

TOWN OF ERATH, LOUISIANA

Financial Statements

Year Ended June 30, 2012

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Erath, Louisiana, as of and for the year ended June 30, 2012, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Erath, Louisiana, as of June 30, 2012, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated December 4, 2012 on our consideration of the Town of Erath, Louisiana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that budgetary comparison information on pages 36 through 38 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 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 the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of the basic financial statements.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Town's financial statements as a whole. The other supplementary information section is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the 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.

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

Abbeville, Louisiana
December 4, 2012

BASIC FINANCIAL STATEMENTS

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

TOWN OF ERATH, LOUISIANA

Statement of Net Assets

June 30, 2012

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and interest-bearing deposits	\$ 287,915	\$1,500,337	\$ 1,788,252
Accrued interest receivable	54	3,242	3,296
Accounts receivable, net	-	440,334	440,334
Unbilled service receivable, net	-	83,213	83,213
Other receivables	8,161	-	8,161
Due from other governmental agencies	83,717	-	83,717
Internal balances	(6,002)	6,002	-
Restricted assets:			
Cash and interest-bearing deposits	-	167,540	167,540
Accrued interest receivable	-	308	308
Capital assets:			
Non-depreciable	369,900	89,272	459,172
Depreciable	2,548,680	5,727,700	8,276,380
Total assets	<u>3,292,425</u>	<u>8,017,948</u>	<u>11,310,373</u>
LIABILITIES			
Accounts and accrued expenses	55,605	151,551	207,156
Retainage payable	34,481	-	34,481
Due to other governmental agencies	27,433	5,609	33,042
Other payables	181	-	181
Deferred revenue	-	42	42
Due to external parties	100	-	100
Customers' deposits	-	74,553	74,553
Accrued interest payable	-	3,598	3,598
Long-term liabilities:			
Portion due or payable within one year -			
Revenue bonds payable	-	31,574	31,574
Portion due or payable after one year -			
Revenue bonds payable	<u>-</u>	<u>459,138</u>	<u>459,138</u>
Total liabilities	<u>117,800</u>	<u>726,065</u>	<u>843,865</u>
NET ASSETS			
Invested in capital assets, net of related debt	2,918,580	5,357,834	8,276,414
Restricted for:			
Tax dedications	28,862	-	28,862
Debt service	-	58,123	58,123
Unrestricted	<u>227,183</u>	<u>1,875,926</u>	<u>2,103,109</u>
Total net assets	<u>\$ 3,174,625</u>	<u>\$7,291,883</u>	<u>\$ 10,466,508</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, 2012

Activities	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Assets		
		Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government	\$ 282,484	\$ 63,538	\$ -	\$ -	\$ (218,946)	\$ -	\$ (218,946)
Public safety	757,722	99,179	74,412	903,779	319,648	-	319,648
Public works	324,682	17,180	-	15,000	(292,502)	-	(292,502)
Health and welfare	149,398	-	147,506	-	(1,892)	-	(1,892)
Culture and recreation	60,208	-	-	-	(60,208)	-	(60,208)
Total governmental activities	1,574,494	179,897	221,918	918,779	(253,900)	-	(253,900)
Business-type activities:							
Electric	1,325,104	2,054,419	-	-	-	729,315	729,315
Water	343,332	245,894	-	-	-	(97,438)	(97,438)
Sewer	284,609	293,119	-	114,579	-	123,089	123,089
Total business-type activities	1,953,045	2,593,432	-	114,579	-	754,966	754,966
Total	\$ 3,527,539	\$ 2,773,329	\$ 221,918	\$ 1,033,358	(253,900)	754,966	501,066
General revenues:							
Taxes -							
Property taxes, levied for general purposes					21,331	-	21,331
Sales and use taxes, levied for general purposes					263,136	-	263,136
Franchise taxes					33,804	-	33,804
Other					5,138	-	5,138
Licenses and permits					88,603	-	88,603
Grants and contributions not restricted to specific programs					10,024	-	10,024
Interest and investment earnings					215	25,718	25,933
Miscellaneous					14,268	59	14,327
Loss on sale of capital assets					(13,940)	(1,023)	(14,963)
Transfers					624,301	(624,301)	-
Total general revenues and transfers					1,046,880	(599,547)	447,333
Change in net assets					792,980	155,419	948,399
Net assets - July 1, 2011					2,381,645	7,136,464	9,518,109
Net assets - June 30, 2012					\$ 3,174,625	\$ 7,291,883	\$10,466,508

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, 2012

	General	Sales Tax	LCDBG	Other Governmental Funds	Total
ASSETS					
Cash	\$ 82,224	\$ 189,043	\$ 3	\$ 3,700	\$ 274,970
Interest-bearing deposits	-	12,945	-	-	12,945
Receivables:					
Ad valorem tax	66	-	-	-	66
Accrued interest	-	54	-	-	54
Due from other governmental agencies	1,493	18,881	34,481	-	54,855
Other	8,095	-	-	-	8,095
Due from other funds	3,780	-	-	2,428	6,208
Total assets	<u>\$ 95,658</u>	<u>\$ 220,923</u>	<u>\$ 34,484</u>	<u>\$ 6,128</u>	<u>\$ 357,193</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 28,500	\$ 8,355	\$ -	\$ 2,180	\$ 39,035
Retainage payable	-	-	34,481	-	34,481
Due to other governmental agencies	27,433	-	-	-	27,433
Due to other funds	9,319	2,988	3	-	12,310
Accrued expenses	12,716	3,350	-	504	16,570
Other liabilities	181	-	-	-	181
Total liabilities	<u>78,149</u>	<u>14,693</u>	<u>34,484</u>	<u>2,684</u>	<u>130,010</u>
Fund balances:					
Restricted	-	206,230	-	3,444	209,674
Unassigned	17,509	-	-	-	17,509
Total fund balances	<u>17,509</u>	<u>206,230</u>	<u>-</u>	<u>3,444</u>	<u>227,183</u>
Total liabilities and fund balances	<u>\$ 95,658</u>	<u>\$ 220,923</u>	<u>\$ 34,484</u>	<u>\$ 6,128</u>	<u>\$ 357,193</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 Assets
June 30, 2012

Total fund balances - governmental funds	\$ 227,183
Total net assets reported for governmental activities in the statement of net assets is different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Capital assets, net	2,918,580
Sales taxes which are not "measurable" at year-end and therefore are not available soon enough to pay for current period expenditures.	<u>28,862</u>
Total net assets of governmental activities	<u>\$ 3,174,625</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, 2012

	<u>General</u>	<u>Sales Tax</u>	<u>LCDBG</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Revenues:					
Taxes	\$ 60,273	\$ 257,092	\$ -	\$ -	\$ 317,365
Licenses and permits	88,603	-	-	-	88,603
Intergovernmental	53,020	15,000	298,597	32,641	399,258
Charges for services	35,169	-	-	-	35,169
Fines and forfeitures	73,354	-	-	-	73,354
Interest	2	210	-	-	212
Miscellaneous	69,228	17,405	-	509	87,142
Total revenues	<u>379,649</u>	<u>289,707</u>	<u>298,597</u>	<u>33,150</u>	<u>1,001,103</u>
Expenditures:					
Current -					
General government	261,120	-	-	-	261,120
Public safety	588,322	-	-	112,235	700,557
Health and welfare	1,892	-	-	-	1,892
Culture and recreation	40,784	-	-	8,989	49,773
Public works	-	260,509	-	-	260,509
Capital outlays	32,992	98,509	298,597	19,144	449,242
Total expenditures	<u>925,110</u>	<u>359,018</u>	<u>298,597</u>	<u>140,368</u>	<u>1,723,093</u>
Deficiency of revenues over expenditures	<u>(545,461)</u>	<u>(69,311)</u>	<u>-</u>	<u>(107,218)</u>	<u>(721,990)</u>
Other financing sources (uses):					
Transfers in	646,694	-	-	102,958	749,652
Transfers out	(102,958)	(22,393)	-	-	(125,351)
Total other financing sources (uses)	<u>543,736</u>	<u>(22,393)</u>	<u>-</u>	<u>102,958</u>	<u>624,301</u>
Net change in fund balances	(1,725)	(91,704)	-	(4,260)	(97,689)
Fund balances, beginning	<u>19,234</u>	<u>297,934</u>	<u>-</u>	<u>7,704</u>	<u>324,872</u>
Fund balances, ending	<u>\$ 17,509</u>	<u>\$ 206,230</u>	<u>\$ -</u>	<u>\$ 3,444</u>	<u>\$ 227,183</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, 2012

Net change in fund balances - total governmental funds \$ (97,689)

The change in net assets 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	\$ 180,884	
Depreciation expense	<u>(146,859)</u>	34,025

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

Sales taxes	6,042
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The net effect of various miscellaneous transactions involving
capital assets, such as sales, donations, and disposals is to increase
net assets.

<u>850,602</u>

Changes in net assets of governmental activities \$ 792,980

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

TOWN OF ERATH, LOUISIANA

Statement of Net Assets
Proprietary Funds
June 30, 2012

	Utility	Sewerage Utility	Total
ASSETS			
Current assets:			
Cash	\$ 381,881	\$ 136,304	\$ 518,185
Interest-bearing deposits	881,747	100,405	982,152
Accrued interest receivable	2,704	538	3,242
Accounts receivable, net	427,885	12,449	440,334
Unbilled service receivable, net	75,653	7,560	83,213
Interfund receivables	8,594	-	8,594
Total current assets	<u>1,778,464</u>	<u>257,256</u>	<u>2,035,720</u>
Restricted assets -			
Cash	62,451	47,697	110,148
Interest-bearing deposits	57,392	-	57,392
Accrued interest receivable	308	-	308
Total restricted assets	<u>120,151</u>	<u>47,697</u>	<u>167,848</u>
Capital assets, net of accumulated depreciation	<u>2,849,805</u>	<u>2,967,167</u>	<u>5,816,972</u>
Total assets	<u>4,748,420</u>	<u>3,272,120</u>	<u>8,020,540</u>
LIABILITIES			
Current liabilities (payable from current assets):			
Accounts payable and accrued expenses	138,904	12,647	151,551
Due to other governmental agencies	5,609	-	5,609
Interfund payables	-	2,592	2,592
Deferred revenue	-	42	42
Total	<u>144,513</u>	<u>15,281</u>	<u>159,794</u>
Current liabilities (payable from restricted assets):			
Customers' deposits	74,553	-	74,553
Current portion of long term debt	24,000	7,574	31,574
Accrued interest on bonds	3,598	-	3,598
Total	<u>102,151</u>	<u>7,574</u>	<u>109,725</u>
Total current liabilities	<u>246,664</u>	<u>22,855</u>	<u>269,519</u>
Noncurrent liabilities:			
Long term debt	<u>111,000</u>	<u>348,138</u>	<u>459,138</u>
Total liabilities	<u>357,664</u>	<u>370,993</u>	<u>728,657</u>
NET ASSETS			
Invested in capital assets, net of related debt	2,738,805	2,619,029	5,357,834
Restricted for debt service	18,000	40,123	58,123
Unrestricted	<u>1,633,951</u>	<u>241,975</u>	<u>1,875,926</u>
Total net assets	<u>\$4,390,756</u>	<u>\$2,901,127</u>	<u>\$7,291,883</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 Assets
Proprietary Funds
Year Ended June 30, 2012

	Utility	Sewerage Utility	Total
Operating revenues:			
Charges for services	\$2,272,382	\$ 293,119	\$2,565,501
Miscellaneous	27,931	59	27,990
Total operating revenues	<u>2,300,313</u>	<u>293,178</u>	<u>2,593,491</u>
Operating expenses:			
Salaries	146,700	63,437	210,137
Payroll taxes	10,998	4,815	15,813
Retirement	1,876	796	2,672
Group insurance	29,730	12,035	41,765
Worker's compensation insurance	5,988	3,440	9,428
Purchase of electric power	1,085,528	-	1,085,528
Materials and supplies	79,116	8,933	88,049
Maintenance and repairs	30,809	9,587	40,396
Fuel, gas and oil	11,792	2,639	14,431
Telephone and utilities	59,247	50,593	109,840
Insurance	29,930	2,460	32,390
Depreciation	101,199	96,256	197,455
Contractual services	15,600	-	15,600
Professional fees	13,115	8,297	21,412
Bad debts	23,941	3,091	27,032
Other	15,672	2,045	17,717
Total operating expenses	<u>1,661,241</u>	<u>268,424</u>	<u>1,929,665</u>
Operating income	<u>639,072</u>	<u>24,754</u>	<u>663,826</u>
Nonoperating revenues/(expenses):			
Interest income	23,189	2,529	25,718
Interest expense	(7,195)	(16,185)	(23,380)
Loss on disposal of assets	-	(1,023)	(1,023)
Total nonoperating revenues/(expenses)	<u>15,994</u>	<u>(14,679)</u>	<u>1,315</u>
Income before contributions and transfers	<u>655,066</u>	<u>10,075</u>	<u>665,141</u>
Capital contributions and transfers:			
Capital contributions	-	114,579	114,579
Transfers in	-	74,101	74,101
Transfers out	(698,402)	-	(698,402)
Total capital contributions and transfers	<u>(698,402)</u>	<u>188,680</u>	<u>(509,722)</u>
Change in net assets	<u>(43,336)</u>	<u>198,755</u>	<u>155,419</u>
Net assets, beginning	<u>4,434,092</u>	<u>2,702,372</u>	<u>7,136,464</u>
Net assets, ending	<u>\$4,390,756</u>	<u>\$2,901,127</u>	<u>\$7,291,883</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, 2012

	Utility	Sewerage Utility	Total
Cash flows from operating activities:			
Receipts from customers	\$ 2,314,088	\$ 279,933	\$ 2,594,021
Payments to suppliers	(1,350,908)	(88,572)	(1,439,480)
Payments to employees and for employee-related costs	(193,750)	(84,214)	(277,964)
Other receipts	27,931	59	27,990
Net cash provided by operating activities	<u>797,361</u>	<u>107,206</u>	<u>904,567</u>
Cash flows from noncapital financing activities:			
Transfers from other funds	-	74,101	74,101
Transfers to other funds	(730,193)	-	(730,193)
Increase in customer deposits, net	513	-	513
Net cash provided (used) by noncapital financing activities	<u>(729,680)</u>	<u>74,101</u>	<u>(655,579)</u>
Cash flows from capital and related financing activities:			
Principle paid on long-term debt	(23,000)	(7,242)	(30,242)
Interest paid on long term debt	(7,808)	(16,185)	(23,993)
Purchase and construction of capital assets	(102,366)	(98,739)	(201,105)
Net cash used by capital and related financing activities	<u>(133,174)</u>	<u>(122,166)</u>	<u>(255,340)</u>
Cash flows from investing activities:			
Proceeds of interest-bearing deposits with maturity in excess of ninety days	916,866	98,171	1,015,037
Purchase of interest-bearing deposits with maturity in excess of ninety days	(939,139)	(100,405)	(1,039,544)
Interest on investments	23,499	2,517	26,016
Net cash provided by investing activities	<u>1,226</u>	<u>283</u>	<u>1,509</u>
Net increase (decrease) in cash and cash equivalents	(64,267)	59,424	(4,843)
Cash and cash equivalents, beginning of year	<u>508,599</u>	<u>124,577</u>	<u>633,176</u>
Cash and cash equivalents, end of year	<u>\$ 444,332</u>	<u>\$ 184,001</u>	<u>\$ 628,333</u>

(continued)

TOWN OF ERATH, LOUISIANA

Statement of Cash Flows
Proprietary Funds (continued)
Year Ended June 30, 2012

	Utility	Sewerage Utility	Total
Cash flows from operating activities:			
Operating income	\$ 639,072	\$ 24,754	\$ 663,826
Adjustments to reconcile operating income to net cash provided by operating activities -			
Depreciation	101,199	96,256	197,455
Provision for bad debts	23,541	4,083	27,624
(Increase) decrease in assets:			
Receivables	41,706	(12,692)	29,014
Increase (decrease) in liabilities:			
Accounts payable and accrued expenses	(6,357)	(5,195)	(11,552)
Interfund payables	(1,800)	-	(1,800)
Net cash provided by operating activities	<u>\$ 797,361</u>	<u>\$ 107,206</u>	<u>\$ 904,567</u>
Cash and cash equivalents reported on statement of net assets as:			
Current - cash	\$ 381,881	\$ 136,304	\$ 518,185
Restricted - cash	62,451	47,697	110,148
Total cash and cash equivalents	<u>\$ 444,332</u>	<u>\$ 184,001</u>	<u>\$ 628,333</u>
Noncash investing, capital and financing activities:			
Capital assets contributed	<u>\$ -</u>	<u>\$ 114,579</u>	<u>\$ 114,579</u>

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

TOWN OF ERATH, LOUISIANA

Fiduciary Funds
Statement of Fiduciary Net Assets and Liabilities
June 30, 2012

	<u>Agency Fund</u>
ASSETS	
Assets:	
Cash	\$ 16,313
Due from other funds	<u>100</u>
Total assets	<u>\$ 16,413</u>
LIABILITIES	
Liabilities:	
Due to external parties	<u>\$ 16,413</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. In the government-wide financial statements, Financial Accounting Standards Board (FASB) Accounting Standards Codification have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. 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 assets 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

TOWN OF ERATH, LOUISIANA

Notes to Basic Financial Statements (Continued)

requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

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, liabilities, 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, liabilities, 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.

LCDBG – This fund accounts for the receipts and disbursements of a federal grant for sewer system improvements and housing physical accessibility.

The Town reports the following major enterprise funds:

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

TOWN OF ERATH, LOUISIANA

Notes to Basic Financial Statements (Continued)

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

In addition, the Town reports the following:

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

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

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

C. Measurement Focus/Basis of Accounting

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

Measurement Focus

On the government-wide statement of net assets 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 assets (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 assets.

TOWN OF ERATH, LOUISIANA

Notes to Basic Financial Statements (Continued)

Basis of Accounting

In the government-wide statement of net assets 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. The Town applies all applicable FASB Accounting Standards Codification pronouncements issued after November 30, 1989 in accounting and reporting for its proprietary funds.

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

TOWN OF ERATH, LOUISIANA

Notes to Basic Financial Statements (Continued)

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 water and sewer functions in the amount of \$7,195 and \$16,185, respectively.

D. Assets, Liabilities and Equity

Cash and interest-bearing deposits

For purposes of the Statement of Net Assets, cash and interest-bearing deposits include all demand accounts, savings accounts, and certificates of deposits of the Town. For the purpose of the proprietary fund statement of cash flows, "cash and cash equivalents" include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less when purchased. See Note (2) for additional GASB No. 3 disclosures.

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, 2012 for the Utility Fund and the Sewerage Utility Fund was \$40,078 and \$4,954, 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

TOWN OF ERATH, LOUISIANA

Notes to Basic Financial Statements (Continued)

assets are recorded as capital assets at their estimated fair market value at the date of donation.

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

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 assets. 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	4-20 years
Utility system and improvements	20-50 years
Infrastructure	25-50 years

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

Compensated Absences

Town employees are entitled to certain compensated absences based upon their length of service. Any amount not used in the year it is earned is lost; however, it may be converted to sick leave up to a 36 day maximum.

Sick and vacation leave is awarded on a calendar year basis and cannot be carried over to the next year. However, any accumulated current year annual leave is paid to the employee. Any liability for this accumulated leave is determined immaterial to the financial statements at June 30, 2012 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.

TOWN OF ERATH, LOUISIANA

Notes to Basic Financial Statements (Continued)

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.

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.

Equity Classifications

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

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

Fund 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 the Lawrason Act, Town ordinances, state or federal laws, or externally imposed conditions by grantors, creditors, or citizens.
- 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.
- d. Assigned – amounts the government intends to use for specific purposes that do not meet the criteria to be classified as restricted or committed.

TOWN OF ERATH, LOUISIANA

Notes to Basic Financial Statements (Continued)

- e. Unassigned fund balance – All amounts not included in other spendable classifications.

As of June 30, 2012, fund balances are composed of the following:

	General Fund	Sales Tax	Nonmajor Funds	Total Governmental Funds
Restricted:				
Public works	\$ -	\$ 206,230	\$ -	\$ 206,230
Youth recreation	-	-	3,444	3,444
Unassigned	<u>17,509</u>	<u>-</u>	<u>-</u>	<u>17,509</u>
Total fund balances	<u>\$ 17,509</u>	<u>\$ 206,230</u>	<u>\$ 3,444</u>	<u>\$ 227,183</u>

The Town considers restricted fund balances to be spent for governmental expenditures first when both restricted and unrestricted resources are available.

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 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.

TOWN OF ERATH, LOUISIANA

Notes to Basic Financial Statements (Continued)

F. Revenue Restrictions

The Town has various restrictions placed over certain revenue sources from state or local requirements. The primary restricted revenue source includes sales tax 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 and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

(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, 2012, the Town has cash and interest-bearing deposits (book balances) totaling \$1,972,105 as follows:

Demand deposits	\$ 919,615
Savings and certificates of deposit	<u>1,052,490</u>
Total	<u>\$ 1,972,105</u>

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 will not be able to recover the collateral securities that are in the possession of an outside party. These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. Deposit balances (bank balances) at June 30, 2012, are as follows:

TOWN OF ERATH, LOUISIANA

Notes to Basic Financial Statements (Continued)

Bank balances	\$ 1,951,811
At June 30, 2012 the deposits are secured as follows:	
Federal deposit insurance	1,108,029
Pledged securities	<u>843,782</u>
Total	<u>\$ 1,951,811</u>

As of June 30, 2012, the Town's total bank balances were fully insured and collateralized with securities held in the name of the Town by the pledging financial institution's agent and, therefore, they were not exposed to custodial credit risk.

(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, 2012, taxes of 3.75 mills were levied on property with assessed valuations totaling \$5,711,360 and were dedicated for general purposes.

Total taxes levied were \$21,418. Taxes receivable at June 30, 2012 totaled \$66, 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.

Sales taxes recognized in the governmental fund financial statements under the modified accrual basis of accounting were \$257,092 while the amount recognized in the government-wide financial statements under the accrual basis of accounting was \$263,136.

TOWN OF ERATH, LOUISIANA

Notes to Basic Financial Statements (Continued)

(5) Aged Accounts Receivable

The Town is owed \$485,366 by its customers at June 30, 2012. The aging of these accounts receivable is as follows:

Current	\$ 410,418
Over 30 days	41,538
Over 60 days	2,799
Over 90 days	<u>30,611</u>
Total	<u>\$ 485,366</u>

(6) Due from Other Governmental Agencies

Amounts due from other governmental agencies consisted of the following at June 30, 2012:

Fund financial statements:

Governmental Funds -

Vermilion Parish School Board:

Sales and use taxes collected but not remitted	\$ 18,881
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State of Louisiana:

Federal pass-through grant funds	34,604
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Other	<u>1,370</u>
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	<u>\$ 54,855</u>
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Government-wide financial statements:

Total amount reported in -

Governmental Funds, from above	\$ 54,855
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Additional sales and use taxes due from Vermilion Parish School Board	<u>28,862</u>
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	<u>\$ 83,717</u>
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TOWN OF ERATH, LOUISIANA

Notes to Basic Financial Statements (Continued)

(7) Restricted Assets - Proprietary Fund Type

At June 30, 2012, restricted assets were applicable to the following:

	Utility Fund	Sewerage Utility Fund	Total
Cash with paying agent	\$ 27,598	\$ -	\$ 27,598
Bond sinking fund	-	1,952	1,952
Bond reserve fund	-	16,345	16,345
Depreciation and contingency fund	18,000	29,400	47,400
Customer deposits	74,553	-	74,553
Total	<u>\$ 120,151</u>	<u>\$ 47,697</u>	<u>\$ 167,848</u>

(8) Changes in Long-Term Debt

The following is a summary of long-term debt for the year ended June 30, 2012:

	Business-type Activities
Long-term debt payable, July 1, 2011:	\$ 520,954
Additions	-
Reductions	<u>(30,242)</u>
Long-term debt payable, June 30, 2012:	<u>\$ 490,712</u>

TOWN OF ERATH, LOUISIANA

Notes to Basic Financial Statements (Continued)

Long-term debt payable at June 30, 2012 is composed of the following issues:

Sewer revenue bonds, dated February 9, 1998 original amount of \$430,000, bearing interest of 4.50%, maturing on February 9, 2038.	\$ 355,712
Water revenue bonds Series 2001, dated August 6, 2001, original amount of \$300,000, bearing interest of 5.33% maturing serially on July 1 of each year beginning in 2002 with interest payable on July 1st and January 1st of each year, with final maturity on July 1, 2016.	<u>135,000</u>
Total revenue bonds	490,712
Less: current portion	<u>(31,574)</u>
Net long-term portion	<u>\$ 459,138</u>

The annual requirement to amortize all debt outstanding at June 30, 2012 is as follows:

Year Ending June 30,	Business-type Activities		Total
	Principal payments	Interest payments	
2013	\$ 31,574	\$ 22,408	\$ 53,982
2014	32,922	20,754	53,676
2015	35,286	19,004	54,290
2016	37,667	17,131	54,798
2017	39,065	15,161	54,226
2018 - 2022	51,968	65,164	117,132
2023 - 2027	65,053	52,079	117,132
2028 - 2032	81,434	35,698	117,132
2033 - 2037	101,938	15,194	117,132
2038	<u>13,805</u>	<u>213</u>	<u>14,018</u>
Totals	<u>\$ 490,712</u>	<u>\$ 262,806</u>	<u>\$ 753,518</u>

TOWN OF ERATH, LOUISIANA

Notes to Basic Financial Statements (Continued)

(9) Capital Assets

Capital asset activity for the year ended June 30, 2012 was as follows:

	Balance 07/01/11	Additions	Deletions	Balance 06/30/12
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 333,388	\$ -	\$ -	\$ 333,388
Construction in progress	15,440	36,512	15,440	36,512
Capital assets being depreciated:				
Buildings	547,767	886,625	-	1,434,392
Infrastructure	1,206,501	88,977	-	1,295,478
Equipment, furniture and fixtures	975,069	32,939	18,659	989,349
Improvements other than buildings	542,018	1,873	-	543,891
Totals	3,620,183	1,046,926	34,099	4,633,010
Less accumulated depreciation				
Buildings	276,912	16,203	-	293,115
Infrastructure	476,299	33,839	-	510,138
Equipment, furniture and fixtures	616,306	80,763	18,659	678,410
Improvements other than buildings	216,713	16,054	-	232,767
Total accumulated depreciation	1,586,230	146,859	18,659	1,714,430
Governmental activities, capital assets, net	<u>\$ 2,033,953</u>	<u>\$ 900,067</u>	<u>\$ 15,440</u>	<u>\$ 2,918,580</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 85,463	\$ -	\$ -	\$ 85,463
Construction in progress	269,265	132,979	398,435	3,809
Capital assets being depreciated:				
Equipment and vehicles	450,729	13,223	26,207	437,745
Electric system	429,073	32,670	-	461,743
Water system	3,822,113	59,628	-	3,881,741
Sewer system	4,301,476	485,046	-	4,786,522
Totals	9,358,119	723,546	424,642	9,657,023
Less accumulated depreciation				
Equipment and vehicles	397,500	16,422	25,184	388,738
Electric system	199,523	8,710	-	208,233
Water system	1,264,058	85,569	-	1,349,627
Sewer system	1,806,699	86,754	-	1,893,453
Total accumulated depreciation	3,667,780	197,455	25,184	3,840,051
Business-type activities, capital assets, net	<u>\$ 5,690,339</u>	<u>\$ 526,091</u>	<u>\$ 399,458</u>	<u>\$ 5,816,972</u>

TOWN OF ERATH, LOUISIANA

Notes to Basic Financial Statements (Continued)

Depreciation expense was charged to governmental activities as follows:

General government	\$ 16,382
Public safety	57,164
Public works	63,346
Culture and recreation	<u>9,967</u>
Total depreciation expense	<u>\$ 146,859</u>

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

Electric	\$ 11,811
Water	89,388
Sewer	<u>96,256</u>
Total depreciation expense	<u>\$ 197,455</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 utilities system are to be deposited into an account designated as the Sewer Revenue Fund and said account is to be maintained and administered in the following order of priority and for the following express purposes:

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

All required transfers were made for the year ended June 30, 2012.

TOWN OF ERATH, LOUISIANA

Notes to Basic Financial Statements (Continued)

Water 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 utilities system are to be deposited into an account designated as the Water Revenue Fund and said account is to be maintained and administered in the following order of priority and for the following express purposes:

- (a) The payment of all reasonable and necessary expenses of operating and maintaining the utilities system.
- (b) Each month, there shall be set aside into the Water Revenue Bonds Sinking Fund on or before the 20th day of each month a sum at least equal to 1/12 of the principal and 1/6 of the interest due on the next payment date.
- (c) Funds shall be set aside into the Water System Depreciation and Contingency Fund to provide for extensions, additions, improvements, renewals, and replacements necessary to properly operate the utilities system. Transfer \$300 monthly until such time as the amount in this fund equals \$18,000.

All required transfers were made for the year ended June 30, 2012.

(11) Commitments and Contingencies

Litigation

At June 30, 2012, management and legal counsel for the Town of Erath 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.

TOWN OF ERATH, LOUISIANA

Notes to Basic Financial Statements (Continued)

(13) On-behalf Payments

The Town has recognized \$46,500 as a revenue and an expenditure for on-behalf salary payments made by the State of Louisiana.

(14) Interfund Transfers

Transfers consisted of the following at June 30, 2012:

	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 646,694	\$ 102,958
Sales tax	-	22,393
Utility	-	698,402
Sewerage Utility	74,101	-
Other Governmental Funds	102,958	-
Total	<u>\$ 823,753</u>	<u>\$ 823,753</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

	<u>Due from</u>	<u>Due to</u>
General	\$ 3,780	\$ 9,319
Sales Tax Fund	-	2,988
LCDBG	-	3
Sewerage Utility	-	2,592
Utility	8,594	-
Other Governmental Funds	2,428	-
Agency	100	-
Total	<u>\$ 14,902</u>	<u>\$ 14,902</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 (Continued)

(16) New Accounting Pronouncements

In December 2010, the Governmental Accounting Standards Board (GASB) approved Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements". The statement specifically identifies and consolidates the accounting and financial reporting provisions that apply to state and local governments. In June 2011, the Governmental Accounting Standards Board (GASB) approved Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position". The statement changes how governments will organize their statements of financial position (such as the current government-wide statement of net assets and the governmental funds balance sheet). Under this standard, financial statements will include deferred outflows of resources and deferred inflows of resources, in addition to assets and liabilities, and will report net position instead of net assets. The provisions of GASB Nos. 62 and 63 must be implemented by the Town for the year ending June 30, 2013. The effect of implementation on the Town's financial statements has not been determined.

(17) Retirement Plan

Effective January 9, 2012, the Town entered into a SIMPLE IRA Adoption Agreement with American Funds Distributors Inc., setting up an Individual Retirement Account (IRA) plan for its employees. All employees are eligible to participate in the Plan. Employees make elective deferrals to the Plan at whatever amount they choose up to a maximum of \$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, 2012 was \$7,742.

(18) Compensation of Town Officials

A detail of compensation paid to elected officials for the year ended June 30, 2012, follows:

Mayor:

George Dupuis	115 West Edwards St., Erath, LA 70533	\$ 9,932
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Aldermen:

Robert Domingues	115 West Edwards St., Erath, LA 70533	\$ 5,113
John LeBlanc	115 West Edwards St., Erath, LA 70533	5,113
Joseph William Cormier	115 West Edwards St., Erath, LA 70533	5,114
Donald Menard	115 West Edwards St., Erath, LA 70533	5,114
Anthony Richard	115 West Edwards St., Erath, LA 70533	5,114
		<u>\$ 25,568</u>

**REQUIRED
SUPPLEMENTARY INFORMATION**

TOWN OF ERATH, LOUISIANA
General Fund

Budgetary Comparison Schedule
Year Ended June 30, 2012

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 59,500	\$ 60,340	\$ 60,273	\$ (67)
Licenses and permits	100,000	84,600	88,603	4,003
Intergovernmental	5,000	52,600	53,020	420
Charges for services	36,200	36,200	35,169	(1,031)
Fines and forfeitures	70,000	70,000	73,354	3,354
Interest	-	-	2	2
Miscellaneous	46,000	61,500	69,228	7,728
Total revenues	<u>316,700</u>	<u>365,240</u>	<u>379,649</u>	<u>14,409</u>
Expenditures:				
Current -				
General government	436,575	262,415	261,120	1,295
Public safety	445,174	588,824	588,322	502
Health and welfare	1,892	1,892	1,892	-
Culture and recreation	34,240	42,290	40,784	1,506
Capital outlays	<u>30,260</u>	<u>35,522</u>	<u>32,992</u>	<u>2,530</u>
Total expenditures	<u>948,141</u>	<u>930,943</u>	<u>925,110</u>	<u>5,833</u>
Deficiency of revenues over expenditures	<u>(631,441)</u>	<u>(565,703)</u>	<u>(545,461)</u>	<u>20,242</u>
Other financing sources (uses):				
Transfers in	705,000	672,393	646,694	(25,699)
Transfers out	<u>(82,151)</u>	<u>(108,551)</u>	<u>(102,958)</u>	<u>5,593</u>
Total other financing sources (uses)	<u>622,849</u>	<u>563,842</u>	<u>543,736</u>	<u>(20,106)</u>
Net change in fund balance	(8,592)	(1,861)	(1,725)	136
Fund balance, beginning	<u>32,838</u>	<u>19,234</u>	<u>19,234</u>	<u>-</u>
Fund balance, ending	<u>\$ 24,246</u>	<u>\$ 17,373</u>	<u>\$ 17,509</u>	<u>\$ 136</u>

TOWN OF ERATH, LOUISIANA
Sales Tax Fund

Budgetary Comparison Schedule
Year Ended June 30, 2012

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes -				
Sales tax collected	\$ 350,000	\$ 260,000	\$ 257,092	\$ (2,908)
Intergovernmental -				
State grant	34,000	-	-	-
Local grant	-	15,000	15,000	-
Interest	-	150	210	60
Miscellaneous	12,000	17,405	17,405	-
Total revenues	<u>396,000</u>	<u>292,555</u>	<u>289,707</u>	<u>(2,848)</u>
Expenditures:				
Current -				
Public works:				
Salaries	159,868	133,868	125,424	8,444
Payroll taxes	12,230	10,730	9,488	1,242
Retirement	-	1,000	825	175
Group insurance	-	24,500	22,750	1,750
Worker's compensation	-	19,300	17,595	1,705
Uniforms	2,000	2,000	1,485	515
Material and supplies	30,000	25,000	26,743	(1,743)
Truck and tractor expenses	10,500	16,500	15,632	868
Insurance	5,000	4,500	5,561	(1,061)
Telephone	5,000	6,000	5,539	461
Professional services	4,500	6,200	7,696	(1,496)
Office supplies	1,500	750	709	41
Repairs and maintenance	8,500	10,800	9,031	1,769
Fuel and oil	6,000	6,000	7,651	(1,651)
Utilities	3,700	3,700	3,222	478
Other	3,000	2,700	1,158	1,542
Capital outlay	<u>62,300</u>	<u>98,300</u>	<u>98,509</u>	<u>(209)</u>
Total expenditures	<u>314,098</u>	<u>371,848</u>	<u>359,018</u>	<u>12,830</u>
Excess (deficiency) of revenues over expenditures	81,902	(79,293)	(69,311)	9,982
Other financing uses:				
Transfers out	<u>-</u>	<u>(22,393)</u>	<u>(22,393)</u>	<u>-</u>
Net change in fund balance	81,902	(101,686)	(91,704)	9,982
Fund balance, beginning	<u>279,917</u>	<u>224,883</u>	<u>297,934</u>	<u>73,051</u>
Fund balance, ending	<u>\$ 361,819</u>	<u>\$ 123,197</u>	<u>\$ 206,230</u>	<u>\$ 83,033</u>

TOWN OF ERATH, LOUISIANA

Notes to Budgetary Comparison Schedules

Note (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.

TOWN OF ERATH, LOUISIANA
Nonmajor Governmental Funds

Combining Balance Sheet
June 30, 2012

	Special Parish Tax Fund	Youth Recreation Fund	Total
	<u>Fund</u>	<u>Fund</u>	<u>Total</u>
ASSETS			
Cash	\$ 256	\$ 3,444	\$ 3,700
Due from other funds	<u>2,428</u>	<u>-</u>	<u>2,428</u>
Total assets	<u>\$ 2,684</u>	<u>\$ 3,444</u>	<u>\$ 6,128</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 2,180	\$ -	\$ 2,180
Accrued expenses	<u>504</u>	<u>-</u>	<u>504</u>
Total liabilities	<u>\$ 2,684</u>	<u>\$ -</u>	<u>\$ 2,684</u>
Fund balances:			
Restricted	<u>-</u>	<u>3,444</u>	<u>3,444</u>
Total liabilities and fund balances	<u>\$ 2,684</u>	<u>\$ 3,444</u>	<u>\$ 6,128</u>

TOWN OF ERATH, LOUISIANA
Nonmajor Governmental Funds

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances -
Year Ended June 30, 2012

	Special Parish Tax Fund	Youth Recreation Fund	Total
	<u> </u>	<u> </u>	<u> </u>
Revenues:			
Intergovernmental	\$ 27,912	\$ 4,729	\$ 32,641
Miscellaneous	<u>509</u>	<u>-</u>	<u>509</u>
Total revenues	<u>28,421</u>	<u>4,729</u>	<u>33,150</u>
Expenditures:			
Current-			
Public safety	112,235	-	112,235
Culture and recreation	-	8,989	8,989
Capital outlay	<u>19,144</u>	<u>-</u>	<u>19,144</u>
Total expenditures	<u>131,379</u>	<u>8,989</u>	<u>140,368</u>
Deficiency of revenues over expenditures	(102,958)	(4,260)	(107,218)
Other financing sources:			
Transfers in	<u>102,958</u>	<u>-</u>	<u>102,958</u>
Net change in fund balances	-	(4,260)	(4,260)
Fund balances, beginning	<u>-</u>	<u>7,704</u>	<u>7,704</u>
Fund balances, ending	<u>\$ -</u>	<u>\$ 3,444</u>	<u>\$ 3,444</u>

TOWN OF ERATH, LOUISIANA

Schedule of Insurance in Force
Year Ended June 30, 2012

Insurer	Assets Covered	Limits of Coverage (in Dollars)	Expiration Date
Dorsey Insurance	Commercial property	Varies by property	5/6/2013
LA Citizens Property Insurance Corporation	Commercial property	Varies by property	5/6/2013
Rod Prejean & Associates, Inc.	Automobiles	Varies by vehicle	12/29/2012
Erath Insurance Agency	Public Officials		
	Mayor	28,500	11/15/2012
	Town Clerk	28,500	11/15/2012
	Tax Collector	28,500	11/15/2012
	Bill Collector	28,500	11/15/2012
	Mayor Pro-tem	28,500	11/15/2012
	Council & other employees	5,000	11/15/2012
	Accidental Death: Auxiliary Police	15,000	5/10/2013
LA Municipal Risk Management	Comprehensive general liability	500,000	12/29/2013
	Law enforcement officer	500,000	12/29/2013
	Errors & omissions	500,000	12/29/2013
	Automobile liability	500,000	12/29/2013
Special Risk Insurance, Inc.	Portable equipment - Fire Department	Replacement Cost	3/28/2013
	General liability - Fire Department	2,000,000	3/28/2013
	Management liability - Fire Department	2,000,000	3/28/2013

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

Schedule of Number of Utility Customers and Rates
June 30, 2012 and 2011

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

<u>Department</u>	<u>2012</u>	<u>2011</u>
Electric (metered)	949	968
Water	1001	1007
Sewerage	941	981

The monthly water rates of the Town are as follows:

Residential:

\$9.00 for the first 2,000 gallons and \$2.50 per 1,000 gallons thereafter

Commercial

\$13.00 for the first 2,000 gallons and \$2.75 per 1,000 gallons thereafter

For the year ended June 30, 2011, monthly sewer rates of the Town were as follows:

Residential: \$ 10.00

Commercial \$13.00 - \$352.00

Effective July 1, 2011, the monthly sewer rates will be based on water consumption as follows:

Residential:

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

Commercial

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

TOWN OF ERATH, LOUISIANA

Comparative Statement of Net Assets
Proprietary Fund
June 30, 2012 and 2011

	2012	2011
ASSETS		
Current assets:		
Cash	\$ 518,185	\$ 525,920
Interest-bearing deposits	982,152	958,922
Accrued interest receivable	3,242	3,547
Accounts receivable, net	440,334	501,423
Unbilled service receivable, net	83,213	78,268
Other receivable	-	494
Interfund receivables	8,594	3
Total current assets	<u>2,035,720</u>	<u>2,068,577</u>
Restricted assets -		
Cash	110,148	107,256
Interest-bearing deposits	57,392	56,115
Accrued interest receivable	308	301
Total restricted assets	<u>167,848</u>	<u>163,672</u>
Capital assets, net of accumulated depreciation	<u>5,816,972</u>	<u>5,690,339</u>
Total assets	<u>8,020,540</u>	<u>7,922,588</u>
LIABILITIES		
Current liabilities (payable from current assets):		
Accounts payable and accrued expenses	151,551	156,268
Due to other governmental agencies	5,609	5,609
Deferred revenues	42	42
Interfund payables	2,592	25,000
Total	<u>159,794</u>	<u>186,919</u>
Current liabilities (payable from restricted assets):		
Customers' deposits	74,553	74,040
Current portion of long term debt	31,574	30,242
Accrued interest on bonds	3,598	4,211
Total	<u>109,725</u>	<u>108,493</u>
Total current liabilities	<u>269,519</u>	<u>295,412</u>
Noncurrent liabilities:		
Long term debt	<u>459,138</u>	<u>490,712</u>
Total liabilities	<u>728,657</u>	<u>786,124</u>
NET ASSETS		
Invested in capital assets, net of related debt	5,357,834	5,165,174
Restricted for debt service	58,123	55,179
Unrestricted	1,875,926	1,916,111
Total net assets	<u>\$7,291,883</u>	<u>\$7,136,464</u>

TOWN OF ERATH, LOUISIANA

Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Fund
June 30, 2012 and 2011

	2012	2011
Operating revenues:		
Charges for services	\$ 2,565,501	\$ 2,829,050
Miscellaneous	27,990	26,823
Total operating revenues	<u>2,593,491</u>	<u>2,855,873</u>
Operating expenses:		
Salaries	210,137	187,457
Payroll taxes	15,813	13,921
Retirement	2,672	-
Group insurance	41,765	-
Worker's compensation insurance	9,428	-
Purchase of electric power	1,085,528	1,132,275
Materials and supplies	88,049	99,666
Maintenance and repairs	40,396	63,709
Fuel, gas and oil	14,431	14,334
Telephone and utilities	109,840	153,306
Insurance	32,390	30,413
Depreciation	197,455	206,701
Contractual services	15,600	14,400
Professional fees	21,412	5,674
Bad debts	27,032	16,720
Other	17,717	23,687
Total operating expenses	<u>1,929,665</u>	<u>1,962,263</u>
Operating income	<u>663,826</u>	<u>893,610</u>
Nonoperating revenues/(expenses):		
Grant income	-	1,820
Interest income	25,718	29,342
Interest expense	(23,380)	(24,951)
Loss on disposal of assets	(1,023)	(417)
Total nonoperating revenues/(expenses)	<u>1,315</u>	<u>5,794</u>
Income before contributions and transfers	<u>665,141</u>	<u>899,404</u>
Capital contributions and transfers:		
Capital contributions	114,579	212,705
Transfers in	74,101	120,022
Transfers out	(698,402)	(762,869)
Total capital contributions and transfers	<u>(509,722)</u>	<u>(430,142)</u>
Change in net assets	155,419	469,262
Net assets, beginning	<u>7,136,464</u>	<u>6,667,202</u>
Net assets, ending	<u>\$ 7,291,883</u>	<u>\$ 7,136,464</u>

TOWN OF ERATH, LOUISIANA

Budgetary Comparison Schedule - Detail of Revenues
General Fund
For the Year Ended June 30, 2012

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Taxes -				
General ad valorem	\$ 22,000	\$ 22,000	\$ 21,331	\$ (669)
Gas franchise	14,000	11,700	11,727	27
Cable franchise	6,000	10,000	10,921	921
Slemco franchise	3,500	3,500	2,684	(816)
Entergy franchise	8,000	8,000	8,472	472
Housing Authority payment	6,000	5,140	5,138	(2)
	<u>59,500</u>	<u>60,340</u>	<u>60,273</u>	<u>(67)</u>
Licenses and permits -				
Occupational licenses	27,000	22,600	22,567	(33)
Insurance licenses	70,000	60,000	63,504	3,504
Building permits	2,500	1,500	2,282	782
Liquor permits	500	500	250	(250)
	<u>100,000</u>	<u>84,600</u>	<u>88,603</u>	<u>4,003</u>
Intergovernmental -				
Federal grants	-	-	1,225	1,225
State grants	-	1,100	-	(1,100)
On-behalf payments	-	46,500	46,500	-
State shared revenue:				
Beer taxes	5,000	5,000	5,295	295
	<u>5,000</u>	<u>52,600</u>	<u>53,020</u>	<u>420</u>
Charges for services -				
Police accident reports	1,200	1,200	1,631	431
Court costs	35,000	35,000	33,538	(1,462)
	<u>36,200</u>	<u>36,200</u>	<u>35,169</u>	<u>(1,031)</u>
Fines and forfeits	<u>70,000</u>	<u>70,000</u>	<u>73,354</u>	<u>3,354</u>
Interest	<u>-</u>	<u>-</u>	<u>2</u>	<u>2</u>
Miscellaneous -				
Rent income (post office)	30,000	30,000	30,000	-
Other	16,000	31,500	39,228	7,728
	<u>46,000</u>	<u>61,500</u>	<u>69,228</u>	<u>7,728</u>
Total revenues	<u>\$ 316,700</u>	<u>\$ 365,240</u>	<u>\$ 379,649</u>	<u>\$ 14,409</u>

TOWN OF ERATH, LOUISIANA

Budgetary Comparison Schedule - Detail of Expenditures

General Fund

For the Year Ended June 30, 2012

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Current -				
General government:				
Mayor's salary	\$ 9,600	\$ 9,900	\$ 9,932	\$ (32)
Council salaries	23,999	25,299	25,568	(269)
Clerk of Court salary	13,282	19,682	19,495	187
Other salaries	57,601	78,601	81,489	(2,888)
Payroll taxes	7,993	9,693	10,258	(565)
Retirement	-	500	446	54
Group insurance	145,000	6,100	6,426	(326)
Workmen's compensation insurance	55,000	8,260	8,126	134
Unemployment compensation	5,000	-	-	-
Conventions and schools	2,500	1,500	461	1,039
Uniforms	1,500	1,500	1,685	(185)
Printing, stationery and supplies	9,000	9,000	8,275	725
Building repairs and maintenance	6,200	6,200	6,720	(520)
Material and supplies	5,000	3,000	2,711	289
General insurance	18,000	11,500	11,073	427
Auditing and accounting	9,250	7,900	7,875	25
Dues and subscriptions	1,800	1,300	1,009	291
Telephone	3,000	3,000	2,468	532
Professional fees	11,000	10,000	9,423	577
Contract services	7,500	1,500	600	900
Publication of minutes	3,000	4,000	3,497	503
Tax roll preparation	1,500	1,030	1,027	3
Legal fees	5,000	5,000	4,593	407
Utilities	6,500	6,500	5,941	559
Postage	1,200	1,200	727	473
Building permits and inspections	2,500	2,500	2,495	5
Landscaping	1,500	2,250	2,274	(24)
Emergency generator fuel and repairs	1,500	500	174	326

(continued)

TOWN OF ERATH, LOUISIANA

Budgetary Comparison Schedule - Detail of Expenditures
General Fund (Continued)
For the Year Ended June 30, 2012

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Court material and supplies	500	500	637	(137)
Court dues and subscriptions	100	100	-	100
Court printing supplies	1,200	2,050	1,792	258
Court utilities	2,700	2,700	2,765	(65)
Court communications	2,700	2,700	2,769	(69)
Court postage	300	300	272	28
Court building repairs and maintenance	1,500	1,500	1,839	(339)
Court insurance	2,000	2,000	2,012	(12)
Court professional fees	5,000	7,500	7,283	217
Magistrate salary	2,400	2,400	2,400	-
Prosecutor salary	2,400	2,400	2,400	-
Other	850	850	2,183	(1,333)
	<u>436,575</u>	<u>262,415</u>	<u>261,120</u>	<u>1,295</u>
Public safety:				
Chief of Police's salary	35,449	35,449	35,564	(115)
Other salaries	276,948	318,948	315,508	3,440
Payroll taxes	26,647	26,647	26,594	53
Retirement	-	3,500	3,363	137
Group insurance	-	62,000	62,557	(557)
Workmen's compensation insurance	-	13,500	13,249	251
Court appearance	2,000	2,000	750	1,250
Uniforms	3,000	3,000	2,943	57
Conventions and schools	2,000	500	-	500
Dues and subscriptions	1,000	1,000	688	312
Material and supplies	5,000	5,000	4,969	31
Auto fuel and oil	32,650	36,950	35,900	1,050
Insurance	16,800	17,800	21,683	(3,883)
Telephone	5,000	5,000	4,411	589
Professional fees	5,000	16,000	15,509	491
Office	1,500	1,500	2,732	(1,232)
Repairs and maintenance -				
Auto	12,000	15,000	12,593	2,407
Building	250	250	-	250
Radio, radar and camera	5,000	6,350	7,364	(1,014)
Emergency generator fuel	1,500	500	174	326
Utilities	7,500	7,500	7,073	427
Other	1,130	1,130	5,398	(4,268)
Salaries - fire department	4,800	9,300	9,300	-
	<u>445,174</u>	<u>588,824</u>	<u>588,322</u>	<u>502</u>

(continued)

TOWN OF ERATH, LOUISIANA

Budgetary Comparison Schedule - Detail of Expenditures
General Fund (Continued)
For the Year Ended June 30, 2012

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Health and welfare:				
Meals on wheels	1,892	1,892	1,892	-
Culture and recreation:				
Salaries	21,824	22,424	22,658	(234)
Payroll taxes	1,670	1,770	1,709	61
Retirement	-	100	99	1
Group insurance	-	6,100	6,059	41
Workmen's compensation insurance	-	1,200	1,143	57
Uniforms	200	200	170	30
Material and supplies	1,000	1,500	1,687	(187)
Insurance	-	-	392	(392)
Contract services	1,000	500	-	500
Maintenance and upkeep	1,000	200	29	171
Repairs and maintenance -				
Building	250	250	-	250
Equipment	1,500	1,500	789	711
Equipment fuel and oil	1,600	1,600	1,536	64
Utilities	3,000	4,000	3,817	183
Other	1,196	946	696	250
	34,240	42,290	40,784	1,506
Capital outlay	30,260	35,522	32,992	2,530
Total expenditures	\$ 948,141	\$ 930,943	\$ 925,110	\$ 5,833

TOWN OF ERATH, LOUISIANA

Budgetary Comparison Schedule
Special Parish Tax Fund
For the Year Ended June 30, 2012

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental -				
Appropriation from Vermilion				
Parish Police Jury:				
Special Parish Tax	\$ 27,255	\$ 27,905	\$ 27,912	\$ 7
Miscellaneous	-	500	509	9
Total revenues	27,255	28,405	28,421	16
Expenditures:				
Current -				
Public safety:				
Salaries	28,895	26,395	26,915	(520)
Payroll taxes	2,211	2,461	2,440	21
Group insurance	-	5,500	5,552	(52)
Retirement	-	400	337	63
Worker's compensation	-	2,300	2,182	118
Training	4,500	4,500	4,495	5
Fire prevention and education	2,500	2,500	1,470	1,030
Office supplies	2,500	1,000	1,239	(239)
Material and supplies	3,000	3,900	3,360	540
Truck expense	15,500	16,950	16,387	563
Insurance	16,000	26,500	26,476	24
Telephone	2,500	2,500	2,257	243
Professional services	2,000	3,200	3,195	5
Uniforms	350	350	495	(145)
Repair and maintenance	11,750	8,700	7,673	1,027
Utilities	5,300	6,700	6,587	113
Other	1,200	1,200	1,175	25
Capital outlay	11,200	21,900	19,144	2,756
Total expenditures	109,406	136,956	131,379	5,577
Deficiency of revenues over expenditures	(82,151)	(108,551)	(102,958)	5,593
Other financing sources:				
Transfers in	82,151	108,551	102,958	(5,593)
Net change in fund balance	-	-	-	-
Fund balance, beginning	-	-	-	-
Fund balance, ending	\$ -	\$ -	\$ -	\$ -

**INTERNAL CONTROL, COMPLIANCE
AND
OTHER MATTERS**

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 Russell F. Champagne, CPA*
 Victor R. Slaven, CPA*
 P. Troy Courville, CPA*
 Gerald A. Thibodeaux, Jr., CPA*
 Robert S. Carter, CPA*
 Arthur R. Mixon, CPA*

Penny Angelle Scruggins, CPA
 Christine L. Cousin, CPA
 Wanda F. Arcement, CPA,CVA
 Allen J. LaBry, CPA
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 Marshall W. Guidry, CPA
 Stephen R. Moore, Jr., CPA,PFS,CFP®,ChFC®
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 Mandy B. Self, CPA
 Paul L. Delcambre, Jr., CPA
 Kristin B. Dauzat, CPA
 Matthew E. Margaglio, CPA
 Jane R. Hebert, CPA
 Bryan K. Joubert, CPA
 Stephen J. Anderson, CPA

Retired:
 Conrad O. Chapman, CPA* 2006
 Tynes E. Mixon, Jr., CPA 2011

* A Professional Accounting Corporation

KOLDER, CHAMPAGNE, SLAVEN & COMPANY, LLC

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED

IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Erath, Louisiana, as of and for the year ended June 30, 2012, which collectively comprise the Town of Erath, Louisiana's basic financial statements and have issued our report thereon dated December 4, 2012. 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.

Internal Control Over Financial Reporting

Management of the Town of Erath is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Town of Erath's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Erath's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Erath's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of current and prior year audit findings and management's corrective action plan, we identified a certain deficiency in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement or the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of current and prior year audit findings and management's corrective action plan as item 12-1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Erath's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under Government Auditing Standards and which is described in the accompanying schedule of current and prior year audit findings and management's corrective action plan as item 12-2.

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. We did not audit the Town's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Town's management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

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

Abbeville, Louisiana
December 4, 2012

TOWN OF ERATH
Erath, Louisiana

Schedule of Current and Prior Year Audit Findings
and Management's Corrective Action Plan
Year Ended June 30, 2012

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

A. Internal Control Over Financial Reporting

12-1 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: SAS109, *Understanding the Entity and its Environment and Assessing the Risks of Material Misstatement*, AU§314.43 defines internal control as follows:

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

Additionally, Statements on Standards for Attestation Engagements (SSAE) AT§501.03 states:

“An entity's internal control over financial reporting includes those policies and procedures that pertain to an entity's ability to record, process, summarize, and report financial data consistent with the assertions embodied in either annual financial statements or interim financial statements, or both.”

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.

TOWN OF ERATH
Erath, Louisiana

Schedule of Current and Prior Year Audit Findings
and Management's Corrective Action Plan (continued)
Year Ended June 30, 2012

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

B. Compliance

12-2 Public Assistance Grants

Fiscal year finding initially occurred: 2006

CONDITION: The Town of Erath may have improperly reported amounts on various project worksheets.

CRITERIA: 44 CFR section 206 requires that an accounting of eligible costs and a close out of the contract be performed and certified by the grantee to support expenses that were reimbursed for public assistance.

CAUSE: Project worksheets may have been completed incorrectly.

EFFECT: The Town may have requested reimbursement above the allowed amounts.

RECOMMENDATION: We recommend that the Town work with the grantor to close-out the project and determine the amount of the overpayment, if any that is due back to the grantor.

MANAGEMENT'S CORRECTIVE ACTION PLAN: On October 19, 2011, the Town submitted a request to the grantor that the project worksheets in question be closed out. The Town has followed up on this request two times since the original request and has not, to this date, heard from the grantor. As a result, the close out has not taken place. The Town Clerk will contact the grantor once more by December 31, 2012.

C. Agreed-upon Procedures

12-3 Financial/Business Functions

CONDITION: The Town does not have adequate written policies and procedures for the financial/business functions of the entity including:

- Purchasing, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval processes of purchase requisitions and purchase orders; (4) checks and balances to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.
- Disbursements, including processing, reviewing, and approving.
- Receipts, including receiving, recording, and preparing deposits

TOWN OF ERATH
Erath, Louisiana

Schedule of Current and Prior Year Audit Findings
and Management's Corrective Action Plan (continued)
Year Ended June 30, 2012

MANAGEMENT'S CORRECTIVE ACTION PLAN: The Town administration is currently in the process of documenting these policies and procedures and once completed, they will be presented to the Council for approval. We anticipate this to occur by January 31, 2013. The individual responsible for this is the Town Clerk.

12-4 Contracts

CONDITION: The Town does not have adequate written policies and procedures for contracts that address:

- Types of services requiring written contracts
- Standard terms and conditions
- Legal review
- Approval process
- Monitoring process

MANAGEMENT'S CORRECTIVE ACTION PLAN: The Town administration is currently in the process of documenting these policies and procedures and once completed, they will be presented to the Council for approval. We anticipate this to occur by January 31, 2013. The individual responsible for this is the Town Clerk.

12-5 Payroll and Personnel

CONDITION: The Town does not have adequate written policies and procedures for payroll and personnel.

MANAGEMENT'S CORRECTIVE ACTION PLAN: The Town administration is currently in the process of documenting these policies and procedures and once completed, they will be presented to the Council for approval. We anticipate this to occur by January 31, 2013. The individual responsible for this is the Town Clerk.

Part II: Prior Year Findings:

A. Internal Control Over Financial Reporting

11-1 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 12-1.

TOWN OF ERATH
Erath, Louisiana

Schedule of Current and Prior Year Audit Findings
and Management's Corrective Action Plan (continued)
Year Ended June 30, 2012

B. Compliance

11-2 Public Bid Law

CONDITION: A purchase of a truck and speed trailers made by the Town of Erath was not in compliance with state bid law requirements.

RECOMMENDATION: Management should comply with the requirements of LSA RS 38:2212.1 by awarding and purchasing materials and supplies from the lowest bidder as determined by the completion of the state bid law procedures.

CURRENT STATUS: Resolved.

11-3 Continued Pay After Separation From Work

CONDITION: The Town of Erath continued to pay an employee while on extended sick leave.

RECOMMENDATION: We recommend that the Town implement policies and procedures to ensure that employees are only being paid for the hours actually worked.

CURRENT STATUS: Resolved.

11-4 Public Assistance Grants

CONDITION: The Town of Erath may have improperly reported amounts on various project worksheets.

RECOMMENDATION: We recommend that the Town work with the grantor to close-out the project and determine the amount of the overpayment, if any that is due back to the grantor.

CURRENT STATUS: Unresolved. See item 12-2.

TOWN OF ERATH
Erath, Louisiana

Schedule of Current and Prior Year Audit Findings
and Management's Corrective Action Plan (continued)
Year Ended June 30, 2012

C. Agreed-upon Procedures

11-5 Financial/Business Functions

CONDITION: The Town does not have adequate written policies and procedures for the financial/business functions of the entity including:

- Budgeting, including preparing, adopting, monitoring, and amending the budget.
- Purchasing, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval processes of purchase requisitions and purchase orders; (4) checks and balances to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.
- Disbursements, including processing, reviewing, and approving.
- Receipts, including receiving, recording, and preparing deposits

CURRENT STATUS: Partially resolved. See item 12-3.

11-6 Credit Cards

CONDITION: The Town does not have adequate written policies and procedures for credit cards.

CURRENT STATUS: Resolved.

11-7 Credit Card Purchases

CONDITION: The Town could not locate support for one credit card purchase.

CURRENT STATUS: Resolved.

11-8 Credit Card Finance Charges

CONDITION: The Town was assessed a finance charge on one credit card statement.

CURRENT STATUS: Resolved.

TOWN OF ERATH
Erath, Louisiana

Schedule of Current and Prior Year Audit Findings
and Management's Corrective Action Plan (continued)
Year Ended June 30, 2012

11-9 Travel and Expense Reimbursements

CONDITION: The Town does not have adequate written policies and procedures for travel and expense reimbursements of the entity that addresses:

- Allowable expenses
- Dollar thresholds by category of expense
- Documentation requirements
- Required approvers

CURRENT STATUS: Resolved.

11-10 Travel Mileage Reimbursement Rate

CONDITION: There was one instance where mileage was reimbursed at the incorrect rate.

CURRENT STATUS: Resolved.

11-11 Travel Reimbursement

CONDITION: There was one instance where supporting documents did not indicate where the travel was to or from.

CURRENT STATUS: Resolved.

11-12 Travel Reimbursement Approvals

CONDITION: There was no notation of review or approval on expense reports or the supporting documentation.

CURRENT STATUS: Resolved.

11-13 Contracts

CONDITION: The Town does not have adequate written policies and procedures for contracts that address:

- Types of services requiring written contracts
- Standard terms and conditions
- Legal review
- Approval process
- Monitoring process

CURRENT STATUS: Unresolved. See item 12-4.

TOWN OF ERATH
Erath, Louisiana

Schedule of Current and Prior Year Audit Findings
and Management's Corrective Action Plan (continued)
Year Ended June 30, 2012

11-14 Contracts

CONDITION: There were two instances where contracts could not be located.

CURRENT STATUS: Resolved.

11-15 Payroll and Personnel

CONDITION: The Town does not have adequate written policies and procedures for payroll and personnel.

CURRENT STATUS: Unresolved. See item 12-5.

11-16 Payroll Attendance and Leave Records

CONDITION: For all employees tested the attendance control sheets maintained were not updated timely and accurately with all vacation and sick leave taken.

CURRENT STATUS: Resolve