net change in fund balance	-	-	-	-
Fund balance, beginning	-	-	-	-
Fund balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**INTERNAL CONTROL, COMPLIANCE
AND
OTHER MATTERS**

KOLDER, SLAVEN & COMPANY, LLC

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

To the Honorable Taylor Mencacci, Mayor
and members of the Board of Aldermen
Town of Erath, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Erath, Louisiana (the Town), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated December 22, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town'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 identified a certain deficiency in internal control, described in the accompanying schedule of current and prior year audit findings and management's corrective action plan as item 2025-001, that we consider to be a significant deficiency.

Report on Compliance and Other Matters

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

Town of Erath's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Town's response to the findings identified in our audit and 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 other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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

Kolder, Slaven & Company, LLC
Certified Public Accountants

Abbeville, Louisiana
December 22, 2025

TOWN OF ERATH, LOUISIANA

Schedule of Current and Prior Year Audit Findings
and Management's Corrective Action Plan
Year Ended June 30, 2025

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

A. Internal Control Over Financial Reporting

2025-001 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: Committee of Sponsoring Organizations (COSO) *Internal Control – Integrated Framework* and the Louisiana Legislative Auditor's *Governmental Auditing Guide*.

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.

B. Compliance

None reported

TOWN OF ERATH, LOUISIANA

Schedule of Current and Prior Year Audit Findings
and Management's Corrective Action Plan (continued)
Year Ended June 30, 2025

Part II: Prior Year Findings:

A. Internal Control Over Financial Reporting

2024-001 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 2025-001.

B. Compliance

None reported

Town of Erath

City, Louisiana

Statewide Agreed-Upon Procedures

Fiscal period July 1, 2024 through June 30, 2025

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To Taylor Mencacci, Mayor,
and the Members of the Board of Aldermen,
Town of Erath, and the
Louisiana Legislative Auditor:

We have performed the procedures enumerated below on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's (LLA's) Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2024 through June 30, 2025. Town of Erath's (the Town) management is responsible for those C/C areas identified in the SAUPs.

The Town has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the C/C areas identified in LLA's SAUPs for the fiscal period July 1, 2024 through June 30, 2025. Additionally, LLA has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe whether they address each of the following categories and subcategories:
 - a) **Budgeting**, including preparing, adopting, monitoring, and amending the budget.
 - 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.
 - c) **Disbursements**, including processing, reviewing, and approving.
 - d) **Receipts/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or 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).

- e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employees(s) rate of pay or approval and maintenance of pay rate schedules.
- 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.
- g) **Travel and Expense Reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
- h) **Credit Cards (and debit cards, fuel cards, purchase cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).
- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute (R.S.) 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) a requirement that documentation is maintained to demonstrate that all employees and officials were notified of any changes to the entity's ethics policy.
- j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
- k) **Information Technology Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.
- l) **Prevention of Sexual Harassment**, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

Board or Finance Committee

- 2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
 - a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.
 - b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund, quarterly budget-to-actual, at a minimum, on proprietary funds, and semi-annual budget-to-actual, at a minimum on all special revenue funds. *Alternatively, for those entities reporting on the non-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*
 - c) For governmental entities, obtain the prior year audit report and observe the unassigned fund balance in the general fund. If the general fund had a negative ending unassigned fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unassigned fund balance in the general fund.

- d) Observe whether the board/finance committee received written updates of the progress of resolving audit finding(s), according to management's corrective action plan at each meeting until the findings are considered fully resolved.

Bank Reconciliations

- 3. Obtain a listing of entity bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected account, and observe that:
 - a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);
 - b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation within 1 month of the date the reconciliation was prepared. (e.g., initialed and dated, electronically logged); and
 - c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Collections (excluding EFTs)

- 4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).
- 5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies and procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:
 - a) Employees that are responsible for cash collections do not share cash drawers/registers.
 - b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.
 - c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.
 - d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, are not responsible for collecting cash, unless another employee/official verifies the reconciliation.
- 6. Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe that the bond or insurance policy for theft was enforced during the fiscal period.

7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under “Bank Reconciliations” above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:
 - a) Observe that receipts are sequentially pre-numbered.
 - b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
 - c) Trace the deposit slip total to the actual deposit per the bank statement.
 - d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100 and the cash is stored securely in a locked safe or drawer).
 - e) Trace the actual deposit per the bank statement to the general ledger.

Non-Payroll Disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases)

8. Obtain a listing of locations that process payments for the fiscal period and management’s representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).
9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:
 - a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
 - b) At least two employees are involved in processing and approving payments to vendors.
 - c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.
 - d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.
 - e) Only employees/officials authorized to sign checks approve the electronic disbursement (release) of funds, whether through automated clearinghouse (ACH), electronic funds transfer (EFT), wire transfer, or some other electronic means.

[Note: Exceptions to controls that constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); should not be reported.]
10. For each location selected under #8 above, obtain the entity’s non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management’s representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:
 - a) Observe whether the disbursement, whether by paper or electronic means, matched the related original itemized invoice and supporting documentation indicates that deliverables included on the invoice were received by the entity, and

- b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.
11. Using the entity's main operating account and the month selected in Bank Reconciliations procedure #3, randomly select 5 non-payroll-related electronic disbursements (or all electronic disbursements if less than 5) and observe that each electronic disbursement was (a) approved by only those persons authorized to disburse funds (e.g., sign checks) per the entity's policy, and (b) approved by the required number of authorized signers per the entity's policy. Note: If no electronic payments were made from the main operating account during the month selected the practitioner should select an alternative month and/or account for testing that does include electronic disbursements.

Credit Cards/Debit Cards/Fuel Cards/Purchase Cards

12. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and purchase cards (cards) for the fiscal period, 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.
13. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation and:
- a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing (or electronically approved), 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]
 - b) Observe that finance charges and late fees were not assessed on the selected statements.
14. Using the monthly statements or combined statements selected under #13 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and note whether management had a compensating control to address missing receipts, such as a "missing receipt statement" that is subject to increased scrutiny.

Travel and Travel-Related Expense Reimbursements (excluding card transactions)

15. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:
- a) If reimbursed using a per diem, observe that the approved reimbursement rate is no more than those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).
 - b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.

- c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).
- d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Contracts

- 16. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:
 - a) Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.
 - b) Observe that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).
 - c) If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment and that amendments were made in compliance with the contract terms (e.g. if approval is required for any amendment was approval documented).
 - d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

Payroll and Personnel

- 17. Obtain a listing of employees and officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees or officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.
- 18. Randomly select one pay period during the fiscal period. For the 5 employees or officials selected under #17 above, obtain attendance records and leave documentation for the pay period, and:
 - a) Observe that all selected employees or officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, officials are not eligible to earn leave and do not document their attendance and leave. However, if the official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)
 - b) Observe that supervisors approved the attendance and leave of the selected employees/officials.
 - c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.
 - d) Observe that the rate paid to the employees or officials agree to the authorized salary/pay rate found within the personnel file.
- 19. Obtain a listing of those employees or officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees or officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations and the entity policy on termination payments. Agree the hours to the employee or officials' cumulate leave records, agree the pay rates to the employee or officials' authorized pay rates in the employee or officials' personnel files, and agree the termination payment to entity policy.

20. Obtain management's representation that employer and employee portions of third-party payroll related amounts (e.g. payroll taxes, retirement contributions, health insurance premiums, garnishments, workers' compensation premiums, etc.) have been paid, and any associated forms have been filed, by required deadlines.

Ethics

21. Using the 5 randomly selected employees/officials from procedure #17 under "Payroll and Personnel" above, obtain ethics documentation from management, and:
 - a) Observe whether the documentation demonstrates that each employee/official completed one hour of ethics training during the calendar year as required by R.S. 42:1170.
 - b) Observe that the entity maintains documentation which demonstrates each employee and official were notified of any changes to the entity's ethics policy during the fiscal period, as applicable.
22. Inquire and/or observe whether the agency has appointed an ethics designee as required by R.S. 42:1170.

Debt Service

23. Obtain a listing of bonds/notes and other debt instruments issued during the fiscal period and management's representation that the listing is complete. Select all debt instruments on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each bond/note issued.
24. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants (including contingency funds, short-lived asset funds, or other funds required by the debt covenants).

Fraud Notice

25. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the Parish in which the entity is domiciled.
26. Observe that the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

Information Technology Disaster Recovery/Business Continuity

27. Perform the following procedures, verbally discuss the results with management, and report "We performed the procedure and discussed the results with management."
 - a) Obtain and inspect the entity's most recent documentation that it has backed up its critical data (if there is no written documentation, then inquire of personnel responsible for backing up critical data) and observe evidence that such backup (a) occurred within the past week, (b) was not stored on the government's local server or network, and (c) was encrypted.

- b) Obtain and inspect the entity's most recent documentation that it has tested/verified that its backups can be restored (if there is no written documentation, then inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.
 - c) Obtain a listing of the entity's computers currently in use and their related locations, and management's representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor.
28. Randomly select 5 terminated employees (or all terminated employees if less than 5) using the list of terminated employees obtained in Payroll and Personnel procedure #19. Observe evidence that the selected terminated employees have been removed or disabled from the network.
29. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #17, obtain cybersecurity training documentation from management, and observe that the documentation demonstrates that the following employees/officials with access to the agency's information technology assets have completed cybersecurity training as required by R.S. 42:1267. The requirements are as follows:
- Hired before June 9, 2020 - completed the training; and
 - Hired on or after June 9, 2020 - completed the training within 30 days of initial service or employment.

Prevention of Sexual Harassment

30. Using the 5 randomly selected employees/officials from procedure #17 under 'Payroll and Personnel' above, obtain sexual harassment training documentation from management, and observe that the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year as required by R.S. 42:343.
31. Observe that the entity has posted its sexual harassment policy and complaint procedure on its website (or in a conspicuous location on the entity's premises if the entity does not have a website).
32. Obtain the entity's annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1, and observe that it includes the applicable requirements of R.S. 42:344:
- a) Number and percentage of public servants in the agency who have completed the training requirements;
 - b) Number of sexual harassment complaints received by the agency;
 - c) Number of complaints which resulted in a finding that sexual harassment occurred;
 - d) Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and
 - e) Amount of time it took to resolve each complaint.

Findings:

Written Policies and Procedures

Exempt from procedures.

Board of Finance Committee

Exempt from procedures.

Bank Reconciliations

No exceptions noted.

Collections

Two of two collection locations tested, the person responsible for collecting cash is also responsible for preparing/making bank deposits.

One of two collection locations tested, the person responsible for collecting cash also posts collection entries to the general ledger.

Disbursements

Exempt from procedures.

Credit Cards

Exempt from procedures.

Travel & Travel-Related Expense Reimbursements

Exempt from procedures.

Contracts

Exempt from procedures.

Payroll and personnel

Exempt from procedures.

Ethics

Exempt from procedures.

Debt Service

Exempt from procedures.

Fraud Notice

Exempt from procedures.

Information Technology Disaster Recovery/Business Continuity

Exempt from procedures.

Prevention of Sexual Harassment

Exempt from procedures.

Management's Response:

Management of the Town of Erath concurs with the exceptions and is working to address the deficiencies identified.

We were engaged by the Town of Erath to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. 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.

We are required to be independent of the Town of Erath and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

Kolder, Slaven & Company, LLC
Certified Public Accountants

Abbeville, Louisiana
December 22, 2025