

TOWN OF ERATH, LOUISIANA

Financial Report

Year Ended June 30, 2022

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INDEPENDENT AUDITOR'S REPORT

* A Professional Accounting Corporation

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Erath, Louisiana (the Town), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town, as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management 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 and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going

concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

The Town 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The justice system funding schedules, the schedule of compensation, reimbursements, benefits, and other payments to the agency head, and schedule of compensation to board members 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 relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, justice system funding schedules, the schedule of compensation, reimbursements, benefits, and other payments to the agency head, and schedule of compensation to board members are fairly stated, in all material respects, to the basic financial statements as a whole.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2022, 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 28, 2022

BASIC FINANCIAL STATEMENTS

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

TOWN OF ERATH, LOUISIANA

Statement of Net Position
June 30, 2022

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and interest-bearing deposits	\$ 521,338	\$ 1,969,734	\$ 2,491,072
Accrued interest receivable	24	805	829
Accounts receivable, net	-	262,423	262,423
Unbilled service receivable, net	-	30,932	30,932
Other receivables	15,235	-	15,235
Due from other governmental agencies	208,349	29,109	237,458
Internal balances	13,321	(13,321)	-
Restricted assets:			
Cash and interest-bearing deposits	-	518,575	518,575
Accrued interest receivable	-	47	47
Capital assets:			
Non-depreciable	333,388	133,222	466,610
Depreciable	<u>2,470,437</u>	<u>9,800,083</u>	<u>12,270,520</u>
Total assets	<u>3,562,092</u>	<u>12,731,609</u>	<u>16,293,701</u>
LIABILITIES			
Accounts and accrued expenses	62,838	236,293	299,131
Other payables	-	3,021	3,021
Retainage payable	-	3,209	3,209
Customers' deposits	-	96,252	96,252
Accrued interest payable	411	6,462	6,873
Long-term liabilities:			
Portion due or payable within one year -			
Revenue bonds payable	-	72,225	72,225
Certificates of indebtedness	47,000	-	47,000
Portion due or payable after one year -			
Revenue bonds payable	-	3,225,212	3,225,212
Certificates of indebtedness	<u>100,000</u>	<u>-</u>	<u>100,000</u>
Total liabilities	<u>210,249</u>	<u>3,642,674</u>	<u>3,852,923</u>
NET POSITION			
Net investment in capital assets	2,656,825	6,635,868	9,292,693
Restricted for:			
Tax dedications	426,251	-	426,251
Debt service	31,016	415,908	446,924
Unrestricted	<u>237,751</u>	<u>2,037,159</u>	<u>2,274,910</u>
Total net position	<u>\$ 3,351,843</u>	<u>\$ 9,088,935</u>	<u>\$ 12,440,778</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, 2022

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	\$ 279,388	\$ 61,220	\$ 74,693	\$ 9,000	\$ (134,475)	\$ -	\$ (134,475)
Public safety	977,192	37,598	532,971	15,052	(391,571)	-	(391,571)
Public works	270,721	13,680	39,830	-	(217,211)	-	(217,211)
Economic development and assistance	2,000	-	-	-	(2,000)	-	(2,000)
Culture and recreation	76,202	-	30,922	-	(45,280)	-	(45,280)
Total governmental activities	1,605,503	112,498	678,416	24,052	(790,537)	-	(790,537)
Business-type activities:							
Electric	1,532,375	2,050,704	28,098	-	-	546,427	546,427
Water	317,678	305,642	-	19,537	-	7,501	7,501
Sewer	536,735	404,228	-	30,983	-	(101,524)	(101,524)
Total business-type activities	2,386,788	2,760,574	28,098	50,520	-	452,404	452,404
Total	3,992,291	2,873,072	706,514	74,572	(790,537)	452,404	(338,133)
General revenues:							
Taxes -							
Property taxes, levied for general purposes					21,993	-	21,993
Sales and use taxes, levied for general purposes					335,314	-	335,314
Franchise taxes					33,059	-	33,059
Other					10,815	-	10,815
Licenses and permits					108,307	-	108,307
Grants and contributions not restricted to specific programs					4,453	-	4,453
Interest and investment earnings					315	14,997	15,312
Miscellaneous					20,345	-	20,345
Transfers					518,838	(518,838)	-
Total general revenues and transfers					1,053,439	(503,841)	549,598
Change in net position					262,902	(51,437)	211,465
Net position, beginning					3,088,941	9,140,372	12,229,313
Net position, ending					\$ 3,351,843	\$ 9,088,935	\$ 12,440,778

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, 2022

	<u>General</u>	<u>Sales Tax</u>	<u>Other Governmental Funds</u>	<u>Total</u>
ASSETS				
Cash	\$ 126,064	\$ 379,960	\$ 850	\$ 506,874
Interest-bearing deposits	-	14,464	-	14,464
Receivables:				
Accrued interest	-	24	-	24
Other	15,235	-	-	15,235
Due from other governmental agencies	149,603	27,700	-	177,303
Due from other funds	<u>18,086</u>	<u>-</u>	<u>6,228</u>	<u>24,314</u>
Total assets	<u>\$ 308,988</u>	<u>\$ 422,148</u>	<u>\$ 7,078</u>	<u>\$ 738,214</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 14,800	\$ 19,262	\$ 6,038	\$ 40,100
Due to other funds	6,407	4,583	3	10,993
Accrued expenses	<u>18,603</u>	<u>3,098</u>	<u>1,037</u>	<u>22,738</u>
Total liabilities	<u>39,810</u>	<u>26,943</u>	<u>7,078</u>	<u>73,831</u>
Fund balances:				
Restricted	31,016	395,205	-	426,221
Unassigned	<u>238,162</u>	<u>-</u>	<u>-</u>	<u>238,162</u>
Total fund balances	<u>269,178</u>	<u>395,205</u>	<u>-</u>	<u>664,383</u>
Total liabilities and fund balances	<u>\$ 308,988</u>	<u>\$ 422,148</u>	<u>\$ 7,078</u>	<u>\$ 738,214</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, 2022

Total fund balances - governmental funds		\$ 664,383
Total net position reported for governmental activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		
Capital assets, net		2,803,825
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	(411)	
Bonds payable	<u>(147,000)</u>	(147,411)
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>31,046</u>
Total net position of governmental activities		<u>\$ 3,351,843</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, 2022

	General	Sales Tax	Other Governmental Funds	Total
Revenues:				
Taxes	\$ 65,867	\$ 333,747	\$ -	\$ 399,614
Licenses and permits	108,307	-	-	108,307
Intergovernmental	547,108	39,830	65,784	652,722
Charges for services	18,440	-	-	18,440
Fines and forfeitures	36,536	-	-	36,536
Interest	-	305	-	305
Miscellaneous	110,895	14,271	6,900	132,066
Total revenues	<u>887,153</u>	<u>388,153</u>	<u>72,684</u>	<u>1,347,990</u>
Expenditures:				
Current -				
General government	272,380	-	-	272,380
Public safety	736,350	-	159,256	895,606
Economic development and assistance	2,000	-	-	2,000
Culture and recreation	66,555	-	-	66,555
Public works	-	208,618	-	208,618
Debt service -				
Principal	46,000	-	-	46,000
Interest	5,635	-	-	5,635
Capital outlay	31,904	21,966	6,478	60,348
Total expenditures	<u>1,160,824</u>	<u>230,584</u>	<u>165,734</u>	<u>1,557,142</u>
Excess (deficiency) of revenues over expenditures	<u>(273,671)</u>	<u>157,569</u>	<u>(93,050)</u>	<u>(209,152)</u>
Other financing sources (uses):				
Transfers in	518,838	-	93,050	611,888
Transfers out	<u>(93,050)</u>	<u>-</u>	<u>-</u>	<u>(93,050)</u>
Total other financing sources (uses)	<u>425,788</u>	<u>-</u>	<u>93,050</u>	<u>518,838</u>
Net change in fund balances	152,117	157,569	-	309,686
Fund balances, beginning	<u>117,061</u>	<u>237,636</u>	<u>-</u>	<u>354,697</u>
Fund balances, ending	<u>\$ 269,178</u>	<u>\$ 395,205</u>	<u>\$ -</u>	<u>\$ 664,383</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, 2022

Net change in fund balances - total governmental funds		\$ 309,686
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	\$ 60,348	
Depreciation expense	<u>(154,951)</u>	(94,603)
Because some revenues are not measurable at year end, they are not considered available in the governmental funds:		
Sales taxes		1,596
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		46,000
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>223</u>
Change in net position of governmental activities		<u>\$ 262,902</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, 2022

	<u>Utility</u>	<u>Sewerage Utility</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash	\$ 689,536	\$ 208,149	\$ 897,685
Interest-bearing deposits	1,015,116	56,933	1,072,049
Accrued interest receivable	764	41	805
Accounts receivable, net	225,999	36,424	262,423
Unbilled service receivable, net	27,735	3,197	30,932
Due from other governmental agencies	-	29,109	29,109
Interfund receivables	<u>182</u>	<u>-</u>	<u>182</u>
Total current assets	<u>1,959,332</u>	<u>333,853</u>	<u>2,293,185</u>
Restricted assets:			
Cash	30,650	422,370	453,020
Interest-bearing deposits	65,555	-	65,555
Accrued interest receivable	<u>47</u>	<u>-</u>	<u>47</u>
Total restricted assets	<u>96,252</u>	<u>422,370</u>	<u>518,622</u>
Capital assets, net of accumulated depreciation	<u>2,325,166</u>	<u>7,608,139</u>	<u>9,933,305</u>
Total assets	<u>4,380,750</u>	<u>8,364,362</u>	<u>12,745,112</u>
LIABILITIES			
Current liabilities (payable from current assets):			
Accounts payable and accrued expenses	196,849	39,444	236,293
Retainage payable	-	3,209	3,209
Other payables	3,021	-	3,021
Interfund payables	<u>-</u>	<u>13,503</u>	<u>13,503</u>
Total	<u>199,870</u>	<u>56,156</u>	<u>256,026</u>
Current liabilities (payable from restricted assets):			
Customers' deposits	96,252	-	96,252
Accrued interest payable	-	6,462	6,462
Current portion of long term debt	<u>-</u>	<u>72,225</u>	<u>72,225</u>
Total	<u>96,252</u>	<u>78,687</u>	<u>174,939</u>
Total current liabilities	296,122	134,843	430,965
Noncurrent liabilities:			
Long term debt	<u>-</u>	<u>3,225,212</u>	<u>3,225,212</u>
Total liabilities	<u>296,122</u>	<u>3,360,055</u>	<u>3,656,177</u>
NET POSITION			
Net investment in capital assets	2,325,166	4,310,702	6,635,868
Restricted for debt service	-	415,908	415,908
Unrestricted	<u>1,759,462</u>	<u>277,697</u>	<u>2,037,159</u>
Total net position	<u>\$4,084,628</u>	<u>\$5,004,307</u>	<u>\$9,088,935</u>

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

TOWN OF ERATH, LOUISIANA

Statement of Revenues, Expenses, and Changes in Net Position
 Proprietary Funds
 Year Ended June 30, 2022

	Utility	Sewerage Utility	Total
Operating revenues:			
Charges for services	\$2,327,073	\$ 404,228	\$2,731,301
Miscellaneous	<u>29,273</u>	<u>-</u>	<u>29,273</u>
Total operating revenues	<u>2,356,346</u>	<u>404,228</u>	<u>2,760,574</u>
Operating expenses:			
Salaries	157,095	38,590	195,685
Payroll taxes	11,968	2,894	14,862
Retirement	3,977	1,147	5,124
Group insurance	31,323	7,831	39,154
Worker's compensation insurance	5,051	2,696	7,747
Purchase of electric power	1,268,001	-	1,268,001
Materials and supplies	70,035	16,426	86,461
Maintenance and repairs	47,721	36,992	84,713
Fuel, gas and oil	3,181	1,452	4,633
Telephone and utilities	29,552	80,980	110,532
Insurance	49,115	15,691	64,806
Depreciation	113,717	235,377	349,094
Contractual services	15,600	-	15,600
Professional fees	22,630	4,000	26,630
Equipment rental	12,450	2,894	15,344
Other	<u>8,637</u>	<u>8,730</u>	<u>17,367</u>
Total operating expenses	<u>1,850,053</u>	<u>455,700</u>	<u>2,305,753</u>
Operating income (loss)	<u>506,293</u>	<u>(51,472)</u>	<u>454,821</u>
Nonoperating revenues/(expenses):			
Interest income	13,920	1,077	14,997
Interest expense	-	(81,035)	(81,035)
Grant revenue	<u>47,635</u>	<u>30,983</u>	<u>78,618</u>
Total nonoperating revenues/(expenses)	<u>61,555</u>	<u>(48,975)</u>	<u>12,580</u>
Income (loss) before transfers	567,848	(100,447)	467,401
Transfers out	<u>(518,838)</u>	<u>-</u>	<u>(518,838)</u>
Change in net position	49,010	(100,447)	(51,437)
Net position, beginning	<u>4,035,618</u>	<u>5,104,754</u>	<u>9,140,372</u>
Net position, ending	<u>\$4,084,628</u>	<u>\$5,004,307</u>	<u>\$9,088,935</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, 2022

	<u>Utility</u>	<u>Sewerage Utility</u>	<u>Total</u>
Cash flows from operating activities:			
Receipts from customers	\$ 2,270,098	\$ 401,352	\$ 2,671,450
Payments to suppliers	(1,440,506)	(155,037)	(1,595,543)
Payments to employees and for employee-related costs	(208,773)	(52,780)	(261,553)
Other receipts	<u>29,273</u>	<u>-</u>	<u>29,273</u>
Net cash provided by operating activities	<u>650,092</u>	<u>193,535</u>	<u>843,627</u>
Cash flows from noncapital financing activities:			
Transfers to other funds	<u>(518,838)</u>	<u>-</u>	<u>(518,838)</u>
Net cash used by noncapital financing activities	<u>(518,838)</u>	<u>-</u>	<u>(518,838)</u>
Cash flows from capital and related financing activities:			
Principal paid on long-term debt	-	(70,362)	(70,362)
Interest paid on long-term debt	-	(81,093)	(81,093)
Purchase and construction of capital assets	(11,363)	-	(11,363)
Grants and other contributions received	<u>59,689</u>	<u>22,451</u>	<u>82,140</u>
Net cash provided (used) by capital and related financing activities	<u>48,326</u>	<u>(129,004)</u>	<u>(80,678)</u>
Cash flows from investing activities:			
Proceeds of interest-bearing deposits with maturity in excess of ninety days	1,065,676	56,021	1,121,697
Purchase of interest-bearing deposits with maturity in excess of ninety days	(1,080,671)	(56,933)	(1,137,604)
Interest on investments	<u>16,716</u>	<u>1,310</u>	<u>18,026</u>
Net cash provided by investing activities	<u>1,721</u>	<u>398</u>	<u>2,119</u>
Net increase in cash and cash equivalents	181,301	64,929	246,230
Cash and cash equivalents, beginning of year	<u>538,885</u>	<u>565,590</u>	<u>1,104,475</u>
Cash and cash equivalents, end of year	<u>\$ 720,186</u>	<u>\$ 630,519</u>	<u>\$ 1,350,705</u>

(continued)

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

TOWN OF ERATH, LOUISIANA

Statement of Cash Flows
 Proprietary Funds (continued)
 For the Year Ended June 30, 2022

	<u>Utility</u>	<u>Sewerage Utility</u>	<u>Total</u>
Cash flows from operating activities:			
Operating income (loss)	\$ 506,293	\$ (51,472)	\$ 454,821
Adjustments to reconcile operating income (loss) to net cash provided by operating activities -			
Depreciation	113,717	235,377	349,094
Provision for bad debts	6,153	1,086	7,239
(Increase) decrease in assets:			
Accounts and other receivables	(69,049)	(3,951)	(73,000)
Interfund receivables	-	13,503	13,503
Increase (decrease) in liabilities:			
Accounts payable, accrued expenses and other liabilities	<u>92,978</u>	<u>(1,008)</u>	<u>91,970</u>
Net cash provided by operating activities	<u>\$ 650,092</u>	<u>\$ 193,535</u>	<u>\$ 843,627</u>
Cash and cash equivalents reported on statement of net position as:			
Current - cash	\$ 689,536	\$ 208,149	\$ 897,685
Restricted - cash	<u>30,650</u>	<u>422,370</u>	<u>453,020</u>
Total cash and cash equivalents	<u>\$ 720,186</u>	<u>\$ 630,519</u>	<u>\$ 1,350,705</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, 2022

	<u>Custodial Fund</u>
ASSETS	
Cash	<u>\$ 24,506</u>
LIABILITIES	
Accounts payable	<u>2,915</u>
NET POSITION	
Restricted for:	
Individuals, organizations, and other governments	<u>\$ 21,591</u>

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

TOWN OF ERATH, LOUISIANA
Erath, Louisiana

Fiduciary Funds
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2022

	<u>Custodial Fund</u>
Additions:	
Bonds	<u>\$ 9,072</u>
Deductions:	
Payments of court costs to other governments	<u>(6,851)</u>
Net increase in fiduciary net position	2,221
Net position, beginning	<u>19,370</u>
Net position, ending	<u>\$ 21,591</u>

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

TOWN OF ERATH, LOUISIANA

Notes to Basic Financial Statements

(1) Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

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

B. Basis of Presentation

Government-Wide Financial Statements (GWFS)

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

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

TOWN OF ERATH, LOUISIANA

Notes to Basic Financial Statements

Fund Financial Statements

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

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

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

The Town reports the following major governmental funds -

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

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

The Town reports the following major enterprise funds:

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

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

TOWN OF ERATH, LOUISIANA

Notes to Basic Financial Statements

In addition, the Town reports the following:

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

C. Measurement Focus/Basis of Accounting

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

Measurement Focus

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

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

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

Basis of Accounting

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

TOWN OF ERATH, LOUISIANA

Notes to Basic Financial Statements

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

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

Program revenues

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

Allocation of indirect expenses

The Town reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Indirect expenses of other functions are not allocated to those functions, but are reported separately in the Statement of Activities. Depreciation expense is specifically identified by function and is included in the direct expense of each function. Interest on general long-term debt is considered a direct expense and is reported as a direct expense in the public safety and sewer functions in the amount of \$5,635 and \$81,035, respectively.

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

Cash and interest-bearing deposits

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

TOWN OF ERATH, LOUISIANA

Notes to Basic Financial Statements

Investments

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

Interfund receivables and payables

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

Receivables

Accounts receivable and unbilled service receivable for the Utility Fund and Sewerage Utility Fund are reported net of an allowance for doubtful accounts. The allowance amount at June 30, 2022 for the Utility Fund and the Sewerage Utility Fund accounts receivable was \$167,930 and \$17,220, 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.

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

TOWN OF ERATH, LOUISIANA

Notes to Basic Financial Statements

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

Buildings	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

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, 2022 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.

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

TOWN OF ERATH, LOUISIANA

Notes to Basic Financial Statements

Deferred Outflows of Resources and Deferred Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has no deferred inflows or outflows of resources at June 30, 2022.

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, 2022, the Town reported \$873,175 of restricted net position, \$426,251 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, 2022, fund balances are composed of the following:

	General Fund	Sales Tax	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
Restricted:			
Public works	\$ -	\$ 395,205	395,205
Debt service	31,016	-	31,016
Unassigned	<u>238,162</u>	<u>-</u>	<u>238,162</u>
 Total fund balances	 <u>\$ 269,178</u>	 <u>\$ 395,205</u>	 <u>\$ 664,383</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, 2022, the Town has cash and interest-bearing deposits (book balances) of \$3,034,153.

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>\$ 3,083,939</u>
The Town's deposits are secured as follows:	
Insured deposits	1,000,000
Uninsured and collateral held by the pledging bank, not in the Town's name	<u>2,083,939</u>
Total	<u>\$ 3,083,939</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, 2022, taxes of 3.6 mills were levied on property with assessed valuations totaling \$6,483,284 and were dedicated for general purposes.

Total taxes levied were \$23,339. Taxes receivable at June 30, 2022 totaled \$776, which has not recorded due to immateriality.

TOWN OF ERATH, LOUISIANA

Notes to Basic Financial Statements

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

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

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

Sales taxes recognized in the governmental fund financial statements under the modified accrual basis of accounting were \$333,747 while the amount recognized in the government-wide financial statements under the accrual basis of accounting was \$335,314.

(5) Aged Accounts Receivable

The Town is owed \$447,573 by its customers at June 30, 2022. The aging of these accounts receivable is as follows:

Current	\$ 243,094
Over 30 days	20,865
Over 60 days	1,832
Over 90 days	<u>181,782</u>
Total	<u>\$ 447,573</u>

TOWN OF ERATH, LOUISIANA

Notes to Basic Financial Statements

(6) Due from Other Governmental Agencies

Amounts due from other governmental agencies consisted of the following at June 30, 2022:

Fund financial statements:

Governmental Funds -

Vermilion Parish School Board:

Sales and use taxes collected but not remitted \$ 27,700

State of Louisiana:

Federal grant funds 140,423

State grant funds 4,318

Other 4,862

\$ 177,303

Proprietary Funds -

State of Louisiana:

Federal grant funds 29,109

\$ 29,109

Government-wide financial statements:

Total amount reported in -

Governmental Funds, from above \$ 177,303

Proprietary Funds, from above 29,109

Additional sales and use taxes due from Vermilion Parish School Board 31,046

\$ 237,458

(7) Restricted Assets - Proprietary Fund Type

At June 30, 2022, restricted assets were applicable to the following:

	Utility Fund	Sewerage Utility Fund	Total
	<u>Fund</u>	<u>Fund</u>	<u>Total</u>
Bond sinking account	\$ -	\$ 12,729	\$ 12,729
Bond reserve account	-	164,731	164,731
Depreciation and contingency account	-	163,010	163,010
Short lived asset account	-	81,900	81,900
Customer deposits	<u>96,252</u>	<u>-</u>	<u>96,252</u>
Total	<u>\$ 96,252</u>	<u>\$ 422,370</u>	<u>\$ 518,622</u>

TOWN OF ERATH, LOUISIANA

Notes to Basic Financial Statements

(8) Capital Assets

Capital asset activity for the year ended June 30, 2022 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 333,388	\$ -	\$ -	\$ 333,388
Capital assets being depreciated:				
Buildings and improvements	2,270,995	-	-	2,270,995
Infrastructure	1,319,969	13,676	-	1,333,645
Equipment, furniture and fixtures	1,407,184	33,222	-	1,440,406
Improvements other than buildings	675,424	13,450	-	688,874
Total capital assets	<u>6,006,960</u>	<u>60,348</u>	<u>-</u>	<u>6,067,308</u>
Less accumulated depreciation:				
Buildings and improvements	719,142	53,244	-	772,386
Infrastructure	825,604	35,579	-	861,183
Equipment, furniture and fixtures	1,173,049	48,976	-	1,222,025
Improvements other than buildings	390,737	17,152	-	407,889
Total accumulated depreciation	<u>3,108,532</u>	<u>154,951</u>	<u>-</u>	<u>3,263,483</u>
Governmental activities, capital assets, net	<u>\$ 2,898,428</u>	<u>\$ (94,603)</u>	<u>\$ -</u>	<u>\$ 2,803,825</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 85,463	\$ -	\$ -	\$ 85,463
Construction in progress	13,795	33,964	-	47,759
Capital assets being depreciated:				
Land improvements	9,868	-	-	9,868
Equipment and vehicles	611,807	8,982	-	620,789
Electric system	714,290	2,382	-	716,672
Water system	4,169,950	-	-	4,169,950
Sewer system	10,917,133	-	-	10,917,133
Total capital assets	<u>16,522,306</u>	<u>45,328</u>	<u>-</u>	<u>16,567,634</u>
Less accumulated depreciation:				
Land improvements	1,480	494	-	1,974
Equipment and vehicles	451,160	13,079	-	464,239
Electric system	338,324	16,798	-	355,122
Water system	2,184,982	93,694	-	2,278,676
Sewer system	3,309,289	225,029	-	3,534,318
Total accumulated depreciation	<u>6,285,235</u>	<u>349,094</u>	<u>-</u>	<u>6,634,329</u>
Business-type activities, capital assets, net	<u>\$ 10,237,071</u>	<u>\$ (303,766)</u>	<u>\$ -</u>	<u>\$ 9,933,305</u>

TOWN OF ERATH, LOUISIANA

Notes to Basic Financial Statements

Depreciation expense was charged to governmental activities as follows:

General government	\$ 7,027
Public safety	76,174
Public works	62,103
Culture and recreation	<u>9,647</u>
Total depreciation expense	<u>\$154,951</u>

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

Electric	\$ 18,256
Water	95,461
Sewer	<u>235,377</u>
Total depreciation expense	<u>\$349,094</u>

(9) Long-Term Debt

Long term liabilities at June 30, 2022 are comprised of the following individual issues:

Governmental activities –

Direct borrowing certificates of indebtedness:

Series 2012 Certificate of Indebtedness, dated January 18, 2013, original amount of \$187,000, bearing interest of 2.625%, maturing on December 1, 2022. \$ 24,000

Series 2018 Certificate of Indebtedness, dated September 21, 2018, original amount of \$187,000, bearing interest of 3.50%, maturing on December 1, 2026. \$ 123,000

TOWN OF ERATH, LOUISIANA

Notes to Basic Financial Statements

Business-type activities –

Direct borrowing revenue bond payable:

\$430,000 Sewer Revenue Bonds, issued February 9, 1998, due in monthly installments of \$1,952 over forty years through 2038; interest at 4.500% \$ 262,229

\$2,485,000 Sewer Revenue Bonds, Series 2016, issued July 1, 2016, due in monthly installments of \$2,845 over forty years through 2056; interest at 2.250% \$ 2,276,669

\$828,000 Sewer Revenue Bonds, Series 2016, issued July 1, 2016, due in monthly installments of \$2,667 over forty years through 2056; interest at 2.250% \$ 758,539

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

Year Ending June 30,	Governmental Activities		Business-type Activities		Total
	Principal payments	Interest payments	Principal payments	Interest payments	
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	25,000	1,382	78,149	73,305	177,836
2027	27,000	473	80,239	71,216	178,928
2028 - 2032	-	-	434,816	322,456	757,272
2033 - 2037	-	-	497,355	259,917	757,272
2038 - 2042	-	-	456,264	197,894	654,158
2043 - 2047	-	-	495,083	145,054	640,137
2048 - 2052	-	-	553,982	86,158	640,140
2053 - 2056	-	-	479,067	21,843	500,910
	<u>\$ 147,000</u>	<u>\$ 11,393</u>	<u>\$ 3,297,437</u>	<u>\$ 1,409,724</u>	<u>\$ 4,865,554</u>

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

TOWN OF ERATH, LOUISIANA

Notes to Basic Financial Statements

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Series 2012 Certificate of Indebtedness	<u>\$ 48,000</u>	<u>\$ -</u>	<u>\$ 24,000</u>	<u>\$ 24,000</u>	<u>\$ 24,000</u>
Series 2018 Certificate of Indebtedness	<u>\$ 145,000</u>	<u>\$ -</u>	<u>\$ 22,000</u>	<u>\$ 123,000</u>	<u>\$ 23,000</u>
Business-type activities:					
Sewer Revenue Bonds	<u>\$ 273,577</u>	<u>\$ -</u>	<u>\$ 11,348</u>	<u>\$ 262,229</u>	<u>\$ 11,869</u>
Sewer Revenue Bonds, Series 2016	<u>\$2,320,927</u>	<u>\$ -</u>	<u>\$ 44,258</u>	<u>\$2,276,669</u>	<u>\$ 45,264</u>
Sewer Revenue Bonds, Series 2016	<u>\$ 773,295</u>	<u>\$ -</u>	<u>\$ 14,756</u>	<u>\$ 758,539</u>	<u>\$ 15,092</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:

- (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.

TOWN OF ERATH, LOUISIANA

Notes to Basic Financial Statements

- (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, 2022.

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, 2022.

(11) Commitments and Contingencies

Litigation

At June 30, 2022, 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.

(13) On-behalf Payments

The Town has recognized \$53,616 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, 2022 consist of the following:

	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 518,838	\$ 93,050
Utility	-	518,838
Other Governmental Funds	<u>93,050</u>	<u>-</u>
Total	<u>\$ 611,888</u>	<u>\$ 611,888</u>

TOWN OF ERATH, LOUISIANA

Notes to Basic Financial Statements

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, 2022 consist of the following:

	<u>Due from</u>	<u>Due to</u>
General	\$ 18,086	\$ 6,407
Sales Tax	-	4,583
Utility	182	-
Sewerage Utility	-	13,503
Other Governmental Funds	<u>6,228</u>	<u>3</u>
Total	<u>\$ 24,496</u>	<u>\$ 24,496</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.

(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 \$14,000 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, 2022 was \$15,270.

**REQUIRED
SUPPLEMENTARY INFORMATION**

TOWN OF ERATH, LOUISIANA
General Fund

Budgetary Comparison Schedule
Year Ended June 30, 2022

	Budget		Actual	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues:				
Taxes	\$ 58,700	\$ 60,200	\$ 65,867	\$ 5,667
Licenses and permits	101,650	105,650	108,307	2,657
Intergovernmental	19,600	547,283	547,108	(175)
Charges for services	16,600	16,600	18,440	1,840
Fines and forfeitures	32,000	36,200	36,536	336
Miscellaneous	74,532	106,532	110,895	4,363
Total revenues	303,082	872,465	887,153	14,688
Expenditures:				
Current -				
General government	256,253	269,503	272,380	(2,877)
Public safety	644,351	734,334	736,350	(2,016)
Economic development and assistance	2,000	2,000	2,000	-
Culture and recreation	50,274	52,774	66,555	(13,781)
Debt service -				
Principal	46,000	46,000	46,000	-
Interest	5,635	5,635	5,635	-
Capital outlay	25,811	59,359	31,904	27,455
Total expenditures	1,030,324	1,169,605	1,160,824	8,781
Deficiency of revenues over expenditures	(727,242)	(297,140)	(273,671)	23,469
Other financing sources (uses):				
Transfers in	800,000	550,000	518,838	(31,162)
Transfers out	(102,106)	(96,456)	(93,050)	3,406
Total other financing sources (uses)	697,894	453,544	425,788	(27,756)
Net change in fund balance	(29,348)	156,404	152,117	(4,287)
Fund balance, beginning	88,458	117,061	117,061	-
Fund balance, ending	\$ 59,110	\$ 273,465	\$ 269,178	\$ (4,287)

TOWN OF ERATH, LOUISIANA
Sales Tax Fund

Budgetary Comparison Schedule
Year Ended June 30, 2022

	Budget		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues:				
Taxes -				
Sales tax collected	\$ 285,000	\$ 305,000	\$ 333,747	\$ 28,747
Intergovernmental -				
Federal grant	-	39,830	39,830	-
Interest	400	400	305	(95)
Miscellaneous	<u>13,780</u>	<u>13,780</u>	<u>14,271</u>	<u>491</u>
Total revenues	<u>299,180</u>	<u>359,010</u>	<u>388,153</u>	<u>29,143</u>
Expenditures:				
Current -				
Public works:				
Salaries	93,203	89,203	85,378	3,825
Payroll taxes	7,130	7,130	6,501	629
Retirement	1,040	1,040	1,011	29
Group insurance	23,175	21,175	20,268	907
Worker's compensation	16,800	13,800	11,699	2,101
Uniforms	300	300	410	(110)
Material and supplies	20,500	20,500	15,291	5,209
Truck expenses	5,000	7,100	6,027	1,073
Insurance	7,000	9,000	8,942	58
Telephone	3,240	3,240	3,044	196
Professional services	5,500	5,500	3,196	2,304
Office supplies	200	200	67	133
Repairs and maintenance	16,250	17,250	19,583	(2,333)
Contract services	18,500	18,500	16,958	1,542
Equipment fuel and oil	4,000	6,500	6,629	(129)
Utilities	2,300	2,300	2,597	(297)
Other	1,250	1,250	1,017	233
Capital outlay	<u>1,125</u>	<u>35,125</u>	<u>21,966</u>	<u>13,159</u>
Total expenditures	<u>226,513</u>	<u>259,113</u>	<u>230,584</u>	<u>28,529</u>
Net change in fund balance	72,667	99,897	157,569	57,672
Fund balance, beginning	<u>217,377</u>	<u>237,636</u>	<u>237,636</u>	<u>-</u>
Fund balance, ending	<u>\$ 290,044</u>	<u>\$ 337,533</u>	<u>\$ 395,205</u>	<u>\$ 57,672</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).

SUPPLEMENTARY INFORMATION

TOWN OF ERATH, LOUISIANA

Justice System Funding Schedule - Collecting/Disbursing Entity
 As Required by Act 87 fo the 2020 Regular Legislative Session
 For the Year Ended June 30, 2022

Cash Basis Presentation	Six Month Period Ended 12/31/2021	Six Month Period Ended 6/30/2022
Beginning Balance of Amounts Collected (i.e. cash on hand)	\$ 24,109	\$ 27,800
Add: Collections		
Criminal Court Costs/Fees	13,633	10,847
Criminal Fines - Other	16,123	19,224
Other <i>(do not include collections that fit into more specific categories above)</i>	-	-
Subtotal Collections	<u>29,756</u>	<u>30,071</u>
Less: Disbursements To Governments & Nonprofits:		
<i>Indegent Defender Program, Criminal Court Costs/Fees</i>	1,043	1,463
<i>Louisiana Commission on Law Enforcement/ Criminal Court Costs/Fees</i>	278	390
<i>Louisiana State Treasurer/Criminal Court Costs/Fees</i>	412	582
<i>Louisiana Commission on Law Enforcement/ Criminal Court Costs/Fees</i>	450	650
<i>Acadiana Criminalistic Laboratory/Criminal Court Costs/Fees</i>	380	640
<i>Crime Stoppers of Vermilion Parish</i>	6	254
<i>Louisiana Supreme Court/Criminal Court Costs/Fees</i>	58	93
Less: Amounts Retained by Collecting Agency		
Amounts "Self-Disbursed" to Collecting Agency - Criminal Fines - Other	16,123	19,224
Amounts "Self-Disbursed" to Collecting Agency - Example: Criminal Court Cost/Fees	7,315	10,062
Less: Disbursements to Individuals/3rd Party Collection or Processing Agencies		
Civil Fee Refunds	-	-
Bond Fee Refunds	-	-
Restitution Payments to Individuals (additional detail is not required)	-	-
Other Disbursements to Individuals (additional detail is not required)	-	-
Payments to 3rd Party Collection/Processing Agencies	-	-
Subtotal Disbursements/Retainage	<u>26,065</u>	<u>33,358</u>
Total: Ending Balance of Amounts Collected but not Disbursed/Retained (i.e. cash on hand)	<u>27,800</u>	<u>24,513</u>

TOWN OF ERATH, LOUISIANA

Schedule of Compensation, Benefits, and
Other Payments to Agency Head
For the Year Ended June 30, 2022

The Mayor of the Town, Taylor Mencacci, is considered the agency head. The Town did not pay any benefits on his behalf for the year ended June 30, 2022. In addition, the only payments he received from the Town is the salary amount below.

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 9,701

TOWN OF ERATH, LOUISIANA

Schedule of Compensation Paid to Board Members
For the Year Ended June 30, 2022

<u>Alderman</u>	<u>Address</u>	<u>Phone Number</u>	<u>Amount</u>
Robert Vincent	115 West Edwards St., Erath, LA 70533	337-937-8401	\$ 4,883
Earl Landry	115 West Edwards St., Erath, LA 70533	337-937-8401	4,818
Scott Bernard	115 West Edwards St., Erath, LA 70533	337-937-8401	4,882
Jason C. Conner	115 West Edwards St., Erath, LA 70533	337-937-8401	4,883
Clarence Fusilier	115 West Edwards St., Erath, LA 70533	337-937-8401	4,882
			<u>\$ 24,348</u>

OTHER INFORMATION

NONMAJOR GOVERNMENTAL FUNDS

NONMAJOR GOVERNMENTAL FUNDS

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

Special Parish Tax Fund

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

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, 2022

	<u>Special Parish Tax Fund</u>	<u>LCDBG</u>	<u>Total</u>
ASSETS			
Cash	\$ 847	\$ 3	\$ 850
Due from other funds	<u>6,228</u>	<u>-</u>	<u>6,228</u>
Total assets	<u>\$ 7,075</u>	<u>\$ 3</u>	<u>\$ 7,078</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 6,038	\$ -	\$ 6,038
Accrued expenses	1,037	-	1,037
Due to other funds	<u>-</u>	<u>3</u>	<u>3</u>
Total liabilities	<u>\$ 7,075</u>	<u>\$ 3</u>	<u>\$ 7,078</u>
Fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total liabilities and fund balances	<u>\$ 7,075</u>	<u>\$ 3</u>	<u>\$ 7,078</u>

TOWN OF ERATH, LOUISIANA
Nonmajor Governmental Funds

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances -
Year Ended June 30, 2022

	Special Parish Tax Fund	LCDBG	Total
Revenues:			
Intergovernmental	\$ 65,784	\$ -	\$ 65,784
Miscellaneous	6,900	-	6,900
Total revenues	72,684	-	72,684
Expenditures:			
Current-			
Public safety	159,256	-	159,256
Capital outlay	6,478	-	6,478
Total expenditures	165,734	-	165,734
Deficiency of revenues over expenditures	(93,050)	-	(93,050)
Other financing sources:			
Transfers in	93,050	-	93,050
Net change in fund balances	-	-	-
Fund balances, beginning	-	-	-
Fund balances, ending	\$ -	\$ -	\$ -

TOWN OF ERATH, LOUISIANA

Schedule of Insurance in Force
Year Ended June 30, 2022

Insurer	Assets Covered	Limits of Coverage (in Dollars)	Expiration Date
SCU	Commercial property	Varies by property	5/6/2023
CNA Surety	Public Officials		
	Mayor	28,500	11/15/2022
	Town Clerk	28,500	11/15/2022
	Tax Collector	28,500	11/15/2022
	Bill Collector	28,500	11/15/2022
	Mayor Pro-tem	28,500	11/15/2022
	Council & other employees	5,000	11/15/2022
Hartford Insurance Company	Crime Policy		
	Mayor	152,000	6/16/2023
	Town Clerk	152,000	6/16/2023
Berkshire Hathaway Insurance Company	Comprehensive general liability	500,000	12/29/2022
	Law enforcement officer	500,000	12/29/2022
	Errors & omissions	500,000	12/29/2022
	Comprehensive automobile	500,000	12/29/2022
Special Risk Insurance, Inc.	Portable equipment - Fire Department	Replacement Cost	3/28/2023
	General liability - Fire Department	2,000,000	3/28/2023
	Management liability - Fire Department	2,000,000	3/28/2023
Bankers Specialty Insurance	Flood - Police station		
	Building	500,000	5/7/2023
	Contents	50,000	5/7/2023

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

Schedule of Number of Utility Customers and Rates
June 30, 2022 and 2021

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

<u>Department</u>	<u>2022</u>	<u>2021</u>
Electric (metered)	934	926
Water	1018	1013
Sewerage	910	912

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, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Current assets:		
Cash	\$ 897,685	\$ 685,043
Interest-bearing deposits	1,072,049	1,057,193
Accrued interest receivable	805	3,566
Accounts receivable, net	262,423	195,514
Unbilled service receivable, net	30,932	32,069
Due from other governmental agencies	29,109	32,630
Other receivables	-	11
Interfund receivables	<u>182</u>	<u>182</u>
Total current assets	<u>2,293,185</u>	<u>2,006,208</u>
Restricted assets:		
Cash	453,020	419,432
Interest-bearing deposits	65,555	64,505
Accrued interest receivable	<u>47</u>	<u>315</u>
Total restricted assets	<u>518,622</u>	<u>484,252</u>
Capital assets, net of accumulated depreciation	<u>9,933,305</u>	<u>10,237,071</u>
Total assets	<u>12,745,112</u>	<u>12,727,531</u>
LIABILITIES		
Current liabilities (payable from current assets):		
Accounts payable and accrued expenses	236,293	119,488
Retainage payable	3,209	-
Interfund payables	13,503	-
Other payables	<u>3,021</u>	<u>609</u>
Total	<u>256,026</u>	<u>120,097</u>
Current liabilities (payable from restricted assets):		
Customers' deposits	96,252	92,743
Accrued interest on bonds	6,462	6,520
Current portion of long term debt	<u>72,225</u>	<u>70,362</u>
Total	<u>174,939</u>	<u>169,625</u>
Total current liabilities	430,965	289,722
Noncurrent liabilities:		
Long term debt	<u>3,225,212</u>	<u>3,297,437</u>
Total liabilities	<u>3,656,177</u>	<u>3,587,159</u>
NET POSITION		
Net investment in capital assets	6,635,868	6,869,272
Restricted for debt service	415,908	384,989
Unrestricted	<u>2,037,159</u>	<u>1,886,111</u>
Total net position	<u>\$9,088,935</u>	<u>\$9,140,372</u>

TOWN OF ERATH, LOUISIANA

Statements of Revenues, Expenses, and Changes in Net Position
 Proprietary Funds
 Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Operating revenues:		
Charges for services	\$ 2,731,301	\$ 2,422,663
Miscellaneous	29,273	28,783
Total operating revenues	<u>2,760,574</u>	<u>2,451,446</u>
Operating expenses:		
Salaries	195,685	201,107
Payroll taxes	14,862	15,300
Retirement	5,124	5,022
Group insurance	39,154	36,331
Worker's compensation insurance	7,747	11,314
Purchase of electric power	1,268,001	881,662
Materials and supplies	86,461	82,488
Maintenance and repairs	84,713	63,898
Fuel, gas and oil	4,633	4,363
Telephone and utilities	110,532	100,647
Insurance	64,806	45,748
Depreciation	349,094	350,995
Contractual services	15,600	15,600
Professional fees	26,630	11,910
Equipment rental	15,344	1,275
Other	17,367	20,293
Total operating expenses	<u>2,305,753</u>	<u>1,847,953</u>
Operating income	<u>454,821</u>	<u>603,493</u>
Nonoperating revenues/(expenses):		
Grant revenue	78,618	52,613
Interest income	14,997	26,608
Interest expense	(81,035)	(82,766)
Total nonoperating revenues/(expenses)	<u>12,580</u>	<u>(3,545)</u>
Income before transfers	467,401	599,948
Transfers out	<u>(518,838)</u>	<u>(799,337)</u>
Change in net position	(51,437)	(199,389)
Net position, beginning	<u>9,140,372</u>	<u>9,339,761</u>
Net position, ending	<u>\$ 9,088,935</u>	<u>\$ 9,140,372</u>

TOWN OF ERATH, LOUISIANA

Budgetary Comparison Schedule - Detail of Revenues
 General Fund
 For the Year Ended June 30, 2022

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Taxes -				
General ad valorem	\$ 22,000	\$ 22,000	\$ 21,993	\$ (7)
Gas franchise	11,000	12,000	12,049	49
Cable franchise	9,000	8,000	7,566	(434)
Slemco franchise	3,000	3,000	2,713	(287)
Entergy franchise	8,700	10,200	10,731	531
Housing Authority payment	5,000	5,000	10,815	5,815
	<u>58,700</u>	<u>60,200</u>	<u>65,867</u>	<u>5,667</u>
Licenses and permits -				
Occupational licenses	25,000	29,000	30,107	1,107
Insurance licenses	75,000	71,000	71,577	577
Building permits	1,500	5,500	6,423	923
Liquor permits	150	150	200	50
	<u>101,650</u>	<u>105,650</u>	<u>108,307</u>	<u>2,657</u>
Intergovernmental -				
Federal grants	-	495,000	494,972	(28)
State funds:				
On-behalf payments	-	47,683	47,683	-
State grants	15,000	-	-	-
State shared revenue:				
Beer taxes	4,600	4,600	4,453	(147)
	<u>19,600</u>	<u>547,283</u>	<u>547,108</u>	<u>(175)</u>
Charges for services -				
Police accident reports	600	600	1,062	462
Court costs	16,000	16,000	17,378	1,378
	<u>16,600</u>	<u>16,600</u>	<u>18,440</u>	<u>1,840</u>
Fines and forfeitures	<u>32,000</u>	<u>36,200</u>	<u>36,536</u>	<u>336</u>
Miscellaneous -				
Rent income (post office)	43,842	43,842	43,842	-
Other	30,690	62,690	67,053	4,363
	<u>74,532</u>	<u>106,532</u>	<u>110,895</u>	<u>4,363</u>
Total revenues	<u>\$ 303,082</u>	<u>\$ 872,465</u>	<u>\$ 887,153</u>	<u>\$ 14,688</u>

TOWN OF ERATH, LOUISIANA

Budgetary Comparison Schedule - Detail of Expenditures

General Fund

For the Year Ended June 30, 2022

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Current -				
General government:				
Mayor's salary	\$ 9,664	\$ 9,664	\$ 9,701	\$ (37)
Council salaries	24,320	24,320	24,348	(28)
Clerk of Court salary	29,062	29,062	29,174	(112)
Other salaries	48,192	48,192	48,377	(185)
Payroll taxes	8,510	8,510	8,502	8
Retirement	2,318	2,318	2,318	-
Group insurance	15,450	15,450	15,803	(353)
Workmen's compensation insurance	516	516	305	211
Printing, stationery and supplies	5,500	5,500	6,105	(605)
Repairs and maintenance	6,000	6,000	11,387	(5,387)
Material and supplies	1,000	1,000	1,060	(60)
General insurance	19,000	26,000	25,794	206
Auditing and accounting	6,000	6,000	6,000	-
Dues and subscriptions	2,700	2,700	1,846	854
Telephone	3,700	3,700	3,755	(55)
Professional fees	45,500	45,500	46,264	(764)
Publication of minutes	1,500	3,000	2,417	583
Tax roll preparation	1,200	1,200	1,261	(61)
Legal fees	2,500	1,300	1,200	100
Utilities	5,200	5,200	4,933	267
Building permits and inspections	3,000	3,000	2,600	400
Contract services	-	4,550	4,550	-
Emergency generator fuel and repairs	600	1,200	1,194	6

(continued)

TOWN OF ERATH, LOUISIANA

Budgetary Comparison Schedule - Detail of Expenditures
 General Fund (Continued)
 For the Year Ended June 30, 2022

	Budget		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
Filing fees	1,500	1,500	1,230	270
Court printing supplies	500	500	235	265
Court material and supplies	450	450	5	445
Court professional fees	1,500	1,500	1,284	216
Commissions	4,471	4,471	4,471	-
Magistrate salary	2,400	2,400	2,400	-
Prosecutor salary	2,400	2,400	2,400	-
Other	1,600	2,400	1,461	939
	<u>256,253</u>	<u>269,503</u>	<u>272,380</u>	<u>(2,877)</u>
Public safety:				
Chief of Police's salary	38,260	38,260	38,407	(147)
Other salaries	315,295	397,978	406,833	(8,855)
Payroll taxes	30,719	32,719	33,356	(637)
Retirement	5,577	5,577	5,825	(248)
Group insurance	85,000	73,000	70,482	2,518
Workmen's compensation insurance	28,800	23,800	19,988	3,812
Court appearance	600	600	-	600
Uniforms	2,500	2,900	2,783	117
Conventions and schools	2,500	3,500	3,265	235
Dues and subscriptions	2,000	2,000	1,100	900
Material and supplies	2,850	2,850	3,130	(280)
Auto fuel and oil	25,000	35,000	37,699	(2,699)
Insurance	42,500	51,800	51,688	112
Telephone	4,600	4,600	4,689	(89)
Task force appropriation	15,000	15,000	15,000	-
Office	2,350	2,350	3,087	(737)
Repairs and maintenance -				
Auto	16,000	16,000	14,677	1,323
Building	5,500	5,100	4,142	958
Radio, radar and camera	2,500	2,500	2,146	354
Emergency generator fuel	1,000	1,000	1,194	(194)
Utilities	7,200	7,200	7,506	(306)
Other	3,800	5,800	4,553	1,247
Salaries - fire department	4,800	4,800	4,800	-
	<u>644,351</u>	<u>734,334</u>	<u>736,350</u>	<u>(2,016)</u>

(continued)

TOWN OF ERATH, LOUISIANA

Budgetary Comparison Schedule - Detail of Expenditures
 General Fund (Continued)
 For the Year Ended June 30, 2022

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Economic development and assistance:				
External appropriation	<u>2,000</u>	<u>2,000</u>	<u>2,000</u>	<u>-</u>
Culture and recreation:				
Salaries	29,949	29,949	30,056	(107)
Payroll taxes	2,291	2,291	2,219	72
Retirement	299	299	299	-
Group insurance	7,725	7,725	7,831	(106)
Workmen's compensation insurance	2,160	2,160	1,584	576
Material and supplies	1,500	1,500	10,630	(9,130)
Insurance	400	400	643	(243)
Maintenance and upkeep	500	500	4,666	(4,166)
Repairs and maintenance -				
Building	150	150	748	(598)
Equipment	1,000	2,000	1,708	292
Equipment fuel and oil	1,200	2,700	2,614	86
Utilities	1,900	1,900	1,521	379
Other	<u>1,200</u>	<u>1,200</u>	<u>2,036</u>	<u>(836)</u>
	<u>50,274</u>	<u>52,774</u>	<u>66,555</u>	<u>(13,781)</u>
Debt service:				
Principal	46,000	46,000	46,000	-
Interest	<u>5,635</u>	<u>5,635</u>	<u>5,635</u>	<u>-</u>
	<u>51,635</u>	<u>51,635</u>	<u>51,635</u>	<u>-</u>
Capital outlay	<u>25,811</u>	<u>59,359</u>	<u>31,904</u>	<u>27,455</u>
Total expenditures	<u>\$ 1,030,324</u>	<u>\$ 1,169,605</u>	<u>\$ 1,160,824</u>	<u>\$ 8,781</u>

TOWN OF ERATH, LOUISIANA

Budgetary Comparison Schedule
 Special Parish Tax Fund
 For the Year Ended June 30, 2022

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental -				
Federal grants	\$ -	\$ 31,000	\$ 31,281	\$ 281
Appropriation from Vermilion Parish Police Jury:				
Special Parish Tax	28,570	28,570	28,570	-
State funds:				
On-behalf payments	-	5,933	5,933	-
Miscellaneous	-	6,900	6,900	-
Total revenues	<u>28,570</u>	<u>72,403</u>	<u>72,684</u>	<u>281</u>
Expenditures:				
Current -				
Public safety:				
Salaries	21,320	36,253	35,829	424
Payroll taxes	1,631	2,831	2,715	116
Group insurance	7,725	6,725	6,581	144
Retirement	-	750	693	57
Worker's compensation insurance	5,600	4,600	3,761	839
Training	4,000	4,000	4,461	(461)
Fire prevention and education	2,500	2,500	2,498	2
Office supplies	1,500	1,500	1,280	220
Material and supplies	2,200	2,200	4,823	(2,623)
Truck expense	18,600	31,900	33,797	(1,897)
Insurance	25,500	33,500	33,390	110
Telephone	2,800	2,800	2,934	(134)
Professional services	750	750	1,250	(500)
Uniforms	350	350	1,516	(1,166)
Repairs and maintenance	14,000	14,000	14,608	(608)
Utilities	5,600	7,600	7,468	132
Other	2,100	2,100	1,652	448
Capital outlay	14,500	14,500	6,478	8,022
Total expenditures	<u>130,676</u>	<u>168,859</u>	<u>165,734</u>	<u>3,125</u>
Deficiency of revenues over expenditures	(102,106)	(96,456)	(93,050)	3,406
Other financing sources:				
Transfers in	<u>102,106</u>	<u>96,456</u>	<u>93,050</u>	<u>(3,406)</u>
Net change in fund balance	-	-	-	-
Fund balance, beginning	-	-	-	-
Fund balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**INTERNAL CONTROL, COMPLIANCE
AND
OTHER MATTERS**

KOLDER, SLAVEN & COMPANY, LLC

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Christine C. Doucet, CPA – retired 2022

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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, 2022, 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 28, 2022.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that 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 2022-001 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

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

Town of Erath's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Town's response to the finding identified in our audit and described in the accompanying scheduled 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 the response.

Purpose of this Report

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

Kolder, Slaven & Company, LLC
Certified Public Accountants

Abbeville, Louisiana
December 28, 2022

TOWN OF ERATH, LOUISIANA

Schedule of Current and Prior Year Audit Findings
and Management's Corrective Action Plan
Year Ended June 30, 2022

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

A. Internal Control Over Financial Reporting

2022-001 Inadequate Segregation of Accounting Functions

Fiscal year finding initially occurred: Unknown

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

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

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

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

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

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

B. Compliance

None reported

TOWN OF ERATH, LOUISIANA

Schedule of Current and Prior Year Audit Findings
and Management's Corrective Action Plan (continued)
Year Ended June 30, 2022

Part II: Prior Year Findings:

A. Internal Control Over Financial Reporting

2021-001 Inadequate Segregation of duties

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

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

CURRENT STATUS: Unresolved. See item 2022-001.

B. Compliance

None reported

Town of Erath
Erath, Louisiana

Statewide Agreed-Upon Procedures

Fiscal period July 1, 2021 through June 30, 2022

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

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

We have performed the procedures enumerated below on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's (LLA's) Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2021 through June 30, 2022. The Town of Erath's (the Town) management is responsible for those C/C areas identified in the SAUPs.

The Town has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the C/C areas identified in LLA's SAUPs for the fiscal period July 1, 2021 through June 30, 2022. Additionally, LLA has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe whether they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):
 - a) **Budgeting**, including preparing, adopting, monitoring, and amending the budget.
 - b) **Purchasing**, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the Public Bid Law; and (5) documentation required to be maintained for all bids and price quotes.
 - c) **Disbursements**, including processing, reviewing, and approving.
 - d) **Receipts/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).

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

Board or Finance Committee

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

Bank Reconciliations

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

Collections (excluding EFTs)

4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).
5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies and procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:
 - a) Employees that are responsible for cash collections do not share cash drawers/registers.
 - b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.
 - c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.
 - d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, are not responsible for collecting cash, unless another employee/official verifies the reconciliation.
6. Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe that the bond or insurance policy for theft was enforced during the fiscal period.
7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:
 - a) Observe that receipts are sequentially pre-numbered.
 - b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.

- c) Trace the deposit slip total to the actual deposit per the bank statement.
- d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100 and the cash is stored securely in a locked safe or drawer).
- e) Trace the actual deposit per the bank statement to the general ledger.

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

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

[Note: Exceptions to controls that constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); should not be reported.]
- 10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:
 - a) Observe that the disbursement matched the related original itemized invoice and that supporting documentation indicates that deliverables included on the invoice were received by the entity.
 - b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

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

- 11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.
- 12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation and:

- a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing (or electronically approved), by someone other than the authorized card holder. [Note: requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported]
 - b) Observe that finance charges and late fees were not assessed on the selected statements.
13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and note whether management had a compensating control to address missing receipts, such as a “missing receipt statement” that is subject to increased scrutiny.

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

14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management’s representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:
- a) If reimbursed using a per diem, observe that the approved reimbursement rate is no more than those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).
 - b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
 - c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).
 - d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Contracts

15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management’s representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner’s contract, and:
- a) Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.
 - b) Observe that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).

- c) If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment and that amendments were made in compliance with the contract terms (e.g. if approval is required for any amendment was approval documented).
- d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

Payroll and Personnel

- 16. Obtain a listing of employees and officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees or officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.
- 17. Randomly select one pay period during the fiscal period. For the 5 employees or officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:
 - a) Observe that all selected employees or officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, officials are not eligible to earn leave and do not document their attendance and leave. However, if the official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)
 - b) Observe that supervisors approved the attendance and leave of the selected employees/officials.
 - c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.
 - d) Observe that the rate paid to the employees or officials agree to the authorized salary/pay rate found within the personnel file.
- 18. Obtain a listing of those employees or officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees or officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations and the entity policy on termination payments. Agree the hours to the employee or officials' cumulate leave records, agree the pay rates to the employee or officials' authorized pay rates in the employee or officials' personnel files, and agree the termination payment to entity policy.
- 19. Obtain management's representation that employer and employee portions of third-party payroll related amounts (e.g. payroll taxes, retirement contributions, health insurance premiums, garnishments, workers' compensation premiums, etc.) have been paid, and any associated forms have been filed, by required deadlines.

Ethics

- 20. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, obtain ethics documentation from management, and:
 - a) Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.
 - b) Observe that the entity maintains documentation which demonstrates each employee and official were notified of any changes to the entity's ethics policy during the fiscal period, as applicable.

Debt Service

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

Fraud Notice

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

Information Technology Disaster Recovery/Business Continuity

25. Perform the following procedures, verbally discuss the results with management, and report "We performed the procedure and discussed the results with management."
 - a) Obtain and inspect the entity's most recent documentation that it has backed up its critical data (if no written documentation, inquire of personnel responsible for backing up critical data) and observe that such backup occurred within the past week. If backups are stored on a physical medium (e.g., tapes, CDs), observe evidence that backups are encrypted before being transported.
 - b) Obtain and inspect the entity's most recent documentation that it has tested/verified that its backups can be restored (if no written documentation, inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.
 - c) Obtain a listing of the entity's computers currently in use, and their related locations, and management's representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor.

Sexual Harassment

26. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, obtain sexual harassment training documentation from management, and observe that the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year.
27. Observe that the entity has posted its sexual harassment policy and complaint procedure on its website (or in a conspicuous location on the entity's premises if the entity does not have a website).
28. Obtain the entity's annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1, and observe that it includes the applicable requirements of R.S. 42:344:

- a) Number and percentage of public servants in the agency who have completed the training requirements;
- b) Number of sexual harassment complaints received by the agency;
- c) Number of complaints which resulted in a finding that sexual harassment occurred;
- d) Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and
- e) Amount of time it took to resolve each complaint.

Findings:

No exceptions were found as a result of procedures list above with the exception of:

Board or Finance Committee

The Town did not hold a meeting in January 2022 due to no quorum.

Cash Collections

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

At the collection location tested, the person responsible for collecting cash also records the deposit.

Two of ten deposits tested were not deposited within one business day of collection.

Sexual Harassment:

The Town did not complete an annual sexual harassment report for the current fiscal period dated on or before February 1 that it included the applicable requirements of R.S. 42:344

Management's Response:

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

We were engaged by the Town to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

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

Kolder, Slaven & Company, LLC
Certified Public Accountants

Abbeville, Louisiana
December 28, 2022