

TOWN OF ERATH, LOUISIANA

Financial Report

Year Ended June 30, 2021

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Erath, Louisiana (the Town), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town, as of June 30, 2021, 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.

Emphasis of Matter

As described in Note 17 to the financial statements, in 2021, the Town adopted new accounting guidance, GASB 84, Fiduciary Activities. Our opinion is not modified with respect to this matter

Other Matters

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

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

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The other supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the 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 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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, 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 are fairly stated in all material respects to the basic financial statements as a whole.

The other supplementary information on pages 44 through 54 has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2021, 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 13, 2021

BASIC FINANCIAL STATEMENTS

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

TOWN OF ERATH, LOUISIANA

Statement of Net Position

June 30, 2021

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and interest-bearing deposits	\$ 352,295	\$ 1,742,236	\$ 2,094,531
Accrued interest receivable	95	3,566	3,661
Accounts receivable, net	-	195,514	195,514
Unbilled service receivable, net	-	32,069	32,069
Other receivables	7,440	11	7,451
Due from other governmental agencies	74,521	32,630	107,151
Internal balances	(182)	182	-
Restricted assets:			
Cash and interest-bearing deposits	-	483,937	483,937
Accrued interest receivable	-	315	315
Capital assets:			
Non-depreciable	333,388	99,258	432,646
Depreciable	<u>2,565,040</u>	<u>10,137,813</u>	<u>12,702,853</u>
Total assets	<u>3,332,597</u>	<u>12,727,531</u>	<u>16,060,128</u>
LIABILITIES			
Accounts and accrued expenses	49,815	119,488	169,303
Other payables	208	609	817
Customers' deposits	-	92,743	92,743
Accrued interest payable	633	6,520	7,153
Long-term liabilities:			
Portion due or payable within one year -			
Revenue bonds payable	-	70,362	70,362
Certificates of indebtedness	46,000	-	46,000
Portion due or payable after one year -			
Revenue bonds payable	-	3,297,437	3,297,437
Certificates of indebtedness	<u>147,000</u>	<u>-</u>	<u>147,000</u>
Total liabilities	<u>243,656</u>	<u>3,587,159</u>	<u>3,830,815</u>
NET POSITION			
Net investment in capital assets	2,705,428	6,869,272	9,574,700
Restricted for:			
Tax dedications	267,085	-	267,085
Debt service	30,549	384,989	415,538
Unrestricted	<u>85,879</u>	<u>1,886,111</u>	<u>1,971,990</u>
Total net position	<u>\$ 3,088,941</u>	<u>\$ 9,140,372</u>	<u>\$ 12,229,313</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, 2021

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	\$ 277,407	\$ 54,157	\$ 800	\$ -	\$ (222,450)	\$ -	\$ (222,450)
Public safety	885,962	35,031	131,011	4,318	(715,602)	-	(715,602)
Public works	340,256	13,680	1,373	-	(325,203)	-	(325,203)
Economic development and assistance	2,000	-	-	-	(2,000)	-	(2,000)
Culture and recreation	57,268	-	12,805	-	(44,463)	-	(44,463)
Total governmental activities	<u>1,562,893</u>	<u>102,868</u>	<u>145,989</u>	<u>4,318</u>	<u>(1,309,718)</u>	<u>-</u>	<u>(1,309,718)</u>
Business-type activities:							
Electric	1,153,170	1,716,478	-	14,620	-	577,928	577,928
Water	287,902	322,169	-	11,127	-	45,394	45,394
Sewer	489,647	412,799	-	26,866	-	(49,982)	(49,982)
Total business-type activities	<u>1,930,719</u>	<u>2,451,446</u>	<u>-</u>	<u>52,613</u>	<u>-</u>	<u>573,340</u>	<u>573,340</u>
Total	<u>3,493,612</u>	<u>2,554,314</u>	<u>145,989</u>	<u>56,931</u>	<u>(1,309,718)</u>	<u>573,340</u>	<u>(736,378)</u>
General revenues:							
Taxes -							
Property taxes, levied for general purposes					22,809	-	22,809
Sales and use taxes, levied for general purposes					310,012	-	310,012
Franchise taxes					30,641	-	30,641
Other					9,229	-	9,229
Licenses and permits					102,969	-	102,969
Grants and contributions not restricted to specific programs					4,780	-	4,780
Interest and investment earnings					519	26,608	27,127
Miscellaneous					4,871	-	4,871
Transfers					799,337	(799,337)	-
Total general revenues and transfers					<u>1,285,167</u>	<u>(772,729)</u>	<u>512,438</u>
Change in net position					(24,551)	(199,389)	(223,940)
Net position, beginning					<u>3,113,492</u>	<u>9,339,761</u>	<u>12,453,253</u>
Net position, ending					<u>\$ 3,088,941</u>	<u>\$ 9,140,372</u>	<u>\$ 12,229,313</u>

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

FUND FINANCIAL STATEMENTS

TOWN OF ERATH, LOUISIANA

Balance Sheet
Governmental Funds
June 30, 2021

	General	Sales Tax	Other Governmental Funds	Total
ASSETS				
Cash	\$ 129,773	\$ 207,959	\$ 286	\$ 338,018
Interest-bearing deposits	-	14,284	-	14,284
Receivables:				
Ad valorem tax	836	-	-	836
Accrued interest	-	95	-	95
Other	4,298	-	2,299	6,597
Due from other governmental agencies	10,252	29,863	4,957	45,072
Due from other funds	1,946	-	-	1,946
Total assets	<u>\$ 147,105</u>	<u>\$ 252,201</u>	<u>\$ 7,542</u>	<u>\$ 406,848</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 13,929	\$ 11,854	\$ 4,937	\$ 30,720
Due to other funds	179	-	1,949	2,128
Accrued expenses	15,728	2,711	656	19,095
Other liabilities	208	-	-	208
Total liabilities	<u>30,044</u>	<u>14,565</u>	<u>7,542</u>	<u>52,151</u>
Fund balances:				
Restricted	30,549	237,636	-	268,185
Unassigned	86,512	-	-	86,512
Total fund balances	<u>117,061</u>	<u>237,636</u>	<u>-</u>	<u>354,697</u>
Total liabilities and fund balances	<u>\$ 147,105</u>	<u>\$ 252,201</u>	<u>\$ 7,542</u>	<u>\$ 406,848</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, 2021

Total fund balances - governmental funds		\$	354,697
Total net position reported for governmental activities in the statement of net position is different because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			
Capital assets, net			2,898,428
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	(633)		
Bonds payable	<u>(193,000)</u>	(193,633)	
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>29,449</u>
Total net position of governmental activities		\$	<u>3,088,941</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, 2021

	General	Sales Tax	Other Governmental Funds	Total
Revenues:				
Taxes	\$ 62,679	\$ 303,493	\$ -	\$ 366,172
Licenses and permits	102,969	-	-	102,969
Intergovernmental	73,655	1,373	39,142	114,170
Charges for services	15,318	-	-	15,318
Fines and forfeitures	34,370	-	-	34,370
Interest	-	528	-	528
Miscellaneous	82,892	13,981	2,095	98,968
Total revenues	<u>371,883</u>	<u>319,375</u>	<u>41,237</u>	<u>732,495</u>
Expenditures:				
Current -				
General government	270,940	-	-	270,940
Public safety	695,067	-	103,766	798,833
Economic development and assistance	2,000	-	-	2,000
Culture and recreation	48,274	-	-	48,274
Public works	-	276,865	-	276,865
Debt service -				
Principal	44,000	-	-	44,000
Interest	7,005	-	-	7,005
Capital outlay	26,397	-	10,078	36,475
Total expenditures	<u>1,093,683</u>	<u>276,865</u>	<u>113,844</u>	<u>1,484,392</u>
Excess (deficiency) of revenues over expenditures	<u>(721,800)</u>	<u>42,510</u>	<u>(72,607)</u>	<u>(751,897)</u>
Other financing sources (uses):				
Transfers in	799,337	-	69,311	868,648
Transfers out	(69,311)	-	-	(69,311)
Total other financing sources (uses)	<u>730,026</u>	<u>-</u>	<u>69,311</u>	<u>799,337</u>
Net change in fund balances	8,226	42,510	(3,296)	47,440
Fund balances, beginning	<u>108,835</u>	<u>195,126</u>	<u>3,296</u>	<u>307,257</u>
Fund balances, ending	<u>\$ 117,061</u>	<u>\$ 237,636</u>	<u>\$ -</u>	<u>\$ 354,697</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, 2021

Net change in fund balances - total governmental funds		\$ 47,440
The change in net position reported for governmental activities in the statement of activities is different because:		
<p>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.</p>		
Capital outlay		\$ 36,475
Depreciation expense		<u>(158,985)</u> (122,510)
Because some revenues are not measurable at year end, they are not considered available in the governmental funds:		
Sales taxes		6,513
<p>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.</p>		
Principal payments		44,000
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds.		
Decrease in accrued interest payable		<u>6</u>
Change in net position of governmental activities		<u>\$ (24,551)</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, 2021

	<u>Utility</u>	<u>Sewerage Utility</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash	\$ 510,962	\$ 174,081	\$ 685,043
Interest-bearing deposits	1,001,172	56,021	1,057,193
Accrued interest receivable	3,292	274	3,566
Accounts receivable, net	163,352	32,162	195,514
Unbilled service receivable, net	27,486	4,583	32,069
Due from other governmental agencies	12,054	20,576	32,630
Other receivables	-	11	11
Interfund receivables	<u>182</u>	<u>-</u>	<u>182</u>
Total current assets	<u>1,718,500</u>	<u>287,708</u>	<u>2,006,208</u>
Restricted assets:			
Cash	27,923	391,509	419,432
Interest-bearing deposits	64,505	-	64,505
Accrued interest receivable	<u>315</u>	<u>-</u>	<u>315</u>
Total restricted assets	<u>92,743</u>	<u>391,509</u>	<u>484,252</u>
Capital assets, net of accumulated depreciation	<u>2,427,519</u>	<u>7,809,552</u>	<u>10,237,071</u>
Total assets	<u>4,238,762</u>	<u>8,488,769</u>	<u>12,727,531</u>
LIABILITIES			
Current liabilities (payable from current assets):			
Accounts payable and accrued expenses	109,792	9,696	119,488
Other payables	<u>609</u>	<u>-</u>	<u>609</u>
Total	<u>110,401</u>	<u>9,696</u>	<u>120,097</u>
Current liabilities (payable from restricted assets):			
Customers' deposits	92,743	-	92,743
Accrued interest payable	-	6,520	6,520
Current portion of long term debt	<u>-</u>	<u>70,362</u>	<u>70,362</u>
Total	<u>92,743</u>	<u>76,882</u>	<u>169,625</u>
Total current liabilities	203,144	86,578	289,722
Noncurrent liabilities:			
Long term debt	<u>-</u>	<u>3,297,437</u>	<u>3,297,437</u>
Total liabilities	<u>203,144</u>	<u>3,384,015</u>	<u>3,587,159</u>
NET POSITION			
Net investment in capital assets	2,427,519	4,441,753	6,869,272
Restricted for debt service	-	384,989	384,989
Unrestricted	<u>1,608,099</u>	<u>278,012</u>	<u>1,886,111</u>
Total net position	<u>\$ 4,035,618</u>	<u>\$ 5,104,754</u>	<u>\$ 9,140,372</u>

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

TOWN OF ERATH, LOUISIANA

Statement of Revenues, Expenses, and Changes in Fund Net Position
 Proprietary Funds
 Year Ended June 30, 2021

	Utility	Sewerage Utility	Total
Operating revenues:			
Charges for services	\$ 2,009,864	\$ 412,799	\$ 2,422,663
Miscellaneous	28,783	-	28,783
Total operating revenues	<u>2,038,647</u>	<u>412,799</u>	<u>2,451,446</u>
Operating expenses:			
Salaries	160,540	40,567	201,107
Payroll taxes	12,226	3,074	15,300
Retirement	3,805	1,217	5,022
Group insurance	29,065	7,266	36,331
Worker's compensation insurance	7,912	3,402	11,314
Purchase of electric power	881,662	-	881,662
Materials and supplies	74,069	8,419	82,488
Maintenance and repairs	56,851	7,047	63,898
Fuel, gas and oil	3,558	805	4,363
Telephone and utilities	28,113	72,534	100,647
Insurance	35,949	9,799	45,748
Depreciation	115,571	235,424	350,995
Contractual services	15,600	-	15,600
Professional fees	7,997	3,913	11,910
Equipment rental	274	1,001	1,275
Other	7,880	12,413	20,293
Total operating expenses	<u>1,441,072</u>	<u>406,881</u>	<u>1,847,953</u>
Operating income	<u>597,575</u>	<u>5,918</u>	<u>603,493</u>
Nonoperating revenues/(expenses):			
Interest income	25,052	1,556	26,608
Interest expense	-	(82,766)	(82,766)
Grant revenue	25,747	26,866	52,613
Total nonoperating revenues/(expenses)	<u>50,799</u>	<u>(54,344)</u>	<u>(3,545)</u>
Income (loss) before contributions and transfers	648,374	(48,426)	599,948
Transfers out	(799,337)	-	(799,337)
Change in net position	(150,963)	(48,426)	(199,389)
Net position, beginning	<u>4,186,581</u>	<u>5,153,180</u>	<u>9,339,761</u>
Net position, ending	<u>\$4,035,618</u>	<u>\$5,104,754</u>	<u>\$9,140,372</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, 2021

	Utility	Sewerage Utility	Total
Cash flows from operating activities:			
Receipts from customers	\$ 1,956,651	\$ 445,830	\$ 2,402,481
Payments to suppliers	(1,078,606)	(117,317)	(1,195,923)
Payments to employees and for employee-related costs	(212,827)	(55,517)	(268,344)
Other receipts	28,783	-	28,783
Net cash provided by operating activities	<u>694,001</u>	<u>272,996</u>	<u>966,997</u>
Cash flows from noncapital financing activities:			
Transfers to other funds	<u>(799,337)</u>	<u>-</u>	<u>(799,337)</u>
Cash flows from capital and related financing activities:			
Principal paid on long-term debt	-	(68,551)	(68,551)
Interest paid on long-term debt	-	(82,902)	(82,902)
Purchase and construction of capital assets	(13,070)	(61,627)	(74,697)
Grants and other contributions received	<u>59,257</u>	<u>6,290</u>	<u>65,547</u>
Net cash provided (used) by capital and related financing activities	<u>46,187</u>	<u>(206,790)</u>	<u>(160,603)</u>
Cash flows from investing activities:			
Proceeds of interest-bearing deposits with maturity in excess of ninety days	1,042,350	54,887	1,097,237
Purchase of interest-bearing deposits with maturity in excess of ninety days	(1,065,677)	(56,021)	(1,121,698)
Interest on investments	<u>24,973</u>	<u>1,550</u>	<u>26,523</u>
Net cash provided by investing activities	<u>1,646</u>	<u>416</u>	<u>2,062</u>
Net increase (decrease) in cash and cash equivalents	(57,503)	66,622	9,119
Cash and cash equivalents, beginning of year	<u>596,388</u>	<u>498,968</u>	<u>1,095,356</u>
Cash and cash equivalents, end of year	<u>\$ 538,885</u>	<u>\$ 565,590</u>	<u>\$ 1,104,475</u>

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

TOWN OF ERATH, LOUISIANA

Statement of Cash Flows
 Proprietary Funds (continued)
 For the Year Ended June 30, 2021

	Utility	Sewerage Utility	Total
	<u>Utility</u>	<u>Utility</u>	<u>Total</u>
Cash flows from operating activities:			
Operating income	\$ 597,575	\$ 5,918	\$ 603,493
Adjustments to reconcile operating income to net cash provided by operating activities -			
Depreciation	115,571	235,424	350,995
Provision for bad debts	2,948	603	3,551
(Increase) decrease in assets:			
Accounts and other receivables	(20,115)	956	(19,159)
Interfund receivables	-	31,461	31,461
Increase (decrease) in liabilities:			
Accounts payable, accrued expenses and other liabilities	29,483	(1,366)	28,117
Interfund payables	(31,461)	-	(31,461)
Net cash provided by operating activities	<u>\$ 694,001</u>	<u>\$ 272,996</u>	<u>\$ 966,997</u>
Cash and cash equivalents reported on statement of net position as:			
Current - cash	\$ 510,962	\$ 174,081	\$ 685,043
Restricted - cash	<u>27,923</u>	<u>391,509</u>	<u>419,432</u>
Total cash and cash equivalents	<u>\$ 538,885</u>	<u>\$ 565,590</u>	<u>\$1,104,475</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, 2021

	<u>Custodial Fund</u>
ASSETS	
Cash	<u>\$ 24,102</u>
LIABILITIES	
Accounts payable	<u>4,732</u>
NET POSITION	
Restricted for:	
Individuals, organizations, and other governments	<u>\$ 19,370</u>

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

TOWN OF ERATH, LOUISIANA

Fiduciary Funds
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2021

	<u>Custodial Fund</u>
Additions:	
Bonds	<u>\$ 2,561</u>
Deductions:	
Payments of court costs to other governments	<u>(4,662)</u>
Net decrease in fiduciary net position	(2,101)
Net position, beginning as restated	<u>21,471</u>
Net position, ending	<u>\$ 19,370</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 \$7,005 and \$82,766, 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, 2021 for the Utility Fund and the Sewerage Utility Fund accounts receivable was \$161,777 and \$16,135, 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, 2021 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, 2021.

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, 2021, the Town reported \$682,623 of restricted net position, \$267,085 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, 2021, fund balances are composed of the following:

	General		Total
	Fund	Sales Tax	Governmental
	<u> </u>	<u> </u>	<u> </u>
Restricted:			
Public works	\$ -	\$ 237,636	\$ 237,636
Debt service	30,549	-	30,549
Unassigned	<u>86,512</u>	<u>-</u>	<u>86,512</u>
 Total fund balances	 <u>\$ 117,061</u>	 <u>\$ 237,636</u>	 <u>\$ 354,697</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, 2021, the Town has cash and interest-bearing deposits (book balances) of \$2,602,570.

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

Bank balances	<u>\$ 2,659,126</u>
The Town's deposits are secured as follows:	
Insured deposits	994,574
Uninsured and collateral held by the pledging bank, not in the Town's name	<u>1,664,552</u>
Total	<u>\$ 2,659,126</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, 2021, taxes of 3.6 mills were levied on property with assessed valuations totaling \$6,477,741 and were dedicated for general purposes.

Total taxes levied were \$23,320. Taxes receivable at June 30, 2021 totaled \$836, all of which is considered collectible.

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 \$303,493 while the amount recognized in the government-wide financial statements under the accrual basis of accounting was \$310,012.

(5) Aged Accounts Receivable

The Town is owed \$373,426 by its customers at June 30, 2021. The aging of these accounts receivable is as follows:

Current	\$ 177,534
Over 30 days	19,894
Over 60 days	250
Over 90 days	<u>175,748</u>
Total	<u>\$ 373,426</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, 2021:

Fund financial statements:

Governmental Funds -

Vermilion Parish School Board:

Sales and use taxes collected but not remitted \$ 24,416

State of Louisiana:

Federal grant funds 10,080

State grant funds 4,318

Other 6,258

\$ 45,072

Proprietary Funds -

State of Louisiana:

Federal grant funds 32,630

\$ 32,630

Government-wide financial statements:

Total amount reported in -

Governmental Funds, from above \$ 45,072

Proprietary Funds, from above 32,630

Additional sales and use taxes due from Vermilion Parish School Board 29,449

\$ 107,151

(7) Restricted Assets - Proprietary Fund Type

At June 30, 2021, restricted assets were applicable to the following:

	Utility Fund	Sewerage Utility Fund	Total
Bond sinking account	\$ -	\$ 12,708	\$ 12,708
Bond reserve account	-	164,731	164,731
Depreciation and contingency account	-	147,770	147,770
Short lived asset account	-	66,300	66,300
Customer deposits	<u>92,743</u>	<u>-</u>	<u>92,743</u>
Total	<u>\$ 92,743</u>	<u>\$ 391,509</u>	<u>\$ 484,252</u>

TOWN OF ERATH, LOUISIANA

Notes to Basic Financial Statements

(8) Capital Assets

Capital asset activity for the year ended June 30, 2021 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 333,388	\$ -	\$ -	\$ 333,388
Capital assets being depreciated:				
Buildings and improvements	2,273,015	-	(2,020)	2,270,995
Infrastructure	1,319,969	-	-	1,319,969
Equipment, furniture and fixtures	1,418,277	19,760	(30,853)	1,407,184
Improvements other than buildings	658,709	16,715	-	675,424
Total capital assets	<u>6,003,358</u>	<u>36,475</u>	<u>(32,873)</u>	<u>6,006,960</u>
Less accumulated depreciation:				
Buildings and improvements	667,888	53,274	(2,020)	719,142
Infrastructure	790,070	35,534	-	825,604
Equipment, furniture and fixtures	1,149,319	54,583	(30,853)	1,173,049
Improvements other than buildings	375,143	15,594	-	390,737
Total accumulated depreciation	<u>2,982,420</u>	<u>158,985</u>	<u>(32,873)</u>	<u>3,108,532</u>
Governmental activities, capital assets, net	<u>\$ 3,020,938</u>	<u>\$ (122,510)</u>	<u>\$ -</u>	<u>\$ 2,898,428</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 85,463	\$ -	\$ -	\$ 85,463
Construction in progress	-	13,795	-	13,795
Capital assets being depreciated:				
Land improvements	9,868	-	-	9,868
Equipment and vehicles	584,374	36,833	(9,400)	611,807
Electric system	714,290	-	-	714,290
Water system	4,169,950	-	-	4,169,950
Sewer system	10,917,133	-	-	10,917,133
Total capital assets	<u>16,481,078</u>	<u>50,628</u>	<u>(9,400)</u>	<u>16,522,306</u>
Less accumulated depreciation:				
Land improvements	987	493	-	1,480
Equipment and vehicles	450,451	10,109	(9,400)	451,160
Electric system	321,052	17,272	-	338,324
Water system	2,089,859	95,123	-	2,184,982
Sewer system	3,081,291	227,998	-	3,309,289
Total accumulated depreciation	<u>5,943,640</u>	<u>350,995</u>	<u>(9,400)</u>	<u>6,285,235</u>
Business-type activities, capital assets, net	<u>\$ 10,537,438</u>	<u>\$ (300,367)</u>	<u>\$ -</u>	<u>\$ 10,237,071</u>

TOWN OF ERATH, LOUISIANA

Notes to Basic Financial Statements

Depreciation expense was charged to governmental activities as follows:

General government	\$ 6,470
Public safety	80,130
Public works	63,391
Culture and recreation	<u>8,994</u>
Total depreciation expense	<u>\$ 158,985</u>

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

Electric	\$ 18,753
Water	96,818
Sewer	<u>235,424</u>
Total depreciation expense	<u>\$ 350,995</u>

(9) Long-Term Debt

Long term liabilities at June 30, 2021 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. \$ 48,000

Series 2018 Certificate of Indebtedness, dated September 21, 2018, original amount of \$187,000, bearing interest of 3.50%, maturing on December 1, 2026. \$ 145,000

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% \$ 273,577

\$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% \$2,320,927

\$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% \$ 773,295

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

Year Ending June 30,	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>
	<u>Principal payments</u>	<u>Interest payments</u>	<u>Principal payments</u>	<u>Interest payments</u>	
2022	46,000	5,635	70,362	81,093	203,090
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 - 2031	27,000	473	423,384	333,888	784,745
2032 - 2036	-	-	484,089	273,183	757,272
2037 - 2041	-	-	468,687	208,898	677,585
2042 - 2046	-	-	484,083	156,057	640,140
2047 - 2051	-	-	541,668	98,472	640,140
2052 - 2056	-	-	594,895	34,043	628,938
	<u>\$ 193,000</u>	<u>\$ 17,028</u>	<u>\$3,367,799</u>	<u>\$ 1,490,820</u>	<u>\$ 5,068,647</u>

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

TOWN OF ERATH, LOUISIANA

Notes to Basic Financial Statements

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Series 2012 Certificate of Indebtedness	\$ 71,000	\$ -	\$ 23,000	\$ 48,000	\$ 24,000
Series 2018 Certificate of Indebtedness	\$ 166,000	\$ -	\$ 21,000	\$ 145,000	\$ 22,000
Business-type activities:					
Sewer Revenue Bonds	\$ 284,426	\$ -	\$ 10,849	\$ 273,577	\$ 11,348
Sewer Revenue Bonds, Series 2016	\$ 2,364,201	\$ -	\$ 43,274	\$ 2,320,927	\$ 44,258
Sewer Revenue Bonds, Series 2016	\$ 787,723	\$ -	\$ 14,428	\$ 773,295	\$ 14,756

(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.
- (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, 2021.

TOWN OF ERATH, LOUISIANA

Notes to Basic Financial Statements

Certificates of Indebtedness

For the payment of the principal and interest on the Certificates, under the terms of the indenture, the Town shall create and maintain the Sinking Fund. The Town shall deposit into this fund on or before the 20th day of each month, a sum equal to the principal and interest accruing on the Certificates for such calendar month, together with such additional proportionate sum as may be required to pay said principal and interest as the same fall due. All required transfers were made for the year ended June 30, 2021.

(11) Commitments and Contingencies

Litigation

At June 30, 2021, 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 \$54,500 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, 2021 consist of the following:

	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 799,337	\$ 69,311
Utility	-	799,337
Other Governmental Funds	<u>69,311</u>	<u>-</u>
Total	<u>\$ 868,648</u>	<u>\$ 868,648</u>

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

TOWN OF ERATH, LOUISIANA

Notes to Basic Financial Statements

(15) Interfund Balances

Interfund balances at June 30, 2021 consist of the following:

	<u>Due from</u>	<u>Due to</u>
General	\$ 1,946	\$ 179
Utility	182	-
Other Governmental Funds	<u>-</u>	<u>1,949</u>
Total	<u>\$ 2,128</u>	<u>\$ 2,128</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 \$13,500 per year. The Town makes matching contributions of each employee's elective deferral up to a limit of 3% of the employee's compensation. All contributions are made directly to an IRA set up for each employee. Contributions made by the Town for the year ended June 30, 2021 was \$13,961.

(17) Restatement of Net Position

In January 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 84, *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The Focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This Statement also provides recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. The Town adopted the provisions of this Statement for the year ended June 30, 2021. As a result of implementation, net position was restated as follows:

Net position at June 30, 2020, as previously presented	<u>\$ -</u>
Restatement due to implementation of GASB 84	<u>21,471</u>
Net position at June 30, 2020, as restated	<u>\$ 21,471</u>

**REQUIRED
SUPPLEMENTARY INFORMATION**

TOWN OF ERATH, LOUISIANA
General Fund

Budgetary Comparison Schedule
Year Ended June 30, 2021

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		(Negative)
Revenues:				
Taxes	\$ 60,500	\$ 58,000	\$ 62,679	\$ 4,679
Licenses and permits	101,150	105,850	102,969	(2,881)
Intergovernmental	24,500	74,000	73,655	(345)
Charges for services	22,600	15,100	15,318	218
Fines and forfeitures	45,000	30,000	34,370	4,370
Miscellaneous	67,443	82,443	82,892	449
Total revenues	321,193	365,393	371,883	6,490
Expenditures:				
Current -				
General government	251,116	265,416	270,940	(5,524)
Public safety	639,851	704,947	695,067	9,880
Economic development and assistance	3,000	2,000	2,000	-
Culture and recreation	51,008	51,008	48,274	2,734
Debt service -				
Principal	44,000	44,000	44,000	-
Interest	7,005	7,005	7,005	-
Capital outlay	24,400	27,275	26,397	878
Total expenditures	1,020,380	1,101,651	1,093,683	7,968
Deficiency of revenues over expenditures	(699,187)	(736,258)	(721,800)	14,458
Other financing sources (uses):				
Transfers in	775,000	790,000	799,337	9,337
Transfers out	(92,935)	(81,785)	(69,311)	12,474
Total other financing sources (uses)	682,065	708,215	730,026	21,811
Net change in fund balance	(17,122)	(28,043)	8,226	36,269
Fund balance, beginning	100,164	108,835	108,835	-
Fund balance, ending	\$ 83,042	\$ 80,792	\$ 117,061	\$ 36,269

TOWN OF ERATH, LOUISIANA
Sales Tax Fund

Budgetary Comparison Schedule
Year Ended June 30, 2021

	Budget		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues:				
Taxes -				
Sales tax collected	\$ 255,000	\$ 280,000	\$ 303,493	\$ 23,493
Intergovernmental -				
Federal grant	-	1,300	1,373	73
State grant	-	8,000	-	(8,000)
Interest	400	400	528	128
Miscellaneous	13,780	13,780	13,981	201
Total revenues	269,180	303,480	319,375	15,895
Expenditures:				
Current -				
Public works:				
Salaries	89,805	89,805	88,510	1,295
Payroll taxes	6,870	6,870	6,727	143
Retirement	366	366	370	(4)
Group insurance	22,500	21,500	21,175	325
Worker's compensation	19,500	16,500	16,429	71
Uniforms	300	300	-	300
Material and supplies	20,500	22,500	23,191	(691)
Truck expenses	6,500	6,500	5,955	545
Insurance	7,500	7,500	6,672	828
Telephone	3,500	3,500	3,063	437
Professional services	5,000	5,000	6,600	(1,600)
Office supplies	300	300	181	119
Repairs and maintenance	21,250	21,250	11,286	9,964
Contract services	18,500	78,500	78,888	(388)
Equipment fuel and oil	5,000	5,000	4,798	202
Utilities	2,500	2,500	1,782	718
Other	1,300	1,300	1,238	62
Capital outlay	5,230	13,230	-	13,230
Total expenditures	236,421	302,421	276,865	25,556
Net change in fund balance	32,759	1,059	42,510	41,451
Fund balance, beginning	173,372	195,126	195,126	-
Fund balance, ending	\$ 206,131	\$ 196,185	\$ 237,636	\$ 41,451

TOWN OF ERATH, LOUISIANA

Note to Budgetary Comparison Schedules

(1) Budgets and Budgetary Accounting

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

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

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

OTHER SUPPLEMENTARY INFORMATION

NONMAJOR GOVERNMENTAL FUNDS

NONMAJOR GOVERNMENTAL FUNDS

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

Special Parish Tax Fund

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

Youth Recreation Fund

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

LCDBG Fund

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

TOWN OF ERATH, LOUISIANA
Nonmajor Governmental Funds

Combining Balance Sheet
June 30, 2021

	<u>Special Parish Tax Fund</u>	<u>Youth Recreation Fund</u>	<u>LCDBG</u>	<u>Total</u>
ASSETS				
Cash	\$ 283	\$ -	\$ 3	\$ 286
Other receivables	2,299	-	-	2,299
Due from other governmental agencies	<u>4,957</u>	<u>-</u>	<u>-</u>	<u>4,957</u>
Total assets	<u>\$ 7,539</u>	<u>\$ -</u>	<u>\$ 3</u>	<u>\$ 7,542</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 4,937	\$ -	\$ -	\$ 4,937
Accrued expenses	656	-	-	656
Due to other funds	<u>1,946</u>	<u>-</u>	<u>3</u>	<u>1,949</u>
Total liabilities	<u>\$ 7,539</u>	<u>\$ -</u>	<u>\$ 3</u>	<u>\$ 7,542</u>
Fund balances:				
Restricted	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 7,539</u>	<u>\$ -</u>	<u>\$ 3</u>	<u>\$ 7,542</u>

TOWN OF ERATH, LOUISIANA
Nonmajor Governmental Funds

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances -
Year Ended June 30, 2021

	<u>Special Parish Tax Fund</u>	<u>Youth Recreation Fund</u>	<u>LCDBG</u>	<u>Total</u>
Revenues:				
Intergovernmental	\$ 39,142	\$ -	\$ -	\$ 39,142
Miscellaneous	<u>2,095</u>	<u>-</u>	<u>-</u>	<u>2,095</u>
Total revenues	<u>41,237</u>	<u>-</u>	<u>-</u>	<u>41,237</u>
Expenditures:				
Current-				
Public safety	103,766	-	-	103,766
Capital outlay	<u>6,782</u>	<u>3,296</u>	<u>-</u>	<u>10,078</u>
Total expenditures	<u>110,548</u>	<u>3,296</u>	<u>-</u>	<u>113,844</u>
Deficiency of revenues over expenditures	(69,311)	(3,296)	-	(72,607)
Other financing sources:				
Transfers in	<u>69,311</u>	<u>-</u>	<u>-</u>	<u>69,311</u>
Net change in fund balances	-	(3,296)	-	(3,296)
Fund balances, beginning	<u>-</u>	<u>3,296</u>	<u>-</u>	<u>3,296</u>
Fund balances, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

TOWN OF ERATH, LOUISIANA

Schedule of Insurance in Force

Year Ended June 30, 2021

Insurer	Assets Covered	Limits of Coverage (in Dollars)	Expiration Date
SCU	Commercial property	Varies by property	5/6/2022
CNASurety	Public Officials		
	Mayor	28,500	11/15/2021
	Town Clerk	28,500	11/15/2021
	Tax Collector	28,500	11/15/2021
	Bill Collector	28,500	11/15/2021
	Mayor Pro-tem	28,500	11/15/2021
	Council & other employees	5,000	11/15/2021
Hartford Insurance Company	Crime Policy		
	Mayor	152,000	6/16/2022
	Town Clerk	152,000	6/16/2022
Berkshire Hathaway Insurance Company	Comprehensive general liability	500,000	12/29/2021
	Law enforcement officer	500,000	12/29/2021
	Errors & omissions	500,000	12/29/2021
	Comprehensive automobile	500,000	12/29/2021
Special Risk Insurance, Inc.	Portable equipment - Fire Department	Replacement Cost	3/28/2022
	General liability - Fire Department	2,000,000	3/28/2022
	Management liability - Fire Department	2,000,000	3/28/2022
Bankers Specialty Insurance	Flood - Police station		
	Building	500,000	5/7/2022
	Contents	50,000	5/7/2022

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

Schedule of Number of Utility Customers and Rates
June 30, 2021 and 2020

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

<u>Department</u>	<u>2021</u>	<u>2020</u>
Electric (metered)	926	929
Water	1013	1021
Sewerage	912	918

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, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Current assets:		
Cash	\$ 685,043	\$ 703,864
Interest-bearing deposits	1,057,193	1,034,037
Accrued interest receivable	3,566	3,487
Accounts receivable, net	195,514	211,986
Unbilled service receivable, net	32,069	-
Due from other governmental agencies	32,630	45,564
Other receivables	11	-
Interfund receivables	182	31,643
Total current assets	<u>2,006,208</u>	<u>2,030,581</u>
Restricted assets:		
Cash	419,432	391,492
Interest-bearing deposits	64,505	63,200
Accrued interest receivable	315	309
Total restricted assets	<u>484,252</u>	<u>455,001</u>
Capital assets, net of accumulated depreciation	<u>10,237,071</u>	<u>10,537,438</u>
Total assets	<u>12,727,531</u>	<u>13,023,020</u>
LIABILITIES		
Current liabilities (payable from current assets):		
Accounts payable and accrued expenses	119,488	97,786
Retainage payable	-	13,069
Interfund payables	-	31,461
Other payables	609	3,561
Total	<u>120,097</u>	<u>145,877</u>
Current liabilities (payable from restricted assets):		
Customers' deposits	92,743	94,376
Accrued interest on bonds	6,520	6,656
Current portion of long term debt	70,362	68,551
Total	<u>169,625</u>	<u>169,583</u>
Total current liabilities	289,722	315,460
Noncurrent liabilities:		
Long term debt	<u>3,297,437</u>	<u>3,367,799</u>
Total liabilities	<u>3,587,159</u>	<u>3,683,259</u>
NET POSITION		
Net investment in capital assets	6,869,272	7,101,088
Restricted for debt service	384,989	353,969
Unrestricted	<u>1,886,111</u>	<u>1,884,704</u>
Total net position	<u>\$9,140,372</u>	<u>\$9,339,761</u>

TOWN OF ERATH, LOUISIANA

Statements of Revenues, Expenses, and Changes in Fund Net Position
 Proprietary Funds
 Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Operating revenues:		
Charges for services	\$ 2,422,663	\$ 2,367,896
Miscellaneous	<u>28,783</u>	<u>30,285</u>
Total operating revenues	<u>2,451,446</u>	<u>2,398,181</u>
Operating expenses:		
Salaries	201,107	195,294
Payroll taxes	15,300	14,815
Retirement	5,022	3,311
Group insurance	36,331	35,735
Worker's compensation insurance	11,314	10,729
Purchase of electric power	881,662	833,230
Materials and supplies	82,488	68,844
Maintenance and repairs	63,898	59,613
Fuel, gas and oil	4,363	4,400
Telephone and utilities	100,647	109,388
Insurance	45,748	42,818
Depreciation	350,995	342,183
Contractual services	15,600	15,600
Professional fees	11,910	16,159
Equipment rental	1,275	2,912
Other	<u>20,293</u>	<u>14,438</u>
Total operating expenses	<u>1,847,953</u>	<u>1,769,469</u>
Operating income	<u>603,493</u>	<u>628,712</u>
Nonoperating revenues/(expenses):		
Grant revenue	52,613	25,166
Interest income	26,608	26,044
Interest expense	<u>(82,766)</u>	<u>(84,529)</u>
Total nonoperating revenues/(expenses)	<u>(3,545)</u>	<u>(33,319)</u>
Income before contributions and transfers	599,948	595,393
Capital contributions	-	140,660
Transfers out	<u>(799,337)</u>	<u>(768,912)</u>
Change in net position	(199,389)	(32,859)
Net position, beginning	<u>9,339,761</u>	<u>9,372,620</u>
Net position, ending	<u>\$ 9,140,372</u>	<u>\$ 9,339,761</u>

TOWN OF ERATH, LOUISIANA

Budgetary Comparison Schedule - Detail of Revenues
 General Fund
 For the Year Ended June 30, 2021

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Taxes -				
General ad valorem	\$ 22,000	\$ 22,000	\$ 22,809	\$ 809
Gas franchise	12,000	10,500	10,329	(171)
Cable franchise	9,000	9,000	8,344	(656)
Slemco franchise	3,000	3,000	2,827	(173)
Entergy franchise	8,500	8,500	9,141	641
Housing Authority payment	6,000	5,000	9,229	4,229
	<u>60,500</u>	<u>58,000</u>	<u>62,679</u>	<u>4,679</u>
Licenses and permits -				
Occupational licenses	25,000	25,000	26,009	1,009
Insurance licenses	75,000	75,000	70,961	(4,039)
Building permits	1,000	5,700	5,824	124
Liquor permits	150	150	175	25
	<u>101,150</u>	<u>105,850</u>	<u>102,969</u>	<u>(2,881)</u>
Intergovernmental -				
Federal grants	-	10,000	10,057	57
State funds:				
On-behalf payments	-	54,500	54,500	-
State grants	20,000	5,000	4,318	(682)
State shared revenue:				
Beer taxes	4,500	4,500	4,780	280
	<u>24,500</u>	<u>74,000</u>	<u>73,655</u>	<u>(345)</u>
Charges for services -				
Police accident reports	600	600	661	61
Court costs	22,000	14,500	14,657	157
	<u>22,600</u>	<u>15,100</u>	<u>15,318</u>	<u>218</u>
Fines and forfeitures	<u>45,000</u>	<u>30,000</u>	<u>34,370</u>	<u>4,370</u>
Miscellaneous -				
Rent income (post office)	39,500	39,500	39,500	-
Other	27,943	42,943	43,392	449
	<u>67,443</u>	<u>82,443</u>	<u>82,892</u>	<u>449</u>
Total revenues	<u>\$ 321,193</u>	<u>\$ 365,393</u>	<u>\$ 371,883</u>	<u>\$ 6,490</u>

TOWN OF ERATH, LOUISIANA

Budgetary Comparison Schedule - Detail of Expenditures

General Fund

For the Year Ended June 30, 2021

	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	23,610	710
Clerk of Court salary	29,062	29,062	29,173	(111)
Other salaries	48,192	48,192	48,377	(185)
Payroll taxes	8,510	8,510	8,480	30
Retirement	2,318	2,318	2,318	-
Group insurance	15,000	15,000	14,507	493
Workmen's compensation insurance	575	575	421	154
Printing, stationery and supplies	5,500	5,500	5,705	(205)
Repairs and maintenance	6,000	6,000	10,546	(4,546)
Material and supplies	1,000	2,000	2,336	(336)
General insurance	18,000	18,900	18,889	11
Auditing and accounting	8,500	6,000	5,550	450
Dues and subscriptions	1,500	1,500	1,990	(490)
Telephone	3,800	3,800	3,739	61
Professional fees	46,000	48,000	52,410	(4,410)
Publication of minutes	1,500	1,500	1,447	53
Tax roll preparation	1,125	1,125	1,196	(71)
Legal fees	2,000	3,000	2,395	605
Utilities	5,500	5,500	4,441	1,059
Building permits and inspections	3,000	3,000	3,200	(200)
Emergency generator fuel and repairs	600	600	953	(353)

(continued)

TOWN OF ERATH, LOUISIANA

Budgetary Comparison Schedule - Detail of Expenditures
 General Fund (Continued)
 For the Year Ended June 30, 2021

	Budget		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Election expense	-	9,600	9,524	76
Filing fees	1,200	2,000	1,883	117
Court printing supplies	500	500	220	280
Court material and supplies	450	450	457	(7)
Court professional fees	1,200	2,700	2,519	181
Magistrate salary	2,400	2,400	2,400	-
Prosecutor salary	2,400	2,400	2,400	-
Other	1,300	1,300	153	1,147
	<u>251,116</u>	<u>265,416</u>	<u>270,940</u>	<u>(5,524)</u>
Public safety:				
Chief of Police's salary	38,260	38,260	38,407	(147)
Other salaries	315,295	384,347	386,122	(1,775)
Payroll taxes	30,719	32,019	31,914	105
Retirement	5,577	5,577	5,952	(375)
Group insurance	82,500	74,500	72,637	1,863
Workmen's compensation insurance	28,500	28,500	28,330	170
Court appearance	600	600	-	600
Uniforms	2,500	2,500	2,500	-
Conventions and schools	2,500	2,500	734	1,766
Dues and subscriptions	700	1,500	1,473	27
Material and supplies	3,800	3,800	3,540	260
Auto fuel and oil	25,000	24,000	22,524	1,476
Insurance	41,000	42,600	42,574	26
Telephone	4,400	4,400	4,548	(148)
Task force appropriation	15,000	15,000	15,000	-
Office	2,600	2,600	1,773	827
Repairs and maintenance -				
Auto	16,000	17,444	17,824	(380)
Building	5,500	5,500	4,087	1,413
Radio, radar and camera	3,500	2,000	611	1,389
Emergency generator fuel	600	600	954	(354)
Utilities	7,500	7,500	6,677	823
Other	3,000	4,400	2,086	2,314
Salaries - fire department	4,800	4,800	4,800	-
	<u>639,851</u>	<u>704,947</u>	<u>695,067</u>	<u>9,880</u>

(continued)

TOWN OF ERATH, LOUISIANA

Budgetary Comparison Schedule - Detail of Expenditures
 General Fund (Continued)
 For the Year Ended June 30, 2021

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Economic development and assistance:				
External appropriation	<u>3,000</u>	<u>2,000</u>	<u>2,000</u>	<u>-</u>
Culture and recreation:				
Salaries	29,949	29,949	30,016	(67)
Payroll taxes	2,291	2,291	2,184	107
Retirement	299	299	299	-
Group insurance	7,500	7,500	7,267	233
Workmen's compensation insurance	2,275	2,275	1,960	315
Uniforms	200	200	-	200
Material and supplies	1,200	1,200	1,426	(226)
Insurance	350	350	380	(30)
Maintenance and upkeep	1,000	1,000	-	1,000
Repairs and maintenance -				
Building	150	150	-	150
Equipment	2,000	2,000	33	1,967
Equipment fuel and oil	1,000	1,000	1,644	(644)
Utilities	1,900	1,900	1,546	354
Other	894	894	1,519	(625)
	<u>51,008</u>	<u>51,008</u>	<u>48,274</u>	<u>2,734</u>
Debt service:				
Principal	44,000	44,000	44,000	-
Interest	<u>7,005</u>	<u>7,005</u>	<u>7,005</u>	<u>-</u>
	<u>51,005</u>	<u>51,005</u>	<u>51,005</u>	<u>-</u>
Capital outlay	<u>24,400</u>	<u>27,275</u>	<u>26,397</u>	<u>878</u>
Total expenditures	<u>\$ 1,020,380</u>	<u>\$ 1,101,651</u>	<u>\$ 1,093,683</u>	<u>\$ 7,968</u>

TOWN OF ERATH, LOUISIANA

Budgetary Comparison Schedule
 Special Parish Tax Fund
 For the Year Ended June 30, 2021

	Budget		Actual	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues:				
Intergovernmental -				
Federal grants	\$ -	\$ 10,500	\$ 10,572	\$ 72
Appropriation from Vermilion Parish Police Jury:				
Special Parish Tax	28,570	28,570	28,570	-
Miscellaneous	-	2,000	2,095	95
Total revenues	<u>28,570</u>	<u>41,070</u>	<u>41,237</u>	<u>167</u>
Expenditures:				
Current -				
Public safety:				
Salaries	20,800	22,050	21,613	437
Payroll taxes	1,591	1,591	1,647	(56)
Group insurance	7,500	5,000	2,930	2,070
Retirement	624	624	-	624
Worker's compensation insurance	5,500	5,000	2,072	2,928
Training	4,000	2,000	608	1,392
Fire prevention and education	2,500	2,500	2,251	249
Office supplies	1,500	1,500	1,584	(84)
Material and supplies	2,000	2,000	2,495	(495)
Truck expense	16,000	13,400	17,228	(3,828)
Insurance	25,000	25,000	25,219	(219)
Telephone	2,700	2,700	2,752	(52)
Professional services	750	750	750	-
Uniforms	350	350	325	25
Repairs and maintenance	11,860	18,860	15,617	3,243
Utilities	5,500	5,500	5,441	59
Other	2,100	2,600	1,234	1,366
Capital outlay	<u>11,230</u>	<u>11,430</u>	<u>6,782</u>	<u>4,648</u>
Total expenditures	<u>121,505</u>	<u>122,855</u>	<u>110,548</u>	<u>12,307</u>
Deficiency of revenues over expenditures	(92,935)	(81,785)	(69,311)	12,474
Other financing sources:				
Transfers in	<u>92,935</u>	<u>81,785</u>	<u>69,311</u>	<u>(12,474)</u>
Net change in fund balance	-	-	-	-
Fund balance, beginning	-	-	-	-
Fund balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

TOWN OF ERATH, LOUISIANA

Justice System Funding Schedule - Collecting/Disbursing Entity
 As Required by Act 87 to the 2020 Regular Legislative Session
 For the Year Ended June 30, 2021

Cash Basis Presentation	Six Month Period Ended 12/31/2020	Six Month Period Ended 6/30/2021
Beginning Balance of Amounts Collected (i.e. cash on hand)	\$ 26,462	\$ 23,364
Add: Collections		
Criminal Court Costs/Fees	9,187	8,187
Criminal Fines - Other	12,701	20,988
<i>Other (do not include collections that fit into more specific categories above)</i>	250	-
Subtotal Collections	22,138	29,175
Less: Disbursements To Governments & Nonprofits:		
<i>Indegent Defender Program, Criminal Court Costs/Fees</i>	1,005	1,140
<i>Louisiana Commission on Law Enforcement/ Criminal Court Costs/Fees</i>	268	304
<i>Louisiana State Treasurer/Criminal Court Costs/Fees</i>	397	441
<i>Louisiana Commission on Law Enforcement/ Criminal Court Costs/Fees</i>	300	200
<i>Acadiana Criminalistic Laboratory/Criminal Court Costs/Fees</i>	170	300
<i>Louisiana Supreme Court/Criminal Court Costs/Fees</i>	57	57
Less: Amounts Retained by Collecting Agency		
Amounts "Self-Disbursed" to Collecting Agency - Criminal Fines - Other	16,314	18,056
Amounts "Self-Disbursed" to Collecting Agency - Example: Criminal Court Cost/Fees	6,725	7,932
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	25,236	28,430
Total: Ending Balance of Amounts Collected but not Disbursed/Retained (i.e. cash on hand)	23,364	24,109

TOWN OF ERATH, LOUISIANA

Schedule of Compensation, Benefits, and
Other Payments to Agency Head
For the Year Ended June 30, 2021

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, 2021. 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, 2021

<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	\$ 1,347
Mike Richard	115 West Edwards St., Erath, LA 70533	337-937-8401	4,869
Earl Landry	115 West Edwards St., Erath, LA 70533	337-937-8401	4,869
Scott Bernard	115 West Edwards St., Erath, LA 70533	337-937-8401	4,870
Jason C. Conner	115 West Edwards St., Erath, LA 70533	337-937-8401	4,870
Jacquelyne L. Vincent	115 West Edwards St., Erath, LA 70533	337-937-8401	1,662
Clarence Fusilier	115 West Edwards St., Erath, LA 70533	337-937-8401	<u>1,123</u>
			<u>\$ 23,610</u>

**INTERNAL CONTROL, COMPLIANCE
AND
OTHER MATTERS**

KOLDER, SLAVEN & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS

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Brad E. Kolder, CPA, JD*
Gerald A. Thibodeaux, Jr., CPA*
Robert S. Carter, CPA*
Arthur R. Mixon, CPA*
Stephen J. Anderson, CPA*
Christine C. Doucet, CPA
Wanda F. Arcement, CPA, CVA
Bryan K. Joubert, CPA
Matthew E. Margaglio, CPA
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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, 2021, 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 13, 2021.

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 2021-001 that we consider to be a significant deficiency.

Compliance and Other Matters

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

Town of Erath's Response to Findings

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

Purpose of this Report

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

Kolder, Slaven & Company, LLC
Certified Public Accountants

Abbeville, Louisiana
December 13, 2021

TOWN OF ERATH, LOUISIANA

Schedule of Current and Prior Year Audit Findings
and Management's Corrective Action Plan
Year Ended June 30, 2021

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

A. Internal Control Over Financial Reporting

2021-001 Inadequate Segregation of Accounting Functions

Fiscal year finding initially occurred: Unknown

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

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

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

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

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

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

B. Compliance

None reported

TOWN OF ERATH, LOUISIANA

Schedule of Current and Prior Year Audit Findings
and Management's Corrective Action Plan (continued)
Year Ended June 30, 2021

Part II: Prior Year Findings:

A. Internal Control Over Financial Reporting

2020-001 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 2021-001.

B. Compliance

None reported