

TOWN OF ERATH, LOUISIANA

Financial Report

Year Ended June 30, 2019

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1-3
BASIC FINANCIAL STATEMENTS	
GOVERNMENT-WIDE FINANCIAL STATEMENTS (GWFS)	
Statement of net position	6
Statement of activities	7
FUND FINANCIAL STATEMENTS (FFS)	
Balance sheet - governmental funds	9
Reconciliation of the governmental funds balance sheet to the statement of net position	10
Statement of revenues, expenditures, and changes in fund balances - governmental funds	11
Reconciliation of the statement of revenues, expenditures, and changes in fund balances of governmental funds to the statement of activities	12
Statement of net position - proprietary funds	13
Statement of revenues, expenses, and changes in fund net position - proprietary funds	14
Statement of cash flows - proprietary funds	15-16
Statement of fiduciary net position	17
Notes to basic financial statements	18-36
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary comparison schedules:	
General Fund	38
Sales Tax Fund	39
Notes to budgetary comparison schedules	40
OTHER SUPPLEMENTARY INFORMATION	
OTHER FINANCIAL INFORMATION	
Nonmajor Governmental Funds -	
Combining balance sheet	44
Combining statement of revenues, expenditures, and changes in fund balances	45

(continued)

TABLE OF CONTENTS (CONTINUED)

	<u>Page</u>
Schedule of insurance in force	46
Schedule of number of utility customers and utility rates	47
Comparative statement of net position - proprietary fund	48
Comparative statement of revenues, expenses, and changes in fund net position - proprietary fund	49
Budgetary comparison schedule - detail of revenue	
- general fund	50
Budgetary comparison schedule - detail of expenditures	
- general fund	51-53
Budgetary comparison schedule - special parish tax fund	54
 INTERNAL CONTROL, COMPLIANCE AND OTHER MATTERS	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	56-57
Schedule of current and prior year audit findings and management's corrective action plan	58-60

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Erath (the Town), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 38 through 40 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing 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 of Erath has not presented management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The other supplementary information on pages 44 through 54 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplementary information section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2019, 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 9, 2019

BASIC FINANCIAL STATEMENTS

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

TOWN OF ERATH, LOUISIANA

Statement of Net Position

June 30, 2019

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and interest-bearing deposits	\$ 272,069	\$ 1,727,385	\$ 1,999,454
Accrued interest receivable	45	2,971	3,016
Accounts receivable, net	-	233,968	233,968
Unbilled service receivable, net	-	23,353	23,353
Other receivables	5,067	-	5,067
Due from other governmental agencies	48,472	-	48,472
Internal balances	(133)	133	-
Restricted assets:			
Cash and interest-bearing deposits	-	421,826	421,826
Accrued interest receivable	-	303	303
Capital assets:			
Non-depreciable	333,388	165,820	499,208
Depreciable	<u>2,824,543</u>	<u>10,515,458</u>	<u>13,340,001</u>
Total assets	<u>3,483,451</u>	<u>13,091,217</u>	<u>16,574,668</u>
LIABILITIES			
Accounts and accrued expenses	41,617	112,561	154,178
Other payables	450	3,715	4,165
Customers' deposits	-	92,389	92,389
Accrued interest payable	751	6,790	7,541
Long-term liabilities:			
Portion due or payable within one year -			
Revenue bonds payable	-	66,792	66,792
Certificates of indebtedness	44,000	-	44,000
Portion due or payable after one year -			
Revenue bonds payable	-	3,436,350	3,436,350
Certificates of indebtedness	<u>237,000</u>	<u>-</u>	<u>237,000</u>
Total liabilities	<u>323,818</u>	<u>3,718,597</u>	<u>4,042,415</u>
NET POSITION			
Net investment in capital assets	2,876,931	7,178,136	10,055,067
Restricted for:			
Tax dedications	171,517	-	171,517
Debt service	32,932	322,950	355,882
Other	4,439	-	4,439
Unrestricted	<u>73,814</u>	<u>1,871,534</u>	<u>1,945,348</u>
Total net position	<u>\$ 3,159,633</u>	<u>\$ 9,372,620</u>	<u>\$ 12,532,253</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, 2019

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	\$ 274,146	\$ 66,288	\$ 315	\$ -	\$ (207,543)	\$ -	\$ (207,543)
Public safety	869,987	55,166	97,688	8,000	(709,133)	-	(709,133)
Public works	306,178	13,680	-	-	(292,498)	-	(292,498)
Economic development and assistance	3,000	-	-	-	(3,000)	-	(3,000)
Culture and recreation	64,259	-	5,000	-	(59,259)	-	(59,259)
Total governmental activities	<u>1,517,570</u>	<u>135,134</u>	<u>103,003</u>	<u>8,000</u>	<u>(1,271,433)</u>	<u>-</u>	<u>(1,271,433)</u>
Business-type activities:							
Electric	1,091,214	1,779,788	-	-	-	688,574	688,574
Water	315,835	349,594	-	27,267	-	61,026	61,026
Sewer	530,464	352,571	-	153,015	-	(24,878)	(24,878)
Total business-type activities	<u>1,937,513</u>	<u>2,481,953</u>	<u>-</u>	<u>180,282</u>	<u>-</u>	<u>724,722</u>	<u>724,722</u>
Total	<u>3,455,083</u>	<u>2,617,087</u>	<u>103,003</u>	<u>188,282</u>	<u>(1,271,433)</u>	<u>724,722</u>	<u>(546,711)</u>
General revenues:							
Taxes -							
Property taxes, levied for general purposes					22,155	-	22,155
Sales and use taxes, levied for general purposes					277,908	-	277,908
Franchise taxes					32,499	-	32,499
Other					4,382	-	4,382
Licenses and permits					105,943	-	105,943
Grants and contributions not restricted to specific programs					4,464	-	4,464
Interest and investment earnings					478	19,505	19,983
Miscellaneous					2,663	-	2,663
Loss on disposal of capital assets					(3,996)	-	(3,996)
Transfers					766,408	(766,408)	-
Total general revenues and transfers					<u>1,212,904</u>	<u>(746,903)</u>	<u>466,001</u>
Change in net position					(58,529)	(22,181)	(80,710)
Net position, beginning					3,218,162	9,394,801	12,612,963
Net position, ending					<u>\$ 3,159,633</u>	<u>\$ 9,372,620</u>	<u>\$ 12,532,253</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, 2019

	<u>General</u>	<u>Sales Tax</u>	<u>Other Governmental Funds</u>	<u>Total</u>
ASSETS				
Cash	\$ 130,652	\$ 123,052	\$ 4,570	\$ 258,274
Interest-bearing deposits	-	13,795	-	13,795
Receivables:				
Ad valorem tax	573	-	-	573
Accrued interest	-	45	-	45
Other	4,494	-	-	4,494
Due from other governmental agencies	1,940	21,987	-	23,927
Due from other funds	329	-	2,416	2,745
Total assets	<u>\$ 137,988</u>	<u>\$ 158,879</u>	<u>\$ 6,986</u>	<u>\$ 303,853</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 10,630	\$ 10,260	\$ 2,061	\$ 22,951
Due to other funds	3,117	-	3	3,120
Accrued expenses	16,536	1,647	483	18,666
Other liabilities	208	-	-	208
Total liabilities	<u>30,491</u>	<u>11,907</u>	<u>2,547</u>	<u>44,945</u>
Fund balances:				
Restricted	32,932	146,972	4,439	184,343
Unassigned	74,565	-	-	74,565
Total fund balances	<u>107,497</u>	<u>146,972</u>	<u>4,439</u>	<u>258,908</u>
Total liabilities and fund balances	<u>\$ 137,988</u>	<u>\$ 158,879</u>	<u>\$ 6,986</u>	<u>\$ 303,853</u>

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

TOWN OF ERATH, LOUISIANA

Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2019

Total fund balances - governmental funds		\$	258,908
Total net position reported for governmental activities in the statement of net position is different because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			
Capital assets, net			3,157,931
Long-term liabilities, including bonds payable, are not due and payable in the current period and are therefore not reported in the governmental funds.			
Accrued interest payable	(751)		
Bonds payable	<u>(281,000)</u>		(281,751)
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>24,545</u>
Total net position of governmental activities		\$	<u>3,159,633</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, 2019

	General	Sales Tax	Other Governmental Funds	Total
Revenues:				
Taxes	\$ 59,036	\$ 267,365	\$ -	\$ 326,401
Licenses and permits	105,943	-	-	105,943
Intergovernmental	58,082	-	34,070	92,152
Charges for services	27,434	-	-	27,434
Fines and forfeitures	54,260	-	-	54,260
Interest	-	458	-	458
Miscellaneous	65,593	13,775	50	79,418
Total revenues	<u>370,348</u>	<u>281,598</u>	<u>34,120</u>	<u>686,066</u>
Expenditures:				
Current -				
General government	262,034	-	-	262,034
Public safety	655,843	-	120,922	776,765
Economic development and assistance	3,000	-	-	3,000
Culture and recreation	54,302	-	-	54,302
Public works	-	237,931	-	237,931
Debt service -				
Principal	215,300	-	-	215,300
Interest	14,390	-	-	14,390
Capital outlay	13,325	4,523	7,685	25,533
Total expenditures	<u>1,218,194</u>	<u>242,454</u>	<u>128,607</u>	<u>1,589,255</u>
Deficiency of revenues over expenditures	<u>(847,846)</u>	<u>39,144</u>	<u>(94,487)</u>	<u>(903,189)</u>
Other financing sources (uses):				
Bond proceeds	187,000	-	-	187,000
Transfers in	766,408	-	94,487	860,895
Transfers out	(94,487)	-	-	(94,487)
Total other financing sources (uses)	<u>858,921</u>	<u>-</u>	<u>94,487</u>	<u>953,408</u>
Net change in fund balances	11,075	39,144	-	50,219
Fund balances, beginning	<u>96,422</u>	<u>107,828</u>	<u>4,439</u>	<u>208,689</u>
Fund balances, ending	<u>\$ 107,497</u>	<u>\$ 146,972</u>	<u>\$ 4,439</u>	<u>\$ 258,908</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, 2019

Net change in fund balances - total governmental funds	\$ 50,219
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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	\$ 20,537	
Depreciation expense	<u>(169,215)</u>	(148,678)

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

Sales taxes	10,576
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Bond proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of activities.

Bond proceeds	(187,000)
Principal payments	215,300

The net effect of various miscellaneous transactions involving capital assets, such as sales, trade-ins, and donations is to decrease net position.

(3,996)

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.

Decrease in accrued interest payable	<u>5,050</u>
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Change in net position of governmental activities	<u>\$ (58,529)</u>
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The accompanying notes are an integral part of the basic financial statements.

TOWN OF ERATH, LOUISIANA

Statement of Net Position
Proprietary Funds
June 30, 2019

	Utility	Sewerage Utility	Total
ASSETS			
Current assets:			
Cash	\$ 545,136	\$ 170,317	\$ 715,453
Interest-bearing deposits	958,159	53,773	1,011,932
Accrued interest receivable	2,708	263	2,971
Accounts receivable, net	203,590	30,378	233,968
Unbilled service receivable, net	19,987	3,366	23,353
Interfund receivables	3	459	462
Total current assets	<u>1,729,583</u>	<u>258,556</u>	<u>1,988,139</u>
Restricted assets -			
Cash	30,169	329,740	359,909
Interest-bearing deposits	61,917	-	61,917
Accrued interest receivable	303	-	303
Total restricted assets	<u>92,389</u>	<u>329,740</u>	<u>422,129</u>
Capital assets, net of accumulated depreciation	<u>2,568,976</u>	<u>8,112,302</u>	<u>10,681,278</u>
Total assets	<u>4,390,948</u>	<u>8,700,598</u>	<u>13,091,546</u>
LIABILITIES			
Current liabilities (payable from current assets):			
Accounts payable and accrued expenses	106,106	6,455	112,561
Other payables	3,715	-	3,715
Interfund payables	329	-	329
Total	<u>110,150</u>	<u>6,455</u>	<u>116,605</u>
Current liabilities (payable from restricted assets):			
Customers' deposits	92,389	-	92,389
Accrued interest payable	-	6,790	6,790
Current portion of long term debt	-	66,792	66,792
Total	<u>92,389</u>	<u>73,582</u>	<u>165,971</u>
Total current liabilities	202,539	80,037	282,576
Noncurrent liabilities:			
Long term debt	-	3,436,350	3,436,350
Total liabilities	<u>202,539</u>	<u>3,516,387</u>	<u>3,718,926</u>
NET POSITION			
Net investment in capital assets	2,568,976	4,609,160	7,178,136
Restricted for debt service	-	322,950	322,950
Unrestricted	1,619,433	252,101	1,871,534
Total net position	<u>\$ 4,188,409</u>	<u>\$ 5,184,211</u>	<u>\$ 9,372,620</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, 2019

	Utility	Sewerage Utility	Total
Operating revenues:			
Charges for services	\$ 2,099,304	\$ 349,321	\$ 2,448,625
Miscellaneous	<u>30,078</u>	<u>3,250</u>	<u>33,328</u>
Total operating revenues	<u>2,129,382</u>	<u>352,571</u>	<u>2,481,953</u>
Operating expenses:			
Salaries	122,820	38,942	161,762
Payroll taxes	9,311	2,954	12,265
Retirement	1,460	773	2,233
Group insurance	24,569	7,566	32,135
Worker's compensation insurance	6,702	3,663	10,365
Purchase of electric power	907,382	-	907,382
Materials and supplies	49,024	8,874	57,898
Maintenance and repairs	60,246	30,233	90,479
Fuel, gas and oil	4,187	3,946	8,133
Telephone and utilities	29,288	95,495	124,783
Insurance	33,585	9,498	43,083
Depreciation	114,329	224,147	338,476
Contractual services	16,900	-	16,900
Professional fees	7,527	9,301	16,828
Equipment rental	-	1,574	1,574
Bad debts	6,628	1,093	7,721
Other	<u>13,091</u>	<u>4,594</u>	<u>17,685</u>
Total operating expenses	<u>1,407,049</u>	<u>442,653</u>	<u>1,849,702</u>
Operating income (loss)	<u>722,333</u>	<u>(90,082)</u>	<u>632,251</u>
Nonoperating revenues/(expenses):			
Interest income	18,165	1,340	19,505
Interest expense	-	(87,811)	(87,811)
Grant revenue	<u>27,267</u>	<u>78,253</u>	<u>105,520</u>
Total nonoperating revenues/(expenses)	<u>45,432</u>	<u>(8,218)</u>	<u>37,214</u>
Income (loss) before contributions and transfers	767,765	(98,300)	669,465
Capital contributions	-	74,762	74,762
Transfers out	<u>(766,408)</u>	<u>-</u>	<u>(766,408)</u>
Change in net position	1,357	(23,538)	(22,181)
Net position, beginning	<u>4,187,052</u>	<u>5,207,749</u>	<u>9,394,801</u>
Net position, ending	<u>\$ 4,188,409</u>	<u>\$ 5,184,211</u>	<u>\$ 9,372,620</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, 2019

	Utility	Sewerage Utility	Total
Cash flows from operating activities:			
Receipts from customers	\$ 2,097,382	\$ 380,455	\$ 2,477,837
Payments to suppliers	(1,134,659)	(171,852)	(1,306,511)
Payments to employees and for employee-related costs	(164,459)	(53,951)	(218,410)
Other receipts	30,078	-	30,078
Net cash provided by operating activities	<u>828,342</u>	<u>154,652</u>	<u>982,994</u>
Cash flows from noncapital financing activities:			
Transfers to other funds	(772,157)	-	(772,157)
Increase in customer deposits, net	1,173	-	1,173
Net cash used by noncapital financing activities	<u>(770,984)</u>	<u>-</u>	<u>(770,984)</u>
Cash flows from capital and related financing activities:			
Principal paid on long-term debt	-	(65,083)	(65,083)
Interest paid on long-term debt	-	(86,371)	(86,371)
Purchase and construction of capital assets	(17,627)	(126,814)	(144,441)
Grants and other contributions received	27,267	78,253	105,520
Net cash provided (used) by capital and related financing activities	<u>9,640</u>	<u>(200,015)</u>	<u>(190,375)</u>
Cash flows from investing activities:			
Proceeds of interest-bearing deposits with maturity in excess of ninety days	1,005,056	53,222	1,058,278
Purchase of interest-bearing deposits with maturity in excess of ninety days	(1,020,076)	(53,773)	(1,073,849)
Interest on investments	16,598	1,166	17,764
Net cash provided by investing activities	<u>1,578</u>	<u>615</u>	<u>2,193</u>
Net increase (decrease) in cash and cash equivalents	68,576	(44,748)	23,828
Cash and cash equivalents, beginning of year	<u>506,729</u>	<u>544,805</u>	<u>1,051,534</u>
Cash and cash equivalents, end of year	<u>\$ 575,305</u>	<u>\$ 500,057</u>	<u>\$ 1,075,362</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, 2019

	<u>Utility</u>	<u>Sewerage Utility</u>	<u>Total</u>
Cash flows from operating activities:			
Operating income (loss)	\$ 722,333	\$ (90,082)	\$ 632,251
Adjustments to reconcile operating income (loss) to net cash provided by operating activities -			
Depreciation	114,329	224,147	338,476
Provision for bad debts	6,711	1,093	7,804
(Increase) decrease in assets:			
Accounts and other receivables	28,558	(1,841)	26,717
Interfund receivables	(1,017)	29,266	28,249
Increase (decrease) in liabilities:			
Accounts payable, accrued expenses and other liabilities	(13,176)	(3,760)	(16,936)
Interfund payables	<u>(29,396)</u>	<u>(4,171)</u>	<u>(33,567)</u>
Net cash provided by operating activities	<u>\$ 828,342</u>	<u>\$ 154,652</u>	<u>\$ 982,994</u>
Cash and cash equivalents reported on statement of net position as:			
Current - cash	\$ 545,136	\$ 170,317	\$ 715,453
Restricted - cash	<u>30,169</u>	<u>329,740</u>	<u>359,909</u>
Total cash and cash equivalents	<u>\$ 575,305</u>	<u>\$ 500,057</u>	<u>\$ 1,075,362</u>
Noncash investing, capital and financing activities:			
Capital assets contributed	<u>\$ -</u>	<u>\$ 74,762</u>	<u>\$ 74,762</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, 2019

	<u>Agency Fund</u>
ASSETS	
Assets:	
Cash	\$ 26,739
Due from other funds	<u>242</u>
Total assets	<u>\$ 26,981</u>
LIABILITIES	
Liabilities:	
Due to external parties	<u>\$ 26,981</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 of 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.

In addition, the Town reports the following:

TOWN OF ERATH, LOUISIANA

Notes to Basic Financial Statements

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

The Town has three nonmajor funds which are reported in a column labeled “Other Governmental Funds” in the fund financial statements.

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

C. Measurement Focus/Basis of Accounting

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

Measurement Focus

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

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

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

TOWN OF ERATH, LOUISIANA

Notes to Basic Financial Statements

Basis of Accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Sales taxes are considered measurable when in the hands of the Sales Tax Collector and are recognized as revenue at that time. Ad valorem taxes are recognized as revenue in the year for which budgeted, that is, in the year in which such taxes are billed and collected. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. All other receivables collected within 60 days after year end are considered available and recognized as revenue of the current year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments and compensated absences, which are recognized to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources. Purchases of various operating supplies are regarded as expenditures at the time purchased.

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

Program revenues

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

Allocation of indirect expenses

The Town reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Indirect expenses of other functions are not allocated to those functions, but are reported separately in the Statement of Activities. Depreciation expense is specifically identified by function and is included in the direct expense of each function. Interest on general long-term debt is considered a direct expense and is reported as a direct expense in the public safety and sewer functions in the amount of \$14,390 and \$87,811, respectively.

TOWN OF ERATH, LOUISIANA

Notes to Basic Financial Statements

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

Cash and interest-bearing deposits

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

Investments

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

Interfund receivables and payables

Short-term cash borrowings between funds are considered temporary in nature. These amounts are reported as “interfund receivables and payables” in the fund financial statements. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”.

Receivables

Accounts receivable and unbilled service receivable for the Utility Fund and Sewerage Utility Fund are reported net of an allowance for doubtful accounts. The allowance amount at June 30, 2019 for the Utility Fund and the Sewerage Utility Fund accounts receivable was \$155,811 and \$14,913, respectively. The allowance amount at June 30, 2019 for unbilled services in the Utility Fund and Sewerage Utility Fund was \$509 and \$-0-, respectively.

Capital Assets

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

TOWN OF ERATH, LOUISIANA

Notes to Basic Financial Statements

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

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

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

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

Compensated Absences

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

Upon termination, no payment is made for accrued and unused sick leave. However, any accumulated current year annual leave is paid to the employee. Any liability for this accumulated leave is determined immaterial to the financial statements at June 30, 2019 and, therefore, not recorded in the financial statements.

Restricted Assets

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

Long-term debt

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

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

TOWN OF ERATH, LOUISIANA

Notes to Basic Financial Statements

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

Deferred Outflows of Resources and Deferred Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has no deferred inflows or outflows of resources at June 30, 2019.

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, 2019, the Town reported \$531,839 of restricted net position, \$175,956 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, 2019, fund balances are composed of the following:

	General Fund	Sales Tax	Nonmajor Funds	Total Governmental Funds
Restricted:				
Public works	\$ -	\$ 146,972	\$ -	146,972
Debt service	32,932	-	-	32,932
Youth recreation	-	-	4,439	4,439
Unassigned	<u>74,565</u>	<u>-</u>	<u>-</u>	<u>74,565</u>
Total fund balances	<u>\$ 107,497</u>	<u>\$ 146,972</u>	<u>\$ 4,439</u>	<u>\$ 258,908</u>

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

TOWN OF ERATH, LOUISIANA

Notes to Basic Financial Statements

E. Revenues, Expenditures, and Expenses

Operating Revenues and Expenses

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

Expenditures/Expenses

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

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

Governmental Funds - By Character

Proprietary Fund - By Operating and Nonoperating

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

Interfund Transfers

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

F. Revenue Restrictions

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

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

G. Use of Estimates

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

TOWN OF ERATH, LOUISIANA

Notes to Basic Financial Statements

(2) Cash and Interest-Bearing Deposits

Under state law, the Town may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. The Town may invest in certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana. At June 30, 2019, the Town has cash and interest-bearing deposits (book balances) of \$2,448,019.

Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, the Town's deposits may not be recovered or the Town will not be able to recover the collateral securities that are in the possession of an outside party. These deposits are stated at cost, which approximates market. 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) at June 30, 2019, are as follows:

Bank balances	\$ 2,473,331
At June 30, 2019 the deposits are secured as follows:	
Federal deposit insurance	873,129
Pledged securities	<u>1,600,202</u>
Total	<u>\$ 2,473,331</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, 2019, taxes of 3.52 mills were levied on property with assessed valuations totaling \$6,313,455 and were dedicated for general purposes.

Total taxes levied were \$22,223. Taxes receivable at June 30, 2019 totaled \$573, all of which is considered collectible.

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

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

The net proceeds can be used for constructing, acquiring, extending, improving and/or maintaining the Town's drainage facilities, streets, street lighting facilities, sidewalks, sewers and sewerage disposal works, public buildings and/or fire department stations and equipment; purchasing and acquiring equipment and furnishings for the aforesaid public works, buildings, improvements and facilities; and for paying principal and interest on any bonded or funded indebtedness of the Town.

TOWN OF ERATH, LOUISIANA

Notes to Basic Financial Statements

Sales taxes recognized in the governmental fund financial statements under the modified accrual basis of accounting were \$267,365 while the amount recognized in the government-wide financial statements under the accrual basis of accounting was \$277,908.

(5) Aged Accounts Receivable

The Town is owed \$404,691 by its customers at June 30, 2019. The aging of these accounts receivable is as follows:

Current	\$ 212,070
Over 30 days	23,823
Over 60 days	1,523
Over 90 days	<u>167,275</u>
Total	<u>\$ 404,691</u>

(6) Due from Other Governmental Agencies

Amounts due from other governmental agencies consisted of the following at June 30, 2019:

Fund financial statements:

Governmental Funds -

Vermilion Parish School Board:

Sales and use taxes collected but not remitted	\$ 21,987
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Federal Government:

Other	800
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State of Louisiana:

Other	<u>1,140</u>
	<u>\$ 23,927</u>

Government-wide financial statements:

Total amount reported in -

Governmental Funds, from above	\$ 23,927
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Additional sales and use taxes due from Vermilion Parish School Board	<u>24,545</u>
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	<u>\$ 48,472</u>
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TOWN OF ERATH, LOUISIANA

Notes to Basic Financial Statements

(7) Restricted Assets - Proprietary Fund Type

At June 30, 2019, restricted assets were applicable to the following:

	Utility Fund	Sewerage Utility Fund	Total
Bond sinking account	\$ -	\$ 12,664	\$ 12,664
Bond reserve account	-	164,731	164,731
Depreciation and contingency account	-	117,245	117,245
Short lived asset account	-	35,100	35,100
Customer deposits	<u>92,389</u>	<u>-</u>	<u>92,389</u>
Total	<u>\$ 92,389</u>	<u>\$ 329,740</u>	<u>\$ 422,129</u>

TOWN OF ERATH, LOUISIANA

Notes to Basic Financial Statements

(8) Capital Assets

Capital asset activity for the year ended June 30, 2019 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	2,273,015	-	-	2,273,015
Infrastructure	1,316,436	3,533	-	1,319,969
Equipment, furniture and fixtures	1,415,587	17,004	(33,155)	1,399,436
Improvements other than buildings	650,934	-	-	650,934
Total capital assets	<u>5,989,360</u>	<u>20,537</u>	<u>(33,155)</u>	<u>5,976,742</u>
Less accumulated depreciation:				
Buildings and improvements	561,340	53,274	-	614,614
Infrastructure	719,015	35,521	-	754,536
Equipment, furniture and fixtures	1,052,285	66,390	(29,159)	1,089,516
Improvements other than buildings	346,115	14,030	-	360,145
Total accumulated depreciation	<u>2,678,755</u>	<u>169,215</u>	<u>(29,159)</u>	<u>2,818,811</u>
Governmental activities, capital assets, net	<u>\$ 3,310,605</u>	<u>\$ (148,678)</u>	<u>\$ (3,996)</u>	<u>\$ 3,157,931</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 85,463	\$ -	\$ -	\$ 85,463
Construction in progress	17,727	113,381	(6,341)	124,767
Capital assets being depreciated:				
Equipment and vehicles	473,304	-	-	473,304
Electric system	707,200	6,415	-	713,615
Water system	4,075,096	2,500	-	4,077,596
Sewer system	10,701,776	106,213	-	10,807,989
Total capital assets	<u>16,060,566</u>	<u>228,509</u>	<u>(6,341)</u>	<u>16,282,734</u>
Less accumulated depreciation:				
Equipment and vehicles	436,327	6,102	-	442,429
Electric system	287,614	16,285	-	303,899
Water system	1,900,966	94,898	-	1,995,864
Sewer system	2,638,073	221,191	-	2,859,264
Total accumulated depreciation	<u>5,262,980</u>	<u>338,476</u>	<u>-</u>	<u>5,601,456</u>
Business-type activities, capital assets, net	<u>\$ 10,797,586</u>	<u>\$ (109,967)</u>	<u>\$ (6,341)</u>	<u>\$ 10,681,278</u>

TOWN OF ERATH, LOUISIANA

Notes to Basic Financial Statements

Depreciation expense was charged to governmental activities as follows:

General government	\$ 7,129
Public safety	83,882
Public works	68,247
Culture and recreation	<u>9,957</u>
Total depreciation expense	<u>\$ 169,215</u>

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

Electric	\$ 18,367
Water	95,962
Sewer	<u>224,147</u>
Total depreciation expense	<u>\$ 338,476</u>

(9) Long-Term Debt

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

Certificates of Indebtedness. The Town issued certificates of indebtedness in fiscal year 2013 to provide additional funding needed for renovations made to the police station and again in the current fiscal year to pay off a bank loan obtained in fiscal year 2017. The bank loan had been obtained to provide funding for the purchase of a fire truck. These certificates are direct obligations and pledge the full faith and credit of the Town.

The following changes occurred in long-term debt for the year ended June 30, 2019:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Governmental activities:				
Certificates of indebtedness	\$ 116,000	\$ 187,000	\$ (22,000)	\$ 281,000
Loan payable	<u>193,300</u>	<u>-</u>	<u>(193,300)</u>	<u>-</u>
	<u>\$ 309,300</u>	<u>\$ 187,000</u>	<u>\$ (215,300)</u>	<u>\$ 281,000</u>
Business-type activities:				
Revenue bonds	<u>\$ 3,568,225</u>	<u>\$ -</u>	<u>\$ (65,083)</u>	<u>\$ 3,503,142</u>

TOWN OF ERATH, LOUISIANA

Notes to Basic Financial Statements

Long-term debt outstanding at June 30, 2019 is as follows:

	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Balance Outstanding</u>	<u>Due Within One Year</u>
Governmental activities:					
Certificates of Indebtedness	01/18/13	12/01/22	2.625%	\$ 94,000	\$ 23,000
Certificates of Indebtedness	09/21/18	12/01/26	3.50%	187,000	21,000
Governmental activities long-term debt				<u>\$ 281,000</u>	<u>\$ 44,000</u>
Business-type activities:					
Sewer Revenue Bonds	02/09/98	02/09/38	4.50%	\$ 294,798	\$ 10,372
Sewer Revenue Bonds	07/01/16	07/01/56	2.25%	2,406,513	\$ 42,312
Sewer Revenue Bonds	07/01/16	07/01/56	2.25%	801,831	14,108
Business-type activities long-term debt				<u>\$ 3,503,142</u>	<u>\$ 66,792</u>

The annual debt service requirements to maturity of all debt outstanding at June 30, 2019 follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>
	<u>Principal payments</u>	<u>Interest payments</u>	<u>Principal payments</u>	<u>Interest payments</u>	
2020	44,000	8,343	66,792	84,662	203,797
2021	44,000	7,005	68,553	82,901	202,459
2022	46,000	5,635	70,362	81,092	203,089
2023	47,000	4,218	72,225	79,229	202,672
2024	24,000	3,080	74,142	77,312	178,534
2025 - 2029	76,000	4,094	401,506	355,766	837,366
2030 - 2034	-	-	458,719	298,553	757,272
2035 - 2039	-	-	491,294	233,144	724,438
2040 - 2044	-	-	462,803	177,337	640,140
2045 - 2049	-	-	517,855	122,285	640,140
2050 - 2054	-	-	579,454	60,686	640,140
2055 - 2056	-	-	239,437	5,417	244,854
	<u>\$ 281,000</u>	<u>\$ 32,375</u>	<u>\$ 3,503,142</u>	<u>\$ 1,658,384</u>	<u>\$ 5,474,901</u>

(10) Flow of Funds; Restrictions on Use -

Sewer Revenues

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

TOWN OF ERATH, LOUISIANA

Notes to Basic Financial Statements

- (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, 2019.

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, 2019.

(11) Commitments and Contingencies

Litigation

At June 30, 2019, management and legal counsel for the Town believe that the potential claims against the Town would not materially affect the Town's financial position.

(12) Risk Management

The Town is exposed to risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Town purchases commercial insurance to cover any claims related to these risks. There have been no significant reductions in the insurance coverage during the year, nor have settlements exceeded coverage for the last three years.

TOWN OF ERATH, LOUISIANA

Notes to Basic Financial Statements

(13) On-behalf Payments

The Town has recognized \$49,334 as a revenue and an expenditure for on-behalf salary payments made by the State of Louisiana.

(14) Interfund Transfers

Interfund transfers for the year ended June 30, 2019 consist of the following:

	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 766,408	\$ 94,487
Utility	-	766,408
Other Governmental Funds	<u>94,487</u>	<u>-</u>
Total	<u>\$ 860,895</u>	<u>\$ 860,895</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.

(15) Interfund Balances

Interfund balances at June 30, 2019 consist of the following:

	<u>Due from</u>	<u>Due to</u>
General	\$ 329	\$ 3,117
Utility	3	329
Sewerage Utility	459	-
Other Governmental Funds	2,416	3
Agency	<u>242</u>	<u>-</u>
Total	<u>\$ 3,449</u>	<u>\$ 3,449</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.

TOWN OF ERATH, LOUISIANA

Notes to Basic Financial Statements

(16) Retirement Plan

Effective January 9, 2012, the Town entered into a SIMPLE IRA Adoption Agreement with American Funds Distributors Inc., setting up an Individual Retirement Account (IRA) plan for its employees. All employees are eligible to participate in the Plan. Employees make elective deferrals to the Plan at whatever amount they choose up to a maximum of \$11,500 per year. The Town makes matching contributions of each employee's elective deferral up to a limit of 3% of the employee's compensation. All contributions are made directly to an IRA set up for each employee. Contributions made by the Town for the year ended June 30, 2019 was \$8,954.

(17) Compensation of Town Officials

A detail of compensation paid to elected officials for the year ended June 30, 2019, follows:

Mayor:

John LeBlanc	115 West Edwards St., Erath, LA 70533	\$ 5,017
Mark Taylor Mencacci	115 West Edwards St., Erath, LA 70533	<u>4,679</u>
		<u>\$ 9,696</u>

Aldermen:

Robert Domingues	115 West Edwards St., Erath, LA 70533	\$ 2,531
Timothy Landry	115 West Edwards St., Erath, LA 70533	2,467
Guy Nerren	115 West Edwards St., Erath, LA 70533	2,531
Robert Vincent	115 West Edwards St., Erath, LA 70533	4,903
Mark Taylor Mencacci	115 West Edwards St., Erath, LA 70533	2,531
Mike Richard	115 West Edwards St., Erath, LA 70533	2,372
Earl Landry	115 West Edwards St., Erath, LA 70533	2,372
Scott Bernard	115 West Edwards St., Erath, LA 70533	2,371
Jason C. Conner	115 West Edwards St., Erath, LA 70533	<u>2,371</u>
		<u>\$ 24,449</u>

The Mayor of the Town is considered the agency head. The Town did not pay any benefits on his behalf for the year ended June 30, 2019. In addition, the only payments he received from the Town is the salary amount disclosed above.

TOWN OF ERATH, LOUISIANA

Notes to Basic Financial Statements

(18) New Accounting Pronouncements

In January 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 84, *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The Focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This Statement also provides recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. The provisions of GASB Statement No. 84 are effective for fiscal years beginning after December 15, 2018. The effect of implementation on the Town's financial statements has not yet been determined.

**REQUIRED
SUPPLEMENTARY INFORMATION**

TOWN OF ERATH, LOUISIANA
General Fund

Budgetary Comparison Schedule
Year Ended June 30, 2019

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 60,300	\$ 60,400	\$ 59,036	\$ (1,364)
Licenses and permits	100,700	102,982	105,943	2,961
Intergovernmental	4,500	58,118	58,082	(36)
Charges for services	31,000	28,000	27,434	(566)
Fines and forfeitures	70,000	52,000	54,260	2,260
Miscellaneous	69,500	68,506	65,593	(2,913)
Total revenues	<u>336,000</u>	<u>370,006</u>	<u>370,348</u>	<u>342</u>
Expenditures:				
Current -				
General government	253,159	264,270	262,034	2,236
Public safety	639,532	669,366	655,843	13,523
Economic development and assistance	3,000	3,000	3,000	-
Culture and recreation	51,280	54,580	54,302	278
Debt service -				
Principal	33,000	215,300	215,300	-
Interest	9,756	14,390	14,390	-
Capital outlay	9,495	13,456	13,325	131
Total expenditures	<u>999,222</u>	<u>1,234,362</u>	<u>1,218,194</u>	<u>16,168</u>
Deficiency of revenues over expenditures	<u>(663,222)</u>	<u>(864,356)</u>	<u>(847,846)</u>	<u>16,510</u>
Other financing sources (uses):				
Bond proceeds	-	187,000	187,000	-
Transfers in	750,000	755,000	766,408	11,408
Transfers out	(95,786)	(100,786)	(94,487)	6,299
Total other financing sources (uses)	<u>654,214</u>	<u>841,214</u>	<u>858,921</u>	<u>17,707</u>
Net change in fund balance	(9,008)	(23,142)	11,075	34,217
Fund balance, beginning	<u>89,114</u>	<u>96,422</u>	<u>96,422</u>	<u>-</u>
Fund balance, ending	<u>\$ 80,106</u>	<u>\$ 73,280</u>	<u>\$ 107,497</u>	<u>\$ 34,217</u>

TOWN OF ERATH, LOUISIANA
Sales Tax Fund

Budgetary Comparison Schedule
Year Ended June 30, 2019

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes -				
Sales tax collected	\$ 262,000	\$ 258,000	\$ 267,365	\$ 9,365
Interest	300	300	458	158
Miscellaneous	16,180	13,780	13,775	(5)
Total revenues	<u>278,480</u>	<u>272,080</u>	<u>281,598</u>	<u>9,518</u>
Expenditures:				
Current -				
Public works:				
Salaries	144,383	117,383	104,697	12,686
Payroll taxes	11,045	9,145	8,174	971
Retirement	1,296	1,196	457	739
Group insurance	43,373	27,873	25,890	1,983
Worker's compensation	32,959	28,959	28,913	46
Uniforms	800	800	615	185
Material and supplies	20,000	19,000	19,021	(21)
Truck expenses	9,500	9,500	4,046	5,454
Insurance	6,000	6,000	5,491	509
Telephone	4,000	4,000	3,290	710
Professional services	3,000	4,500	3,788	712
Office supplies	500	500	276	224
Repairs and maintenance	19,500	19,500	19,773	(273)
Contract services	-	5,550	3,083	2,467
Equipment fuel and oil	7,000	7,000	6,951	49
Utilities	4,500	4,500	2,458	2,042
Other	1,294	1,294	1,008	286
Capital outlay	1,000	4,600	4,523	77
Total expenditures	<u>310,150</u>	<u>271,300</u>	<u>242,454</u>	<u>28,846</u>
Excess (deficiency) of revenues over expenditures	(31,670)	780	39,144	38,364
Other financing sources:				
Transfers in	<u>30,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(1,670)	780	39,144	38,364
Fund balance, beginning	<u>99,408</u>	<u>107,828</u>	<u>107,828</u>	<u>-</u>
Fund balance, ending	<u>\$ 97,738</u>	<u>\$ 108,608</u>	<u>\$ 146,972</u>	<u>\$ 38,364</u>

TOWN OF ERATH, LOUISIANA

Note to Budgetary Comparison Schedules

(1) Budgets and Budgetary Accounting

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

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

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

OTHER SUPPLEMENTARY INFORMATION

NONMAJOR GOVERNMENTAL FUNDS

NONMAJOR GOVERNMENTAL FUNDS

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

Special Parish Tax Fund

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

Youth Recreation Fund

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

LCDBG Fund

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

TOWN OF ERATH, LOUISIANA
Nonmajor Governmental Funds

Combining Balance Sheet
June 30, 2019

	Special Parish Tax Fund	Youth Recreation Fund	LCDBG	Total
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
ASSETS				
Cash	\$ 128	\$ 4,439	\$ 3	\$ 4,570
Due from other funds	<u>2,416</u>	<u>-</u>	<u>-</u>	<u>2,416</u>
Total assets	<u><u>\$ 2,544</u></u>	<u><u>\$ 4,439</u></u>	<u><u>\$ 3</u></u>	<u><u>\$ 6,986</u></u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 2,061	\$ -	\$ -	\$ 2,061
Accrued expenses	483	-	-	483
Due to other funds	<u>-</u>	<u>-</u>	<u>3</u>	<u>3</u>
Total liabilities	<u><u>\$ 2,544</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 3</u></u>	<u><u>\$ 2,547</u></u>
Fund balances:				
Restricted	<u>-</u>	<u>4,439</u>	<u>-</u>	<u>4,439</u>
Total liabilities and fund balances	<u><u>\$ 2,544</u></u>	<u><u>\$ 4,439</u></u>	<u><u>\$ 3</u></u>	<u><u>\$ 6,986</u></u>

TOWN OF ERATH, LOUISIANA
Nonmajor Governmental Funds

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances -
Year Ended June 30, 2019

	Special Parish Tax Fund	Youth Recreation Fund	LCDBG	Total
Revenues:				
Intergovernmental	\$ 34,070	\$ -	\$ -	\$ 34,070
Miscellaneous	<u>50</u>	<u>-</u>	<u>-</u>	<u>50</u>
Total revenues	<u>34,120</u>	<u>-</u>	<u>-</u>	<u>34,120</u>
Expenditures:				
Current-				
Public safety	120,922	-	-	120,922
Capital outlay	<u>7,685</u>	<u>-</u>	<u>-</u>	<u>7,685</u>
Total expenditures	<u>128,607</u>	<u>-</u>	<u>-</u>	<u>128,607</u>
Deficiency of revenues over expenditures	(94,487)	-	-	(94,487)
Other financing sources:				
Transfers in	<u>94,487</u>	<u>-</u>	<u>-</u>	<u>94,487</u>
Net change in fund balances	-	-	-	-
Fund balances, beginning	<u>-</u>	<u>4,439</u>	<u>-</u>	<u>4,439</u>
Fund balances, ending	<u>\$ -</u>	<u>\$ 4,439</u>	<u>\$ -</u>	<u>\$ 4,439</u>

TOWN OF ERATH, LOUISIANA

Schedule of Insurance in Force
Year Ended June 30, 2019

Insurer	Assets Covered	Limits of Coverage (in Dollars)	Expiration Date
SCU	Commercial property	Varies by property	5/6/2020
CNASurety	Public Officials		
	Mayor	28,500	11/15/2019
	Town Clerk	28,500	11/15/2019
	Tax Collector	28,500	11/15/2019
	Bill Collector	28,500	11/15/2019
	Mayor Pro-tem	28,500	11/15/2019
	Council & other employees	5,000	11/15/2019
Hartford Insurance Company	Crime Policy		
	Mayor	400,000	6/17/2020
	Town Clerk	400,000	6/17/2020
AmGUARD Insurance Company	Comprehensive general liability	500,000	12/29/2019
	Law enforcement officer	500,000	12/29/2019
	Errors & omissions	500,000	12/29/2019
	Comprehensive automobile	500,000	12/29/2019
Special Risk Insurance, Inc.	Portable equipment - Fire Department	Replacement Cost	3/28/2020
	General liability - Fire Department	2,000,000	3/28/2020
	Management liability - Fire Department	2,000,000	3/28/2020
Bankers Specialty Insurance	Flood - Police station		
	Building	500,000	5/7/2020
	Contents	50,000	5/7/2020

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

Schedule of Number of Utility Customers and Rates
June 30, 2019 and 2018

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

<u>Department</u>	<u>2019</u>	<u>2018</u>
Electric (metered)	934	929
Water	1022	983
Sewerage	917	932

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 \$5.00 per 1,000 gallons thereafter

Commercial

\$19.00 for the first 2,000 gallons and \$5.00 per 1,000 gallons thereafter

TOWN OF ERATH, LOUISIANA

Statements of Net Position
Proprietary Funds
June 30, 2019 and 2018

	2019	2018
ASSETS		
Current assets:		
Cash	\$ 715,453	\$ 700,452
Interest-bearing deposits	1,011,932	996,996
Accrued interest receivable	2,971	1,431
Accounts receivable, net	233,968	268,518
Unbilled service receivable, net	23,353	23,325
Interfund receivables	462	53,711
Other receivables	-	8,438
Total current assets	<u>1,988,139</u>	<u>2,052,871</u>
Restricted assets:		
Cash	359,909	351,082
Interest-bearing deposits	61,917	61,282
Accrued interest receivable	303	102
Total restricted assets	<u>422,129</u>	<u>412,466</u>
Capital assets, net of accumulated depreciation	<u>10,681,278</u>	<u>10,797,586</u>
Total assets	<u>13,091,546</u>	<u>13,262,923</u>
LIABILITIES		
Current liabilities (payable from current assets):		
Accounts payable and accrued expenses	112,561	134,216
Interfund payables	329	64,645
Other payables	<u>3,715</u>	<u>4,470</u>
Total	<u>116,605</u>	<u>203,331</u>
Current liabilities (payable from restricted assets):		
Customers' deposits	92,389	91,216
Current portion of long term debt	66,792	65,083
Accrued interest on bonds	<u>6,790</u>	<u>5,350</u>
Total	<u>165,971</u>	<u>161,649</u>
Total current liabilities	282,576	364,980
Noncurrent liabilities:		
Long term debt	<u>3,436,350</u>	<u>3,503,142</u>
Total liabilities	<u>3,718,926</u>	<u>3,868,122</u>
NET POSITION		
Net investment in capital assets	7,178,136	7,251,753
Restricted for debt service	322,950	293,508
Unrestricted	<u>1,871,534</u>	<u>1,849,540</u>
Total net position	<u>\$ 9,372,620</u>	<u>\$ 9,394,801</u>

TOWN OF ERATH, LOUISIANA

Statements of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Operating revenues:		
Charges for services	\$ 2,448,625	\$ 2,444,529
Miscellaneous	<u>33,328</u>	<u>31,286</u>
Total operating revenues	<u>2,481,953</u>	<u>2,475,815</u>
Operating expenses:		
Salaries	161,762	185,470
Payroll taxes	12,265	14,267
Retirement	2,233	1,972
Group insurance	32,135	33,806
Worker's compensation insurance	10,365	8,636
Purchase of electric power	907,382	911,682
Materials and supplies	57,898	67,590
Maintenance and repairs	90,479	55,090
Fuel, gas and oil	8,133	7,997
Telephone and utilities	124,783	99,674
Insurance	43,083	30,264
Depreciation	338,476	340,276
Contractual services	16,900	14,300
Professional fees	16,828	24,604
Equipment rental	1,574	5,289
Bad debts	7,721	11,532
Other	<u>17,685</u>	<u>28,346</u>
Total operating expenses	<u>1,849,702</u>	<u>1,840,795</u>
Operating income	<u>632,251</u>	<u>635,020</u>
Nonoperating revenues/(expenses):		
Grant revenue	105,520	6,329
Interest income	19,505	11,769
Interest expense	<u>(87,811)</u>	<u>(87,163)</u>
Total nonoperating revenues/(expenses)	<u>37,214</u>	<u>(69,065)</u>
Income before contributions and transfers	669,465	565,955
Capital contributions	74,762	6,674
Transfers out	<u>(766,408)</u>	<u>(816,512)</u>
Change in net position	(22,181)	(243,883)
Net position, beginning	<u>9,394,801</u>	<u>9,638,684</u>
Net position, ending	<u>\$ 9,372,620</u>	<u>\$ 9,394,801</u>

TOWN OF ERATH, LOUISIANA

Budgetary Comparison Schedule - Detail of Revenues
General Fund
For the Year Ended June 30, 2019

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Taxes -				
General ad valorem	\$ 22,300	\$ 22,300	\$ 22,155	\$ (145)
Gas franchise	10,500	12,800	12,858	58
Cable franchise	10,000	9,000	8,636	(364)
Slemco franchise	3,000	3,000	2,914	(86)
Entergy franchise	8,500	8,500	8,091	(409)
Housing Authority payment	6,000	4,800	4,382	(418)
	<u>60,300</u>	<u>60,400</u>	<u>59,036</u>	<u>(1,364)</u>
Licenses and permits -				
Occupational licenses	25,000	26,500	26,725	225
Insurance licenses	74,000	73,000	75,663	2,663
Building permits	1,500	3,282	3,380	98
Liquor permits	200	200	175	(25)
	<u>100,700</u>	<u>102,982</u>	<u>105,943</u>	<u>2,961</u>
Intergovernmental -				
Federal grants	-	8,000	8,000	-
State funds:				
On-behalf payments	-	43,834	43,834	-
Wave program	-	1,784	1,784	-
State shared revenue:				
Beer taxes	4,500	4,500	4,464	(36)
	<u>4,500</u>	<u>58,118</u>	<u>58,082</u>	<u>(36)</u>
Charges for services -				
Police accident reports	1,000	1,000	656	(344)
Court costs	30,000	27,000	26,778	(222)
	<u>31,000</u>	<u>28,000</u>	<u>27,434</u>	<u>(566)</u>
Fines and forfeitures	<u>70,000</u>	<u>52,000</u>	<u>54,260</u>	<u>2,260</u>
Miscellaneous -				
Rent income (post office)	39,500	39,500	39,500	-
Other	30,000	29,006	26,093	(2,913)
	<u>69,500</u>	<u>68,506</u>	<u>65,593</u>	<u>(2,913)</u>
Total revenues	<u>\$ 336,000</u>	<u>\$ 370,006</u>	<u>\$ 370,348</u>	<u>\$ 342</u>

TOWN OF ERATH, LOUISIANA

Budgetary Comparison Schedule - Detail of Expenditures
General Fund
For the Year Ended June 30, 2019

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Current -				
General government:				
Mayor's salary	\$ 9,693	\$ 9,693	\$ 9,696	\$ (3)
Council salaries	24,464	24,464	24,312	152
Clerk of Court salary	29,062	29,062	29,062	-
Other salaries	48,192	48,192	48,192	-
Payroll taxes	8,523	8,523	8,443	80
Retirement	1,545	1,545	1,559	(14)
Group insurance	15,772	15,772	15,087	685
Workmen's compensation insurance	558	558	1,144	(586)
Bond issue costs	-	4,611	3,406	1,205
Uniforms	-	-	658	(658)
Printing, stationery and supplies	5,500	5,500	5,911	(411)
Repairs and maintenance	5,500	6,500	5,923	577
Material and supplies	6,000	2,000	818	1,182
General insurance	20,000	20,000	17,746	2,254
Auditing and accounting	8,750	8,750	8,550	200
Dues and subscriptions	1,300	1,300	1,162	138
Telephone	3,000	3,000	3,129	(129)
Professional fees	35,000	45,500	48,362	(2,862)
Publication of minutes	2,000	2,000	2,611	(611)
Tax roll preparation	1,100	1,100	1,032	68
Legal fees	6,000	5,000	4,412	588
Utilities	5,000	5,000	4,516	484
Building permits and inspections	3,000	3,000	2,795	205
Election expense	1,500	1,500	702	798
Emergency generator fuel and repairs	500	500	589	(89)
				(continued)

TOWN OF ERATH, LOUISIANA

Budgetary Comparison Schedule - Detail of Expenditures
General Fund (Continued)
For the Year Ended June 30, 2019

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Court material and supplies	400	400	122	278
Court dues and subscriptions	350	350	369	(19)
Court printing supplies	500	500	655	(155)
Court communications	2,000	2,000	1,427	573
Court postage	200	200	100	100
Court professional fees	2,000	2,000	3,124	(1,124)
Magistrate salary	2,400	2,400	2,400	-
Prosecutor salary	2,400	2,400	2,400	-
Other	950	950	1,620	(670)
	<u>253,159</u>	<u>264,270</u>	<u>262,034</u>	<u>2,236</u>
Public safety:				
Chief of Police's salary	38,260	38,260	38,260	-
Other salaries	309,000	352,834	351,722	1,112
Payroll taxes	30,237	30,237	29,475	762
Retirement	3,681	3,681	3,932	(251)
Group insurance	86,746	73,746	70,584	3,162
Workmen's compensation insurance	30,408	30,408	29,562	846
Court appearance	600	600	200	400
Uniforms	2,500	2,500	2,490	10
Conventions and schools	2,000	5,000	5,357	(357)
Dues and subscriptions	700	700	1,099	(399)
Material and supplies	3,800	3,800	3,203	597
Auto fuel and oil	25,000	25,000	25,355	(355)
Insurance	43,000	43,000	40,021	2,979
Telephone	4,000	4,000	4,051	(51)
Task force appropriation	15,000	15,000	15,000	-
Office	2,100	2,100	2,541	(441)
Repairs and maintenance -				
Auto	16,000	12,000	10,582	1,418
Building	6,000	6,000	5,360	640
Radio, radar and camera	4,000	4,000	2,436	1,564
Emergency generator fuel	500	500	590	(90)
Utilities	8,000	8,000	7,300	700
Other	3,200	3,200	1,923	1,277
Salaries - fire department	4,800	4,800	4,800	-
	<u>639,532</u>	<u>669,366</u>	<u>655,843</u>	<u>13,523</u>
				(continued)

TOWN OF ERATH, LOUISIANA

Budgetary Comparison Schedule - Detail of Expenditures
General Fund (Continued)
For the Year Ended June 30, 2019

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Economic development and assistance:				
External appropriation	<u>3,000</u>	<u>3,000</u>	<u>3,000</u>	<u>-</u>
Culture and recreation:				
Salaries	30,471	30,471	30,150	321
Payroll taxes	2,331	2,331	2,185	146
Retirement	609	609	303	306
Group insurance	7,886	7,886	7,566	320
Workmen's compensation insurance	1,999	1,999	2,683	(684)
Uniforms	200	200	122	78
Material and supplies	1,000	1,000	826	174
Insurance	350	350	440	(90)
Maintenance and upkeep	740	1,540	1,540	-
Repairs and maintenance -				
Building	150	150	771	(621)
Equipment	1,800	4,300	4,111	189
Equipment fuel and oil	850	850	965	(115)
Utilities	2,000	2,000	1,706	294
Other	<u>894</u>	<u>894</u>	<u>934</u>	<u>(40)</u>
	<u>51,280</u>	<u>54,580</u>	<u>54,302</u>	<u>278</u>
Debt service:				
Principal	33,000	215,300	215,300	-
Interest	<u>9,756</u>	<u>14,390</u>	<u>14,390</u>	<u>-</u>
	<u>42,756</u>	<u>229,690</u>	<u>229,690</u>	<u>-</u>
Capital outlay	<u>9,495</u>	<u>13,456</u>	<u>13,325</u>	<u>131</u>
Total expenditures	<u>\$ 999,222</u>	<u>\$ 1,234,362</u>	<u>\$ 1,218,194</u>	<u>\$ 16,168</u>

TOWN OF ERATH, LOUISIANA

Budgetary Comparison Schedule
Special Parish Tax Fund
For the Year Ended June 30, 2019

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental -				
On-behalf payments	\$ -	\$ 5,500	\$ 5,500	\$ -
Appropriation from Vermilion				
Parish Police Jury:				
Special Parish Tax	28,570	28,570	28,570	-
Miscellaneous	500	500	50	(450)
Total revenues	<u>29,070</u>	<u>34,570</u>	<u>34,120</u>	<u>(450)</u>
Expenditures:				
Current -				
Public safety:				
Salaries	28,687	34,187	33,711	476
Payroll taxes	2,654	2,654	2,635	19
Group insurance	7,886	7,886	7,566	320
Retirement	430	430	471	(41)
Worker's compensation insurance	3,089	6,089	5,859	230
Training	2,000	2,000	1,160	840
Fire prevention and education	3,000	3,000	2,838	162
Office supplies	1,400	1,400	1,634	(234)
Material and supplies	2,000	2,000	2,905	(905)
Truck expense	14,500	14,500	14,246	254
Insurance	25,000	25,000	22,570	2,430
Telephone	3,000	3,000	2,603	397
Professional services	750	750	750	-
Uniforms	350	350	339	11
Repairs and maintenance	13,360	15,360	15,570	(210)
Utilities	6,000	6,000	5,182	818
Other	1,750	1,750	883	867
Capital outlay	<u>9,000</u>	<u>9,000</u>	<u>7,685</u>	<u>1,315</u>
Total expenditures	<u>124,856</u>	<u>135,356</u>	<u>128,607</u>	<u>6,749</u>
Deficiency of revenues over expenditures	(95,786)	(100,786)	(94,487)	6,299
Other financing sources:				
Transfers in	<u>95,786</u>	<u>100,786</u>	<u>94,487</u>	<u>(6,299)</u>
Net change in fund balance	-	-	-	-
Fund balance, beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
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, (the Town) as of and for the year ended June 30, 2019, 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 9, 2019.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town'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 have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of current and prior year audit findings and management's corrective action plan as items 2019-001 and 2019-002 that we consider to be significant deficiencies.

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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

Town of Erath's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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 9, 2019

TOWN OF ERATH
Erath, Louisiana

Schedule of Current and Prior Year Audit Findings
and Management's Corrective Action Plan (continued)
Year Ended June 30, 2019

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

A. Internal Control Over Financial Reporting

2019-001 Inadequate Segregation of Accounting Functions

Fiscal year finding initially occurred: Unknown

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

CRITERIA: AU-C §315.04, *Understanding the Entity and its Environment and Assessing the Risks of Material Misstatement*, defines internal control as "a process, affected by those charged with governance, management, and other personnel, designed to provide reasonable assurance about the achievement of objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations."

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

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

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

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

2019-002 Utility bill collections

Fiscal year finding initially occurred: 2015

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

TOWN OF ERATH
Erath, Louisiana

Schedule of Current and Prior Year Audit Findings
and Management's Corrective Action Plan (continued)
Year Ended June 30, 2019

CRITERIA: The utility cut-off policy requires the Town to assess a penalty fee if the bill is not paid by the 20th and then terminate services to customers who have not paid by the 1st of the month following the month the bills were due.

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

EFFECT: Failure to follow written policies and procedures increases the risk of not having continuity of operations and the risk of long outstanding collections of utilities.

RECOMMENDATION: Management should comply with its written policies and procedures in the future and cut-off utility services of customers, including employees, who do not pay within the time limit stated in the policy.

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

Part II: Prior Year Findings:

A. Internal Control Over Financial Reporting

2018-001 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 2019-001.

2018-002 Policies and procedures for utility bills

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

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

CURRENT STATUS: Unresolved. See item 2019-002.

TOWN OF ERATH
Erath, Louisiana

Schedule of Current and Prior Year Audit Findings
and Management's Corrective Action Plan (continued)
Year Ended June 30, 2019

B. Compliance

2018-003 Bid law noncompliance

CONDITION: The Town purchased two police vehicles and did not obtain three telephone or facsimile quotations before making the purchase.

RECOMMENDATION: Management should comply with the requirements of LSA R.S. 38:2212.1 by obtaining required quotes and maintaining the documentation for support to ensure compliance with state laws.

CURRENT STATUS: Resolved.

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MANAGEMENT LETTER

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

During our audit of the basic financial statements of the Town of Erath for the year ended June 30, 2019, we noted the following area in which the efficiency and effectiveness of the operations of the Town could be improved.

1. The Town was late in paying the required interest payment on the Series 2018 Certificate of Indebtedness. Although the amount was immaterial and the bank did not assess any penalties or fees, a control deficiency exists within the Town's operations. The Town should develop internal control policies and procedures to ensure that all debt payments are made according to the debt payment schedules.

We would like to express our appreciation to you and your staff for the courtesies and assistance rendered to us in the performance of our audit. Should you have any questions or need assistance please feel free to contact us.

Kolder, Slaven & Company, LLC

Certified Public Accountants

Abbeville, LA
December 9, 2019

TOWN OF ERATH, LOUISIANA

Statewide Agreed-Upon Procedures Report

Fiscal period July 1, 2018 through June 30, 2019

KOLDER, SLAVEN & COMPANY, LLC

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

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

We have performed the procedures enumerated below, which were agreed to by the Town of Erath, Louisiana (Town) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2018 through June 30, 2019. The Entity's management is responsible for those C/C areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

Written Policies and Procedures

1. We obtained and inspected the entity's written policies and procedures and observed that 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.
- 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) ***Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)***, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases)
- h) ***Travel and expense reimbursement***, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
- i) ***Ethics***, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.
- j) ***Debt Service***, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
- k) ***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.

Board or Finance Committee

- 2. We obtained and inspected 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) We observed 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, we observed that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds. *Alternately, 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, we obtained the prior year audit report and observed the unrestricted fund balance in the general fund. If the general fund had a negative ending unrestricted 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 unrestricted fund balance in the general fund.

Bank Reconciliations

- 3. Obtain a listing of client 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 selected each account, and observe that:
 - a) Bank reconciliations included evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);
 - b) Bank reconciliations included evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (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

- 4. Obtained 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 selected 5 deposit sites (or all deposit sites if less than 5).
- 5. For each deposit site selected, obtained a listing of collection locations and management's representation that the listing is complete. Randomly selected one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtained and inspected written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observed 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 verifies the reconciliation.

6. Inquired of management that all employees who have access to cash are covered by a bond or insurance policy for theft.
7. Randomly selected two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (selected the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly selected a deposit if multiple deposits are made on the same day). *Alternately, we used 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.* We obtained supporting documentation for each of the 10 deposits and:
 - a) Observed that receipts are sequentially pre-numbered.
 - b) Traced sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
 - c) Traced the deposit slip total to the actual deposit per the bank statement.
 - d) Observed 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).
 - e) Traced 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. Obtained a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly selected 5 locations (or all locations if less than 5).
9. For each location selected under #8 above, obtained a listing of those employees involved with non-payroll purchasing and payment functions. Obtained written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquired of employees about their job duties), and observed 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.
10. For each location selected under #8 above, obtained the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtained management's representation that the population is complete. Randomly selected 5 disbursements for each location, obtained supporting documentation for each transaction and:
 - a) Observed that the disbursement matched the related original invoice/billing statement.

- b) Observed that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

Credit Cards/Debit Cards/Fuel Cards/P-Cards

- 11. Obtained from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtained management's representation that the listing is complete.
- 12. Using the listing prepared by management, randomly selected 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly selected one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtained supporting documentation, and:
 - a) Observed 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, by someone other than the authorized card holder.
 - b) Observed that finance charges and late fees were not assessed on the selected statements.
- 13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly selected 10 transactions (or all transactions if less than 10) from each statement, and obtained supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observed 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).

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

- 14. Obtained 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 selected 5 reimbursements, obtained 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, agreed the reimbursement rate to 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, observed that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
 - c) Observed that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observed that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).
 - d) Observed that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Contracts

15. Obtained 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. Obtained management's representation that the listing is complete. Randomly selected 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:
- a) Observed 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) Observed 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), observed that the original contract terms provided for such an amendment.
 - d) Randomly selected one payment from the fiscal period for each of the 5 contracts, obtained the supporting invoice, agreed the invoice to the contract terms, and observed that the invoice and related payment agreed to the terms and conditions of the contract.

Payroll and Personnel

16. Obtained a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly selected 5 employees/officials, obtained related paid salaries and personnel files, and agreed paid salaries to authorized salaries/pay rates in the personnel files.
17. Randomly selected one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, obtained attendance records and leave documentation for the pay period, and:
- a) Observed that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory).
 - b) Observed that supervisors approved the attendance and leave of the selected employees/officials.
 - c) Observed that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.
18. Obtained a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly selected two employees/officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations, agreed the hours to the employee/officials' cumulate leave records, and agreed the pay rates to the employee/officials' authorized pay rates in the employee/officials' personnel files.
19. Obtained management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

Ethics

20. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, obtained ethics documentation from management, and:
 - a. Observed that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.
 - b. Observed that the documentation demonstrates each employee/official attested through signature verification that he or she has read the entity's ethics policy during the fiscal period.

Debt Service

21. Obtained a listing of bonds/notes issued during the fiscal period and management's representation that the listing is complete. Selected all bonds/notes on the listing, obtained supporting documentation, and observed that State Bond Commission approval was obtained for each bond/note issued.
22. Obtained a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly selected one bond/note, inspected debt covenants, obtained supporting documentation for the reserve balance and payments, and agreed actual reserve balances and payments to those required by debt covenants.

Other

23. Obtained a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Selected all misappropriations on the listing, obtained supporting documentation, and observed that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.
24. Observed 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.

Findings:

In accordance with the Statewide Agreed-Upon Procedures, certain categories may be excluded from testing. Therefore, the following categories were not tested this year: Board (Finance Committee, if applicable), Bank Reconciliations, Credit/Debit/Fuel Cards, Travel and Expense Reimbursement, Contracts, Payroll and Personnel, Debt Service and Other.

No exceptions were found as a result of applying procedures listed above except:

Written Policies:

The Town does not have written policies and procedures addressing the actions to be taken in case of a disaster for the recovery and continuity of a business.

Collections:

In the location tested, the person responsible for collecting cash deposits also deposits the cash in the bank.

In the location tested the person responsible for collecting cash also records the deposit.

For 2 of the 10 receipts tested, management did not make note of the date received; therefore, we were unable to test the timing of the deposit.

Ethics:

For 5 of 5 employees tested, there is no documentation demonstrating that each employee/official attested through signature verification that he or she has read the entity's ethics policy during the fiscal period.

Management's Response:

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

We were not engaged to and did not conduct an examination or review, 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.

The purpose of this report is 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 9, 2019