

TOWN OF ERATH, LOUISIANA

Financial Report

Year Ended June 30, 2020

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Erath, Louisiana (the Town), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 38 through 40 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Other Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2020, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Kolder, Slaven & Company, LLC
Certified Public Accountants

Abbeville, Louisiana
December 7, 2020

BASIC FINANCIAL STATEMENTS

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

TOWN OF ERATH, LOUISIANA

Statement of Net Position
June 30, 2020

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and interest-bearing deposits	\$ 296,742	\$1,737,901	\$ 2,034,643
Accrued interest receivable	93	3,487	3,580
Accounts receivable, net	-	211,986	211,986
Other receivables	30,310	-	30,310
Due from other governmental agencies	49,349	45,564	94,913
Internal balances	(182)	182	-
Restricted assets:			
Cash and interest-bearing deposits	-	454,692	454,692
Accrued interest receivable	-	309	309
Capital assets:			
Non-depreciable	333,388	85,463	418,851
Depreciable	<u>2,687,550</u>	<u>10,451,975</u>	<u>13,139,525</u>
Total assets	<u>3,397,250</u>	<u>12,991,559</u>	<u>16,388,809</u>
LIABILITIES			
Accounts and accrued expenses	45,668	97,786	143,454
Retainage payable	-	13,069	13,069
Other payables	451	3,561	4,012
Customers' deposits	-	94,376	94,376
Accrued interest payable	639	6,656	7,295
Long-term liabilities:			
Portion due or payable within one year -			
Revenue bonds payable	-	68,551	68,551
Certificates of indebtedness	44,000	-	44,000
Portion due or payable after one year -			
Revenue bonds payable	-	3,367,799	3,367,799
Certificates of indebtedness	<u>193,000</u>	<u>-</u>	<u>193,000</u>
Total liabilities	<u>283,758</u>	<u>3,651,798</u>	<u>3,935,556</u>
NET POSITION			
Net investment in capital assets	2,783,938	7,101,088	9,885,026
Restricted for:			
Tax dedications	218,062	-	218,062
Debt service	29,548	353,969	383,517
Other	3,296	-	3,296
Unrestricted	<u>78,648</u>	<u>1,884,704</u>	<u>1,963,352</u>
Total net position	<u>\$ 3,113,492</u>	<u>\$9,339,761</u>	<u>\$ 12,453,253</u>

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

TOWN OF ERATH, LOUISIANA

Statement of Activities
For the Year Ended June 30, 2020

Activities	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position		
		Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government	\$ 256,161	\$ 60,907	\$ -	\$ -	\$ (195,254)	\$ -	\$ (195,254)
Public safety	866,842	46,407	104,388	5,000	(711,047)	-	(711,047)
Public works	294,132	13,680	-	-	(280,452)	-	(280,452)
Economic development and assistance	3,000	-	-	-	(3,000)	-	(3,000)
Culture and recreation	61,864	-	1,181	-	(60,683)	-	(60,683)
Total governmental activities	<u>1,481,999</u>	<u>120,994</u>	<u>105,569</u>	<u>5,000</u>	<u>(1,250,436)</u>	<u>-</u>	<u>(1,250,436)</u>
Business-type activities:							
Electric	1,066,867	1,711,815	-	-	-	644,948	644,948
Water	285,780	299,856	-	83,590	-	97,666	97,666
Sewer	504,342	389,501	-	82,236	-	(32,605)	(32,605)
Total business-type activities	<u>1,856,989</u>	<u>2,401,172</u>	<u>-</u>	<u>165,826</u>	<u>-</u>	<u>710,009</u>	<u>710,009</u>
Total	<u>3,338,988</u>	<u>2,522,166</u>	<u>105,569</u>	<u>170,826</u>	<u>(1,250,436)</u>	<u>710,009</u>	<u>(540,427)</u>
General revenues:							
Taxes -							
Property taxes, levied for general purposes					22,315	-	22,315
Sales and use taxes, levied for general purposes					269,668	-	269,668
Franchise taxes					31,536	-	31,536
Other					6,018	-	6,018
Licenses and permits					99,532	-	99,532
Grants and contributions not restricted to specific programs					4,592	-	4,592
Interest and investment earnings					618	26,044	26,662
Miscellaneous					1,104	-	1,104
Transfers					768,912	(768,912)	-
Total general revenues and transfers					<u>1,204,295</u>	<u>(742,868)</u>	<u>461,427</u>
Change in net position					(46,141)	(32,859)	(79,000)
Net position, beginning					<u>3,159,633</u>	<u>9,372,620</u>	<u>12,532,253</u>
Net position, ending					<u>\$ 3,113,492</u>	<u>\$ 9,339,761</u>	<u>\$ 12,453,253</u>

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

FUND FINANCIAL STATEMENTS

TOWN OF ERATH, LOUISIANA

Balance Sheet
Governmental Funds
June 30, 2020

	General	Sales Tax	Other Governmental Funds	Total
ASSETS				
Cash	\$ 107,537	\$ 169,833	\$ 5,126	\$ 282,496
Interest-bearing deposits	-	14,003	-	14,003
Receivables:				
Ad valorem tax	836	-	-	836
Accrued interest	-	93	-	93
Other	29,474	-	-	29,474
Due from other governmental agencies	6,323	20,090	-	26,413
Due from other funds	-	-	3,050	3,050
Total assets	<u>\$ 144,170</u>	<u>\$ 204,019</u>	<u>\$ 8,176</u>	<u>\$ 356,365</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 18,096	\$ 6,745	\$ 4,303	\$ 29,144
Due to other funds	3,229	-	3	3,232
Accrued expenses	13,802	2,148	574	16,524
Other liabilities	208	-	-	208
Total liabilities	<u>35,335</u>	<u>8,893</u>	<u>4,880</u>	<u>49,108</u>
Fund balances:				
Restricted	29,548	195,126	3,296	227,970
Unassigned	79,287	-	-	79,287
Total fund balances	<u>108,835</u>	<u>195,126</u>	<u>3,296</u>	<u>307,257</u>
Total liabilities and fund balances	<u>\$ 144,170</u>	<u>\$ 204,019</u>	<u>\$ 8,176</u>	<u>\$ 356,365</u>

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

TOWN OF ERATH, LOUISIANA

Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2020

Total fund balances - governmental funds		\$ 307,257
Total net position reported for governmental activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Capital assets, net		3,020,938
Long-term liabilities, including bonds payable, are not due and payable in the current period and are therefore not reported in the governmental funds.		
Accrued interest payable	(639)	
Bonds payable	<u>(237,000)</u>	(237,639)
Sales taxes which are not "measurable" at year-end and therefore are not available soon enough to pay for current period expenditures are not reported in the governmental funds.		
		<u>22,936</u>
Total net position of governmental activities		<u>\$ 3,113,492</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, 2020

	<u>General</u>	<u>Sales Tax</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Revenues:				
Taxes	\$ 59,869	\$ 271,223	\$ -	\$ 331,092
Licenses and permits	99,532	-	-	99,532
Intergovernmental	60,104	-	29,070	89,174
Charges for services	21,991	-	-	21,991
Fines and forfeitures	42,507	-	-	42,507
Interest	-	628	-	628
Miscellaneous	69,566	14,021	-	83,587
Total revenues	<u>353,569</u>	<u>285,872</u>	<u>29,070</u>	<u>668,511</u>
Expenditures:				
Current -				
General government	249,948	-	-	249,948
Public safety	679,321	-	95,770	775,091
Economic development and assistance	3,000	-	-	3,000
Culture and recreation	50,990	-	1,143	52,133
Public works	-	229,943	-	229,943
Debt service -				
Principal	44,000	-	-	44,000
Interest	8,343	-	-	8,343
Capital outlay	14,135	7,775	4,706	26,616
Total expenditures	<u>1,049,737</u>	<u>237,718</u>	<u>101,619</u>	<u>1,389,074</u>
Excess (deficiency) of revenues over expenditures	<u>(696,168)</u>	<u>48,154</u>	<u>(72,549)</u>	<u>(720,563)</u>
Other financing sources (uses):				
Transfers in	768,912	-	71,406	840,318
Transfers out	<u>(71,406)</u>	<u>-</u>	<u>-</u>	<u>(71,406)</u>
Total other financing sources (uses)	<u>697,506</u>	<u>-</u>	<u>71,406</u>	<u>768,912</u>
Net change in fund balances	1,338	48,154	(1,143)	48,349
Fund balances, beginning	<u>107,497</u>	<u>146,972</u>	<u>4,439</u>	<u>258,908</u>
Fund balances, ending	<u>\$ 108,835</u>	<u>\$ 195,126</u>	<u>\$ 3,296</u>	<u>\$ 307,257</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, 2020

Net change in fund balances - total governmental funds		\$ 48,349
The change in net position reported for governmental activities in the statement of activities is different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlay	\$ 26,616	
Depreciation expense	<u>(163,609)</u>	(136,993)
Because some revenues are not measurable at year end, they are not considered available in the governmental funds:		
Sales taxes		(1,609)
Bond proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of activities.		
Principal payments		44,000
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds.		
Decrease in accrued interest payable		<u>112</u>
Change in net position of governmental activities		<u>\$ (46,141)</u>

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

TOWN OF ERATH, LOUISIANA

Statement of Net Position
 Proprietary Funds
 June 30, 2020

	<u>Utility</u>	<u>Sewerage Utility</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash	\$ 565,521	\$ 138,343	\$ 703,864
Interest-bearing deposits	979,150	54,887	1,034,037
Accrued interest receivable	3,219	268	3,487
Accounts receivable, net	173,671	38,315	211,986
Due from other governmental agencies	45,564	-	45,564
Interfund receivables	<u>182</u>	<u>31,461</u>	<u>31,643</u>
Total current assets	<u>1,767,307</u>	<u>263,274</u>	<u>2,030,581</u>
Restricted assets:			
Cash	30,867	360,625	391,492
Interest-bearing deposits	63,200	-	63,200
Accrued interest receivable	<u>309</u>	<u>-</u>	<u>309</u>
Total restricted assets	<u>94,376</u>	<u>360,625</u>	<u>455,001</u>
Capital assets, net of accumulated depreciation	<u>2,543,089</u>	<u>7,994,349</u>	<u>10,537,438</u>
Total assets	<u>4,404,772</u>	<u>8,618,248</u>	<u>13,023,020</u>
LIABILITIES			
Current liabilities (payable from current assets):			
Accounts payable and accrued expenses	75,724	22,062	97,786
Retainage payable	13,069	-	13,069
Other payables	3,561	-	3,561
Interfund payables	<u>31,461</u>	<u>-</u>	<u>31,461</u>
Total	<u>123,815</u>	<u>22,062</u>	<u>145,877</u>
Current liabilities (payable from restricted assets):			
Customers' deposits	94,376	-	94,376
Accrued interest payable	-	6,656	6,656
Current portion of long term debt	<u>-</u>	<u>68,551</u>	<u>68,551</u>
Total	<u>94,376</u>	<u>75,207</u>	<u>169,583</u>
Total current liabilities	218,191	97,269	315,460
Noncurrent liabilities:			
Long term debt	<u>-</u>	<u>3,367,799</u>	<u>3,367,799</u>
Total liabilities	<u>218,191</u>	<u>3,465,068</u>	<u>3,683,259</u>
NET POSITION			
Net investment in capital assets	2,543,089	4,557,999	7,101,088
Restricted for debt service	-	353,969	353,969
Unrestricted	<u>1,643,492</u>	<u>241,212</u>	<u>1,884,704</u>
Total net position	<u>\$ 4,186,581</u>	<u>\$ 5,153,180</u>	<u>\$ 9,339,761</u>

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

TOWN OF ERATH, LOUISIANA

Statement of Revenues, Expenses, and Changes in Fund Net Position
 Proprietary Funds
 Year Ended June 30, 2020

	Utility	Sewerage Utility	Total
Operating revenues:			
Charges for services	\$ 1,981,386	\$ 389,501	\$ 2,370,887
Miscellaneous	30,285	-	30,285
Total operating revenues	<u>2,011,671</u>	<u>389,501</u>	<u>2,401,172</u>
Operating expenses:			
Salaries	155,755	39,539	195,294
Payroll taxes	11,845	2,970	14,815
Retirement	2,135	1,176	3,311
Group insurance	28,588	7,147	35,735
Worker's compensation insurance	7,294	3,435	10,729
Purchase of electric power	833,230	-	833,230
Materials and supplies	63,757	5,087	68,844
Maintenance and repairs	35,239	24,374	59,613
Fuel, gas and oil	3,456	944	4,400
Telephone and utilities	26,890	82,498	109,388
Insurance	34,011	8,807	42,818
Depreciation	115,083	227,100	342,183
Contractual services	15,600	-	15,600
Professional fees	9,820	6,339	16,159
Equipment rental	259	2,653	2,912
Bad debts	2,373	618	2,991
Other	7,312	7,126	14,438
Total operating expenses	<u>1,352,647</u>	<u>419,813</u>	<u>1,772,460</u>
Operating income (loss)	<u>659,024</u>	<u>(30,312)</u>	<u>628,712</u>
Nonoperating revenues/(expenses):			
Interest income	24,470	1,574	26,044
Interest expense	-	(84,529)	(84,529)
Grant revenue	25,166	-	25,166
Total nonoperating revenues/(expenses)	<u>49,636</u>	<u>(82,955)</u>	<u>(33,319)</u>
Income (loss) before contributions and transfers	708,660	(113,267)	595,393
Capital contributions	58,424	82,236	140,660
Transfers out	(768,912)	-	(768,912)
Change in net position	(1,828)	(31,031)	(32,859)
Net position, beginning	<u>4,188,409</u>	<u>5,184,211</u>	<u>9,372,620</u>
Net position, ending	<u>\$ 4,186,581</u>	<u>\$ 5,153,180</u>	<u>\$ 9,339,761</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, 2020

	Utility	Sewerage Utility	Total
Cash flows from operating activities:			
Receipts from customers	\$ 2,062,212	\$ 353,310	\$ 2,415,522
Payments to suppliers	(1,054,454)	(133,555)	(1,188,009)
Payments to employees and for employee-related costs	(205,211)	(53,933)	(259,144)
Other receipts	<u>30,285</u>	<u>-</u>	<u>30,285</u>
Net cash provided by operating activities	<u>832,832</u>	<u>165,822</u>	<u>998,654</u>
Cash flows from noncapital financing activities:			
Transfers to other funds	<u>(768,912)</u>	<u>-</u>	<u>(768,912)</u>
Net cash used by noncapital financing activities	<u>(768,912)</u>	<u>-</u>	<u>(768,912)</u>
Cash flows from capital and related financing activities:			
Principal paid on long-term debt	-	(66,792)	(66,792)
Interest paid on long-term debt	-	(84,663)	(84,663)
Purchase and construction of capital assets	(82,542)	(98,147)	(180,689)
Grants and other contributions received	<u>38,026</u>	<u>82,236</u>	<u>120,262</u>
Net cash used by capital and related financing activities	<u>(44,516)</u>	<u>(167,366)</u>	<u>(211,882)</u>
Cash flows from investing activities:			
Proceeds of interest-bearing deposits with maturity in excess of ninety days	1,020,076	53,773	1,073,849
Purchase of interest-bearing deposits with maturity in excess of ninety days	(1,042,350)	(54,887)	(1,097,237)
Interest on investments	<u>23,953</u>	<u>1,569</u>	<u>25,522</u>
Net cash provided by investing activities	<u>1,679</u>	<u>455</u>	<u>2,134</u>
Net increase (decrease) in cash and cash equivalents	21,083	(1,089)	19,994
Cash and cash equivalents, beginning of year	<u>575,305</u>	<u>500,057</u>	<u>1,075,362</u>
Cash and cash equivalents, end of year	<u>\$ 596,388</u>	<u>\$ 498,968</u>	<u>\$ 1,095,356</u>

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

TOWN OF ERATH, LOUISIANA

Statement of Cash Flows
 Proprietary Funds (continued)
 For the Year Ended June 30, 2020

	<u>Utility</u>	<u>Sewerage Utility</u>	<u>Total</u>
Cash flows from operating activities:			
Operating income (loss)	\$ 659,024	\$ (30,312)	\$ 628,712
Adjustments to reconcile operating income (loss) to net cash provided by operating activities -			
Depreciation	115,083	227,100	342,183
Provision for bad debts	2,509	618	3,127
(Increase) decrease in assets:			
Accounts and other receivables	47,397	(5,189)	42,208
Interfund receivables	(179)	(31,002)	(31,181)
Increase (decrease) in liabilities:			
Accounts payable, accrued expenses and other liabilities	(22,134)	4,607	(17,527)
Interfund payables	<u>31,132</u>	<u>-</u>	<u>31,132</u>
Net cash provided by operating activities	<u>\$ 832,832</u>	<u>\$ 165,822</u>	<u>\$ 998,654</u>
Cash and cash equivalents reported on statement of net position as:			
Current - cash	\$ 565,521	\$ 138,343	\$ 703,864
Restricted - cash	<u>30,867</u>	<u>360,625</u>	<u>391,492</u>
Total cash and cash equivalents	<u>\$ 596,388</u>	<u>\$ 498,968</u>	<u>\$1,095,356</u>

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

TOWN OF ERATH, LOUISIANA

Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2020

	<u>Agency Fund</u>
ASSETS	
Assets:	
Cash	\$ 26,463
Due from other funds	<u>243</u>
Total assets	<u>\$ 26,706</u>
LIABILITIES	
Due to external parties	<u>\$ 26,706</u>

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

TOWN OF ERATH, LOUISIANA

Notes to Basic Financial Statements

(1) Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

The Town is incorporated under the provisions of the Lawrason Act. The Town operates under a Mayor-Board of Aldermen form of government. The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The Town has no such component units.

B. Basis of Presentation

Government-Wide Financial Statements (GWFS)

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

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

TOWN OF ERATH, LOUISIANA

Notes to Basic Financial Statements

Fund Financial Statements

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

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

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

The Town reports the following major governmental funds -

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

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

The Town reports the following major enterprise funds:

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

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

In addition, the Town reports the following:

TOWN OF ERATH, LOUISIANA

Notes to Basic Financial Statements

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

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

C. Measurement Focus/Basis of Accounting

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

Measurement Focus

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

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

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

TOWN OF ERATH, LOUISIANA

Notes to Basic Financial Statements

Basis of Accounting

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

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

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

Program revenues

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

Allocation of indirect expenses

The Town reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Indirect expenses of other functions are not allocated to those functions, but are reported separately in the Statement of Activities. Depreciation expense is specifically identified by function and is included in the direct expense of each function. Interest on general long-term debt is considered a direct expense and is reported as a direct expense in the public safety and sewer functions in the amount of \$8,231 and \$84,529, respectively.

TOWN OF ERATH, LOUISIANA

Notes to Basic Financial Statements

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

Cash and interest-bearing deposits

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

Investments

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

Interfund receivables and payables

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

Receivables

Accounts receivable and unbilled service receivable for the Utility Fund and Sewerage Utility Fund are reported net of an allowance for doubtful accounts. The allowance amount at June 30, 2020 for the Utility Fund and the Sewerage Utility Fund accounts receivable was \$158,829 and \$15,531, respectively.

Capital Assets

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

TOWN OF ERATH, LOUISIANA

Notes to Basic Financial Statements

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

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

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

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

Compensated Absences

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

Upon termination, no payment is made for accrued and unused sick leave. However, any accumulated current year annual leave is paid to the employee. Any liability for this accumulated leave is determined immaterial to the financial statements at June 30, 2020 and, therefore, not recorded in the financial statements.

Restricted Assets

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

Long-term debt

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

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

TOWN OF ERATH, LOUISIANA

Notes to Basic Financial Statements

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

Deferred Outflows of Resources and Deferred Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has no deferred inflows or outflows of resources at June 30, 2020.

Equity Classifications

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

- a. Net investment in capital assets – Consists of net capital assets reduced by the outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction or improvement of those assets and increased by balances of deferred outflows of resources related to those assets.
- b. Restricted net position – Net position is considered restricted if its use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws or buyers of the Town's bonds. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets. Constraints may be placed on the use, either by (1) external groups, such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. The Town typically uses restricted assets first, as appropriate opportunities arise, but reserves the right to selectively defer the use until a future project. At June 30, 2020, the Town reported \$604,875 of restricted net position, \$221,358 of which was restricted by enabling legislation.
- c. Unrestricted net position – Net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in either of the other two categories of net position.

TOWN OF ERATH, LOUISIANA

Notes to Basic Financial Statements

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

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

As of June 30, 2020, fund balances are composed of the following:

	General Fund	Sales Tax	Nonmajor Funds	Total Governmental Funds
Restricted:				
Public works	\$ -	\$ 195,126	\$ -	195,126
Debt service	29,548	-	-	29,548
Youth recreation	-	-	3,296	3,296
Unassigned	<u>79,287</u>	<u>-</u>	<u>-</u>	<u>79,287</u>
Total fund balances	<u>\$ 108,835</u>	<u>\$ 195,126</u>	<u>\$ 3,296</u>	<u>\$ 307,257</u>

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

TOWN OF ERATH, LOUISIANA

Notes to Basic Financial Statements

E. Revenues, Expenditures, and Expenses

Operating Revenues and Expenses

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

Expenditures/Expenses

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

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

Governmental Funds - By Character

Proprietary Fund - By Operating and Nonoperating

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

Interfund Transfers

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

F. Revenue Restrictions

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

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

G. Use of Estimates

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

TOWN OF ERATH, LOUISIANA

Notes to Basic Financial Statements

(2) Cash and Interest-Bearing Deposits

Under state law, the Town may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. The Town may invest in certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana. At June 30, 2020, the Town has cash and interest-bearing deposits (book balances) of \$2,489,335.

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

Bank balances	<u>\$ 2,531,243</u>
The Town's deposits are secured as follows:	
Insured deposits	919,584
Uninsured and collateral held by the pledging bank, not in the Town's name	<u>1,611,659</u>
Total	<u>\$ 2,531,243</u>

(3) Ad Valorem Taxes

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

For the year ended June 30, 2020, taxes of 3.52 mills were levied on property with assessed valuations totaling \$6,338,867 and were dedicated for general purposes.

Total taxes levied were \$22,313. Taxes receivable at June 30, 2020 totaled \$836, all of which is considered collectible.

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

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

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

TOWN OF ERATH, LOUISIANA

Notes to Basic Financial Statements

Sales taxes recognized in the governmental fund financial statements under the modified accrual basis of accounting were \$271,223 while the amount recognized in the government-wide financial statements under the accrual basis of accounting was \$269,668.

(5) Aged Accounts Receivable

The Town is owed \$386,346 by its customers at June 30, 2020. The aging of these accounts receivable is as follows:

Current	\$ 198,090
Over 30 days	15,161
Over 60 days	839
Over 90 days	<u>172,256</u>
Total	<u>\$386,346</u>

(6) Due from Other Governmental Agencies

Amounts due from other governmental agencies consisted of the following at June 30, 2020:

Fund financial statements:

Governmental Funds -

Vermilion Parish School Board:

Sales and use taxes collected but not remitted \$ 20,090

Federal Government:

Other 5,000

State of Louisiana:

Other 1,323

\$ 26,413

Proprietary Funds -

State of Louisiana:

State grant funds \$ 20,000

Local government:

Capital contribution 25,564

\$ 45,564

Government-wide financial statements:

Total amount reported in -

Governmental Funds, from above \$ 26,413

Proprietary Funds, from above 45,564

Additional sales and use taxes due from Vermilion Parish School Board 22,936

\$ 94,913

TOWN OF ERATH, LOUISIANA

Notes to Basic Financial Statements

(7) Restricted Assets - Proprietary Fund Type

At June 30, 2020, restricted assets were applicable to the following:

	Utility Fund	Sewerage Utility Fund	Total
	<u> </u>	<u> </u>	<u> </u>
Bond sinking account	\$ -	\$ 12,686	\$ 12,686
Bond reserve account	-	164,731	164,731
Depreciation and contingency account	-	132,508	132,508
Short lived asset account	-	50,700	50,700
Customer deposits	<u>94,376</u>	<u>-</u>	<u>94,376</u>
Total	<u>\$ 94,376</u>	<u>\$ 360,625</u>	<u>\$ 455,001</u>

TOWN OF ERATH, LOUISIANA

Notes to Basic Financial Statements

(8) Capital Assets

Capital asset activity for the year ended June 30, 2020 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 333,388	\$ -	\$ -	\$ 333,388
Capital assets being depreciated:				
Buildings and improvements	2,273,015	-	-	2,273,015
Infrastructure	1,319,969	-	-	1,319,969
Equipment, furniture and fixtures	1,399,436	18,841	-	1,418,277
Improvements other than buildings	650,934	7,775	-	658,709
Total capital assets	<u>5,976,742</u>	<u>26,616</u>	<u>-</u>	<u>6,003,358</u>
Less accumulated depreciation:				
Buildings and improvements	614,614	53,274	-	667,888
Infrastructure	754,536	35,534	-	790,070
Equipment, furniture and fixtures	1,089,516	59,803	-	1,149,319
Improvements other than buildings	360,145	14,998	-	375,143
Total accumulated depreciation	<u>2,818,811</u>	<u>163,609</u>	<u>-</u>	<u>2,982,420</u>
Governmental activities, capital assets, net	<u>\$ 3,157,931</u>	<u>\$ (136,993)</u>	<u>\$ -</u>	<u>\$ 3,020,938</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 85,463	\$ -	\$ -	\$ 85,463
Construction in progress	124,767	-	(124,767)	-
Capital assets being depreciated:				
Land improvements	9,868	-	-	9,868
Equipment and vehicles	473,305	111,069	-	584,374
Electric system	708,684	5,606	-	714,290
Water system	4,072,662	97,288	-	4,169,950
Sewer system	10,807,986	109,147	-	10,917,133
Total capital assets	<u>16,282,735</u>	<u>323,110</u>	<u>(124,767)</u>	<u>16,481,078</u>
Less accumulated depreciation:				
Land improvements	493	494	-	987
Equipment and vehicles	443,118	7,333	-	450,451
Electric system	303,653	17,399	-	321,052
Water system	1,995,617	94,242	-	2,089,859
Sewer system	2,858,576	222,715	-	3,081,291
Total accumulated depreciation	<u>5,601,457</u>	<u>342,183</u>	<u>-</u>	<u>5,943,640</u>
Business-type activities, capital assets, net	<u>\$10,681,278</u>	<u>\$ (19,073)</u>	<u>\$ (124,767)</u>	<u>\$10,537,438</u>

TOWN OF ERATH, LOUISIANA

Notes to Basic Financial Statements

Depreciation expense was charged to governmental activities as follows:

General government	\$ 6,169
Public safety	83,520
Public works	64,189
Culture and recreation	<u>9,731</u>
Total depreciation expense	<u>\$163,609</u>

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

Electric	\$ 19,146
Water	95,937
Sewer	<u>227,100</u>
Total depreciation expense	<u>\$342,183</u>

(9) Long-Term Debt

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

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

The following changes occurred in long-term debt for the year ended June 30, 2020:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Governmental activities:				
Certificates of indebtedness	<u>\$ 281,000</u>	<u>\$ -</u>	<u>\$ (44,000)</u>	<u>\$ 237,000</u>
Business-type activities:				
Revenue bonds	<u>\$3,503,142</u>	<u>\$ -</u>	<u>\$ (66,792)</u>	<u>\$3,436,350</u>

TOWN OF ERATH, LOUISIANA

Notes to Basic Financial Statements

Long-term debt outstanding at June 30, 2020 is as follows:

	Issue Date	Maturity Date	Interest Rate	Balance Outstanding	Due Within One Year
Governmental activities:					
Certificates of Indebtedness	01/18/13	12/01/22	2.625%	\$ 71,000	\$ 23,000
Certificates of Indebtedness	09/21/18	12/01/26	3.50%	166,000	21,000
Governmental activities long-term debt				<u>\$ 237,000</u>	<u>\$ 44,000</u>
Business-type activities:					
Sewer Revenue Bonds	02/09/98	02/09/38	4.50%	\$ 284,426	\$ 10,849
Sewer Revenue Bonds	07/01/16	07/01/56	2.25%	2,364,201	\$ 43,274
Sewer Revenue Bonds	07/01/16	07/01/56	2.25%	787,723	14,428
Business-type activities long-term debt				<u>\$ 3,436,350</u>	<u>\$ 68,551</u>

The annual debt service requirements to maturity of all debt outstanding at June 30, 2020 follows:

Year Ending June 30,	Governmental Activities		Business-type Activities		Total
	Principal payments	Interest payments	Principal payments	Interest payments	
2021	44,000	7,005	68,553	82,901	202,459
2022	46,000	5,635	70,362	81,092	203,089
2023	47,000	4,218	72,225	79,230	202,673
2024	24,000	3,080	74,142	77,312	178,534
2025	24,000	2,240	76,115	75,339	177,694
2026 - 2030	52,000	1,855	412,286	344,987	811,128
2031 - 2035	-	-	471,214	286,058	757,272
2036 - 2040	-	-	480,351	220,660	701,011
2041 - 2045	-	-	473,325	166,815	640,140
2046 - 2050	-	-	529,626	110,514	640,140
2051 - 2055	-	-	592,628	47,512	640,140
2056	-	-	115,523	1,302	116,825
	<u>\$ 237,000</u>	<u>\$ 24,033</u>	<u>\$ 3,436,350</u>	<u>\$ 1,573,722</u>	<u>\$ 5,271,105</u>

(10) Flow of Funds; Restrictions on Use -

Sewer Revenues

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

TOWN OF ERATH, LOUISIANA

Notes to Basic Financial Statements

- (a) The payment of all reasonable and necessary expenses of operating and maintaining the utilities system.
- (b) Each month there shall be set aside into the Sewer Revenue Bond Sinking Fund on or before the 20th day of each month an amount equal to the principal, interest, and administrative fee accruing with respect to the bonds for such calendar month together with such additional proportionate sum as may be required to pay such principal, interest, and administrative fee as they become due.
- (c) Each month, there shall be set aside into the Revenue Bonds Debt Service Reserve Fund on or before the 20th day of each month a sum at least equal to 5% of the amount required to be paid into the Sewer Revenue Bond Sinking Fund until such time as the amount in this fund equals \$163,457.
- (d) Funds shall be set aside into the Sewer System Depreciation and Contingency Fund to provide for extensions, additions, improvements, renewals, and replacements necessary to properly operate the utilities system. Transfers shall be made on or before the 20th day each month in the amount of \$1,262.
- (e) Funds shall be set aside into the Short Lived Asset Fund to provide for maintenance and replacement of short lived assets of the system, by transferring monthly, on or before the 20th day of each month, a sum of \$1,300.

All required transfers were made for the year ended June 30, 2020.

Certificates of Indebtedness

For the payment of the principal and interest on the Certificates, under the terms of the indenture, the Town shall create and maintain the Sinking Fund. The Town shall deposit into this fund on or before the 20th day of each month, a sum equal to the principal and interest accruing on the Certificates for such calendar month, together with such additional proportionate sum as may be required to pay said principal and interest as the same fall due. All required transfers were made for the year ended June 30, 2020.

(11) Commitments and Contingencies

Litigation

At June 30, 2020, management and legal counsel for the Town believe that the potential claims against the Town would not materially affect the Town's financial position.

(12) Risk Management

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

TOWN OF ERATH, LOUISIANA

Notes to Basic Financial Statements

(13) On-behalf Payments

The Town has recognized \$49,217 as a revenue and an expenditure for on-behalf salary payments made by the State of Louisiana.

(14) Interfund Transfers

Interfund transfers for the year ended June 30, 2020 consist of the following:

	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 768,912	\$ 71,406
Utility	-	768,912
Other Governmental Funds	<u>71,406</u>	<u>-</u>
Total	<u>\$ 840,318</u>	<u>\$ 840,318</u>

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

(15) Interfund Balances

Interfund balances at June 30, 2020 consist of the following:

	<u>Due from</u>	<u>Due to</u>
General	\$ -	\$ 3,229
Utility	182	31,461
Sewerage Utility	31,461	-
Other Governmental Funds	<u>3,050</u>	<u>3</u>
Total	<u>\$ 34,693</u>	<u>\$ 34,693</u>

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

TOWN OF ERATH, LOUISIANA

Notes to Basic Financial Statements

(16) Retirement Plan

Effective January 9, 2012, the Town entered into a SIMPLE IRA Adoption Agreement with American Funds Distributors Inc., setting up an Individual Retirement Account (IRA) plan for its employees. All employees are eligible to participate in the Plan. Employees make elective deferrals to the Plan at whatever amount they choose up to a maximum of \$11,500 per year. The Town makes matching contributions of each employee's elective deferral up to a limit of 3% of the employee's compensation. All contributions are made directly to an IRA set up for each employee. Contributions made by the Town for the year ended June 30, 2020 was \$12,132.

(17) Compensation of Town Officials

A detail of compensation paid to elected officials for the year ended June 30, 2020, follows:

Mayor:

Mark Taylor Mencacci	115 West Edwards St., Erath, LA 70533	<u>\$ 9,802</u>
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Aldermen:

Robert Vincent	115 West Edwards St., Erath, LA 70533	\$ 4,965
Mike Richard	115 West Edwards St., Erath, LA 70533	4,965
Earl Landry	115 West Edwards St., Erath, LA 70533	4,965
Scott Bernard	115 West Edwards St., Erath, LA 70533	4,965
Jason C. Conner	115 West Edwards St., Erath, LA 70533	<u>4,965</u>
		<u>\$ 24,825</u>

The Mayor of the Town is considered the agency head. The Town did not pay any benefits on his behalf for the year ended June 30, 2020. In addition, the only payments he received from the Town is the salary amount disclosed above.

TOWN OF ERATH, LOUISIANA

Notes to Basic Financial Statements

(18) New Accounting Pronouncements

In January 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 84, *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The Focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This Statement also provides recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. The provisions of GASB Statement No. 84 are effective for fiscal years beginning after December 15, 2018. In April 2020, GASB extended the implementation date of this standard by one year. The effect of implementation on the Town's financial statements has not yet been determined.

**REQUIRED
SUPPLEMENTARY INFORMATION**

TOWN OF ERATH, LOUISIANA
General Fund

Budgetary Comparison Schedule
Year Ended June 30, 2020

	Budget		Actual	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues:				
Taxes	\$ 59,500	\$ 59,500	\$ 59,869	\$ 369
Licenses and permits	103,150	100,150	99,532	(618)
Intergovernmental	4,500	60,012	60,104	92
Charges for services	28,500	22,500	21,991	(509)
Fines and forfeitures	60,000	42,000	42,507	507
Miscellaneous	68,178	68,178	69,566	1,388
Total revenues	<u>323,828</u>	<u>352,340</u>	<u>353,569</u>	<u>1,229</u>
Expenditures:				
Current -				
General government	255,778	253,778	249,948	3,830
Public safety	641,777	691,494	679,321	12,173
Economic development and assistance	3,000	3,000	3,000	-
Culture and recreation	52,926	52,926	50,990	1,936
Debt service -				
Principal	44,000	44,000	44,000	-
Interest	8,344	8,344	8,343	1
Capital outlay	9,006	14,006	14,135	(129)
Total expenditures	<u>1,014,831</u>	<u>1,067,548</u>	<u>1,049,737</u>	<u>17,811</u>
Deficiency of revenues over expenditures	<u>(691,003)</u>	<u>(715,208)</u>	<u>(696,168)</u>	<u>19,040</u>
Other financing sources (uses):				
Transfers in	775,000	775,000	768,912	(6,088)
Transfers out	(103,601)	(88,826)	(71,406)	17,420
Total other financing sources (uses)	<u>671,399</u>	<u>686,174</u>	<u>697,506</u>	<u>11,332</u>
Net change in fund balance	(19,604)	(29,034)	1,338	30,372
Fund balance, beginning	<u>82,700</u>	<u>107,497</u>	<u>107,497</u>	<u>-</u>
Fund balance, ending	<u>\$ 63,096</u>	<u>\$ 78,463</u>	<u>\$ 108,835</u>	<u>\$ 30,372</u>

TOWN OF ERATH, LOUISIANA
Sales Tax Fund

Budgetary Comparison Schedule
Year Ended June 30, 2020

	Budget		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
Revenues:				
Taxes -				
Sales tax collected	\$ 260,000	\$ 250,000	\$ 271,223	\$ 21,223
Interest	400	400	628	228
Miscellaneous	<u>13,780</u>	<u>13,780</u>	<u>14,021</u>	<u>241</u>
Total revenues	<u>274,180</u>	<u>264,180</u>	<u>285,872</u>	<u>21,692</u>
Expenditures:				
Current -				
Public works:				
Salaries	87,083	89,083	87,610	1,473
Payroll taxes	6,662	6,662	6,663	(1)
Retirement	366	366	368	(2)
Group insurance	23,325	20,325	20,217	108
Worker's compensation	14,807	19,807	19,007	800
Uniforms	600	600	331	269
Material and supplies	20,500	18,000	18,216	(216)
Truck expenses	7,000	8,200	7,114	1,086
Insurance	6,000	7,200	7,201	(1)
Telephone	4,000	4,000	3,030	970
Professional services	4,500	7,000	9,182	(2,182)
Office supplies	300	300	119	181
Repairs and maintenance	21,250	25,250	24,848	402
Contract services	18,500	18,500	18,500	-
Equipment fuel and oil	5,000	5,000	4,311	689
Equipment rental	-	1,050	1,044	6
Utilities	3,500	2,500	1,479	1,021
Other	1,294	1,294	703	591
Capital outlay	<u>1,000</u>	<u>8,775</u>	<u>7,775</u>	<u>1,000</u>
Total expenditures	<u>225,687</u>	<u>243,912</u>	<u>237,718</u>	<u>6,194</u>
Net change in fund balance	48,493	20,268	48,154	27,886
Fund balance, beginning	<u>134,310</u>	<u>146,972</u>	<u>146,972</u>	<u>-</u>
Fund balance, ending	<u>\$ 182,803</u>	<u>\$ 167,240</u>	<u>\$ 195,126</u>	<u>\$ 27,886</u>

TOWN OF ERATH, LOUISIANA

Note to Budgetary Comparison Schedules

(1) Budgets and Budgetary Accounting

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

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

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

OTHER SUPPLEMENTARY INFORMATION

NONMAJOR GOVERNMENTAL FUNDS

NONMAJOR GOVERNMENTAL FUNDS

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

Special Parish Tax Fund

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

Youth Recreation Fund

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

LCDBG Fund

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

TOWN OF ERATH, LOUISIANA
Nonmajor Governmental Funds

Combining Balance Sheet
June 30, 2020

	<u>Special Parish Tax Fund</u>	<u>Youth Recreation Fund</u>	<u>LCDBG</u>	<u>Total</u>
ASSETS				
Cash	\$ 1,827	\$ 3,296	\$ 3	\$ 5,126
Due from other funds	<u>3,050</u>	<u>-</u>	<u>-</u>	<u>3,050</u>
Total assets	<u>\$ 4,877</u>	<u>\$ 3,296</u>	<u>\$ 3</u>	<u>\$ 8,176</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 4,303	\$ -	\$ -	\$ 4,303
Accrued expenses	574	-	-	574
Due to other funds	<u>-</u>	<u>-</u>	<u>3</u>	<u>3</u>
Total liabilities	<u>\$ 4,877</u>	<u>\$ -</u>	<u>\$ 3</u>	<u>\$ 4,880</u>
Fund balances:				
Restricted	<u>-</u>	<u>3,296</u>	<u>-</u>	<u>3,296</u>
Total liabilities and fund balances	<u>\$ 4,877</u>	<u>\$ 3,296</u>	<u>\$ 3</u>	<u>\$ 8,176</u>

TOWN OF ERATH, LOUISIANA
Nonmajor Governmental Funds

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances -
Year Ended June 30, 2020

	Special Parish Tax Fund	Youth Recreation Fund	LCDBG	Total
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Revenues:				
Intergovernmental	\$ 29,070	\$ -	\$ -	\$ 29,070
Expenditures:				
Current-				
Public safety	95,770	-	-	95,770
Culture and recreation	-	1,143	-	1,143
Capital outlay	<u>4,706</u>	<u>-</u>	<u>-</u>	<u>4,706</u>
Total expenditures	<u>100,476</u>	<u>1,143</u>	<u>-</u>	<u>101,619</u>
Deficiency of revenues over expenditures	(71,406)	(1,143)	-	(72,549)
Other financing sources:				
Transfers in	<u>71,406</u>	<u>-</u>	<u>-</u>	<u>71,406</u>
Net change in fund balances	-	(1,143)	-	(1,143)
Fund balances, beginning	<u>-</u>	<u>4,439</u>	<u>-</u>	<u>4,439</u>
Fund balances, ending	<u>\$ -</u>	<u>\$ 3,296</u>	<u>\$ -</u>	<u>\$ 3,296</u>

TOWN OF ERATH, LOUISIANA

Schedule of Insurance in Force
Year Ended June 30, 2020

Insurer	Assets Covered	Limits of Coverage (in Dollars)	Expiration Date
SCU	Commercial property	Varies by property	5/6/2021
CNASurety	Public Officials		
	Mayor	28,500	11/15/2020
	Town Clerk	28,500	11/15/2020
	Tax Collector	28,500	11/15/2020
	Bill Collector	28,500	11/15/2020
	Mayor Pro-tem	28,500	11/15/2020
	Council & other employees	5,000	11/15/2020
Hartford Insurance Company	Crime Policy		
	Mayor	152,000	6/17/2021
	Town Clerk	152,000	6/17/2021
Berkshire Hathaway Insurance Company	Comprehensive general liability	500,000	12/29/2020
	Law enforcement officer	500,000	12/29/2020
	Errors & omissions	500,000	12/29/2020
	Comprehensive automobile	500,000	12/29/2020
Special Risk Insurance, Inc.	Portable equipment - Fire Department	Replacement Cost	3/28/2021
	General liability - Fire Department	2,000,000	3/28/2021
	Management liability - Fire Department	2,000,000	3/28/2021
Bankers Specialty Insurance	Flood - Police station		
	Building	500,000	5/7/2021
	Contents	50,000	5/7/2021

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

Schedule of Number of Utility Customers and Rates
June 30, 2020 and 2019

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

<u>Department</u>	<u>2020</u>	<u>2019</u>
Electric (metered)	929	934
Water	1021	1022
Sewerage	918	917

The monthly water rates of the Town are as follows:

Residential:

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

Commercial

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

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

Residential:

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

Commercial

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

TOWN OF ERATH, LOUISIANA

Statements of Net Position
 Proprietary Funds
 June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Current assets:		
Cash	\$ 703,864	\$ 715,453
Interest-bearing deposits	1,034,037	1,011,932
Accrued interest receivable	3,487	2,971
Accounts receivable, net	211,986	233,968
Unbilled service receivable, net	-	23,353
Due from other governmental agencies	45,564	-
Interfund receivables	<u>31,643</u>	<u>462</u>
Total current assets	<u>2,030,581</u>	<u>1,988,139</u>
Restricted assets:		
Cash	391,492	359,909
Interest-bearing deposits	63,200	61,917
Accrued interest receivable	<u>309</u>	<u>303</u>
Total restricted assets	<u>455,001</u>	<u>422,129</u>
Capital assets, net of accumulated depreciation	<u>10,537,438</u>	<u>10,681,278</u>
Total assets	<u>13,023,020</u>	<u>13,091,546</u>
LIABILITIES		
Current liabilities (payable from current assets):		
Accounts payable and accrued expenses	97,786	112,561
Retainage payable	13,069	-
Interfund payables	31,461	329
Other payables	<u>3,561</u>	<u>3,715</u>
Total	<u>145,877</u>	<u>116,605</u>
Current liabilities (payable from restricted assets):		
Customers' deposits	94,376	92,389
Current portion of long term debt	68,551	66,792
Accrued interest on bonds	<u>6,656</u>	<u>6,790</u>
Total	<u>169,583</u>	<u>165,971</u>
Total current liabilities	315,460	282,576
Noncurrent liabilities:		
Long term debt	<u>3,367,799</u>	<u>3,436,350</u>
Total liabilities	<u>3,683,259</u>	<u>3,718,926</u>
NET POSITION		
Net investment in capital assets	7,101,088	7,178,136
Restricted for debt service	353,969	322,950
Unrestricted	<u>1,884,704</u>	<u>1,871,534</u>
Total net position	<u>\$ 9,339,761</u>	<u>\$ 9,372,620</u>

TOWN OF ERATH, LOUISIANA

Statements of Revenues, Expenses, and Changes in Fund Net Position
 Proprietary Funds
 Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Operating revenues:		
Charges for services	\$ 2,370,887	\$ 2,448,625
Miscellaneous	<u>30,285</u>	<u>33,328</u>
Total operating revenues	<u>2,401,172</u>	<u>2,481,953</u>
Operating expenses:		
Salaries	195,294	161,762
Payroll taxes	14,815	12,265
Retirement	3,311	2,233
Group insurance	35,735	32,135
Worker's compensation insurance	10,729	10,365
Purchase of electric power	833,230	907,382
Materials and supplies	68,844	57,898
Maintenance and repairs	59,613	90,479
Fuel, gas and oil	4,400	8,133
Telephone and utilities	109,388	124,783
Insurance	42,818	43,083
Depreciation	342,183	338,476
Contractual services	15,600	16,900
Professional fees	16,159	16,828
Equipment rental	2,912	1,574
Bad debts	2,991	7,721
Other	<u>14,438</u>	<u>17,685</u>
Total operating expenses	<u>1,772,460</u>	<u>1,849,702</u>
Operating income	<u>628,712</u>	<u>632,251</u>
Nonoperating revenues/(expenses):		
Grant revenue	25,166	105,520
Interest income	26,044	19,505
Interest expense	<u>(84,529)</u>	<u>(87,811)</u>
Total nonoperating revenues/(expenses)	<u>(33,319)</u>	<u>37,214</u>
Income before contributions and transfers	595,393	669,465
Capital contributions	140,660	74,762
Transfers out	<u>(768,912)</u>	<u>(766,408)</u>
Change in net position	(32,859)	(22,181)
Net position, beginning	<u>9,372,620</u>	<u>9,394,801</u>
Net position, ending	<u>\$ 9,339,761</u>	<u>\$ 9,372,620</u>

TOWN OF ERATH, LOUISIANA

Budgetary Comparison Schedule - Detail of Revenues
 General Fund
 For the Year Ended June 30, 2020

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Taxes -				
General ad valorem	\$ 22,000	\$ 22,000	\$ 22,315	\$ 315
Gas franchise	12,000	12,000	11,473	(527)
Cable franchise	9,000	9,000	8,583	(417)
Slemco franchise	3,000	3,000	2,847	(153)
Entergy franchise	8,500	8,500	8,633	133
Housing Authority payment	5,000	5,000	6,018	1,018
	<u>59,500</u>	<u>59,500</u>	<u>59,869</u>	<u>369</u>
Licenses and permits -				
Occupational licenses	26,000	24,000	24,542	542
Insurance licenses	75,000	75,000	73,689	(1,311)
Building permits	2,000	1,000	1,151	151
Liquor permits	150	150	150	-
	<u>103,150</u>	<u>100,150</u>	<u>99,532</u>	<u>(618)</u>
Intergovernmental -				
Federal grants	-	5,000	5,000	-
State funds:				
On-behalf payments	-	48,717	48,717	-
Wave program	-	1,795	1,795	-
State shared revenue:				
Beer taxes	4,500	4,500	4,592	92
	<u>4,500</u>	<u>60,012</u>	<u>60,104</u>	<u>92</u>
Charges for services -				
Police accident reports	500	500	584	84
Court costs	28,000	22,000	21,407	(593)
	<u>28,500</u>	<u>22,500</u>	<u>21,991</u>	<u>(509)</u>
Fines and forfeitures	60,000	42,000	42,507	507
Miscellaneous -				
Rent income (post office)	39,500	39,500	39,500	-
Other	28,678	28,678	30,066	1,388
	<u>68,178</u>	<u>68,178</u>	<u>69,566</u>	<u>1,388</u>
Total revenues	<u>\$ 323,828</u>	<u>\$ 352,340</u>	<u>\$ 353,569</u>	<u>\$ 1,229</u>

TOWN OF ERATH, LOUISIANA

Budgetary Comparison Schedule - Detail of Expenditures
 General Fund
 For the Year Ended June 30, 2020

	Budget		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
Current -				
General government:				
Mayor's salary	\$ 9,664	\$ 9,664	\$ 9,802	\$ (138)
Council salaries	24,320	24,320	24,826	(506)
Clerk of Court salary	29,062	29,062	29,285	(223)
Other salaries	48,192	48,192	48,562	(370)
Payroll taxes	8,332	8,332	8,500	(168)
Retirement	2,318	2,318	2,318	-
Group insurance	15,550	15,550	14,311	1,239
Workmen's compensation insurance	790	790	612	178
Printing, stationery and supplies	5,500	5,500	5,762	(262)
Repairs and maintenance	6,500	6,500	5,676	824
Material and supplies	2,000	2,000	1,840	160
General insurance	18,000	18,000	18,183	(183)
Auditing and accounting	8,750	8,750	8,050	700
Dues and subscriptions	1,600	1,600	1,170	430
Telephone	3,200	3,200	3,331	(131)
Professional fees	45,000	45,000	48,080	(3,080)
Publication of minutes	2,500	2,500	1,087	1,413
Tax roll preparation	1,100	1,100	1,104	(4)
Legal fees	3,000	3,000	1,200	1,800
Utilities	4,500	4,500	4,961	(461)
Building permits and inspections	3,000	3,000	3,250	(250)
Emergency generator fuel and repairs	600	600	407	193

(continued)

TOWN OF ERATH, LOUISIANA

Budgetary Comparison Schedule - Detail of Expenditures
 General Fund (Continued)
 For the Year Ended June 30, 2020

	Budget		Actual	Variance with
	Original	Final		Final Budget
				Positive
				(Negative)
Court material and supplies	400	400	59	341
Court dues and subscriptions	350	350	-	350
Court printing supplies	700	700	304	396
Court communications	2,000	-	-	-
Court postage	200	200	117	83
Court professional fees	2,000	2,000	1,915	85
Magistrate salary	2,400	2,400	2,400	-
Prosecutor salary	2,400	2,400	2,400	-
Other	1,850	1,850	436	1,414
	<u>255,778</u>	<u>253,778</u>	<u>249,948</u>	<u>3,830</u>
Public safety:				
Chief of Police's salary	38,260	38,260	38,554	(294)
Other salaries	312,991	371,708	368,047	3,661
Payroll taxes	29,625	29,625	30,051	(426)
Retirement	5,577	5,577	5,812	(235)
Group insurance	85,525	76,525	74,991	1,534
Workmen's compensation insurance	29,599	29,599	30,962	(1,363)
Court appearance	600	600	100	500
Uniforms	2,500	2,500	828	1,672
Conventions and schools	2,500	2,500	2,797	(297)
Dues and subscriptions	700	700	215	485
Material and supplies	4,000	4,000	3,215	785
Auto fuel and oil	25,000	25,000	22,083	2,917
Insurance	41,000	41,000	40,205	795
Telephone	4,000	4,000	4,329	(329)
Task force appropriation	15,000	15,000	15,000	-
Office	2,300	2,300	2,093	207
Repairs and maintenance -				
Auto	16,000	16,000	17,116	(1,116)
Building	6,000	6,000	6,749	(749)
Radio, radar and camera	4,000	4,000	2,647	1,353
Emergency generator fuel	600	600	407	193
Utilities	8,000	8,000	6,760	1,240
Other	3,200	3,200	1,560	1,640
Salaries - fire department	4,800	4,800	4,800	-
	<u>641,777</u>	<u>691,494</u>	<u>679,321</u>	<u>12,173</u>

(continued)

TOWN OF ERATH, LOUISIANA

Budgetary Comparison Schedule - Detail of Expenditures
 General Fund (Continued)
 For the Year Ended June 30, 2020

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Economic development and assistance:				
External appropriation	<u>3,000</u>	<u>3,000</u>	<u>3,000</u>	<u>-</u>
Culture and recreation:				
Salaries	29,949	29,949	30,096	(147)
Payroll taxes	2,268	2,268	2,161	107
Retirement	599	599	299	300
Group insurance	7,775	7,775	7,147	628
Workmen's compensation insurance	1,741	1,741	2,215	(474)
Uniforms	200	200	103	97
Material and supplies	1,000	1,000	1,604	(604)
Insurance	350	350	341	9
Maintenance and upkeep	1,000	1,000	1,544	(544)
Repairs and maintenance -				
Building	150	150	753	(603)
Equipment	4,000	4,000	1,346	2,654
Equipment fuel and oil	1,000	1,000	935	65
Utilities	2,000	2,000	1,647	353
Other	<u>894</u>	<u>894</u>	<u>799</u>	<u>95</u>
	<u>52,926</u>	<u>52,926</u>	<u>50,990</u>	<u>1,936</u>
Debt service:				
Principal	44,000	44,000	44,000	-
Interest	<u>8,344</u>	<u>8,344</u>	<u>8,343</u>	<u>1</u>
	<u>52,344</u>	<u>52,344</u>	<u>52,343</u>	<u>1</u>
Capital outlay	<u>9,006</u>	<u>14,006</u>	<u>14,135</u>	<u>(129)</u>
Total expenditures	<u>\$ 1,014,831</u>	<u>\$ 1,067,548</u>	<u>\$ 1,049,737</u>	<u>\$ 17,811</u>

TOWN OF ERATH, LOUISIANA

Budgetary Comparison Schedule
 Special Parish Tax Fund
 For the Year Ended June 30, 2020

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental -				
On-behalf payments	\$ -	\$ 500	\$ 500	\$ -
Appropriation from Vermilion				
Parish Police Jury:				
Special Parish Tax	28,570	28,570	28,570	-
Total revenues	28,570	29,070	29,070	-
Expenditures:				
Current -				
Public safety:				
Salaries	29,962	23,462	21,882	1,580
Payroll taxes	2,696	2,696	1,646	1,050
Group insurance	7,775	-	-	-
Retirement	719	719	24	695
Worker's compensation insurance	5,934	5,934	3,904	2,030
Training	4,000	4,000	292	3,708
Fire prevention and education	3,000	3,000	2,088	912
Office supplies	1,500	1,500	1,417	83
Material and supplies	2,000	2,000	3,038	(1,038)
Truck expense	16,000	16,000	14,478	1,522
Insurance	26,000	26,000	23,634	2,366
Telephone	3,000	3,000	2,618	382
Professional services	750	750	750	-
Uniforms	350	350	853	(503)
Repairs and maintenance	12,010	12,010	12,581	(571)
Utilities	6,000	6,000	5,069	931
Other	2,050	2,050	1,496	554
Capital outlay	8,425	8,425	4,706	3,719
Total expenditures	132,171	117,896	100,476	17,420
Deficiency of revenues over expenditures	(103,601)	(88,826)	(71,406)	17,420
Other financing sources:				
Transfers in	103,601	88,826	71,406	(17,420)
Net change in fund balance	-	-	-	-
Fund balance, beginning	-	-	-	-
Fund balance, ending	\$ -	\$ -	\$ -	\$ -

**INTERNAL CONTROL, COMPLIANCE
AND
OTHER MATTERS**

KOLDER, SLAVEN & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS

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Brad E. Kolder, CPA, JD*
Gerald A. Thibodeaux, Jr., CPA*
Robert S. Carter, CPA*
Arthur R. Mixon, CPA*
Stephen J. Anderson, CPA*
Christine C. Doucet, CPA
Wanda F. Arcement, CPA, CVA
Bryan K. Joubert, CPA
Matthew E. Margaglio, CPA
Casey L. Ardoin, CPA, CFE

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Erath, Louisiana (the Town), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated December 7, 2020.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of current and prior year audit findings and management's corrective action plan as item 2020-001 that we consider to be a significant deficiency.

Compliance and Other Matters

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

Town of Erath's Response to Findings

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

Purpose of this Report

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

Kolder, Slaven & Company, LLC
Certified Public Accountants

Abbeville, Louisiana
December 7, 2020

TOWN OF ERATH
Erath, Louisiana

Schedule of Current and Prior Year Audit Findings
and Management's Corrective Action Plan (continued)
Year Ended June 30, 2020

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

A. Internal Control Over Financial Reporting

2020-001 Inadequate Segregation of Accounting Functions

Fiscal year finding initially occurred: Unknown

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

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

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

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

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

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

B. Compliance

None reported

Part II: Prior Year Findings:

A. Internal Control Over Financial Reporting

2019-001 Inadequate Segregation of duties

TOWN OF ERATH
Erath, Louisiana

Schedule of Current and Prior Year Audit Findings
and Management's Corrective Action Plan (continued)
Year Ended June 30, 2020

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 2020-001.

2019-002 Policies and procedures for utility bills

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

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

CURRENT STATUS: Resolved.

B. Compliance

None reported