

TOWN OF EROS, LOUISIANA

*Financial Statements  
For the Year Ended December 31, 2019*

Town of Eros  
Eros, Louisiana

Annual Financial Statements  
As of and for the year ended December 31, 2019

Contents

	Statement / Schedule	Page
<b>Accountant's Compilation Report</b>		3
<b>Basic Financial Statements</b>		
Government-Wide Financial Statements:		
Statement of Net Position	A	6
Statement of Activities	B	7
Fund Financial Statements		
Governmental Funds		
Balance Sheet	C	9
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	D	10
Statement of Revenues, Expenditures, and Changes in Fund Balance	E	11
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	F	12
Proprietary Funds		
Statement of Net Position	G	13
Statement of Revenues, Expenses, and Changes in Fund Net Position	H	14
Statement of Cash Flows	I	15
Notes to the Financial Statements		17 - 30
<b>Supplemental Information Schedules</b>		
Budgetary Comparison Schedule	1	32
Schedule of Per Diem Paid Aldermen	2	33
Schedule of Compensation, Benefits, and Other Payments to Agency Head	3	34
<b>Other Reports Required by Government Auditing Standards and by Office of Management and Budget Uniform Guidance`</b>		
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		35-36
Report on Compliance For Each Major Federal Program; and Report on Internal Control Over Compliance Required by Uniform Guidance		37-38
Schedule of Expenditures of Federal Awards		39
Notes to the Schedule of Expenditures of Federal Awards		40
Schedule of Findings and Questioned Costs		41-43
Schedule of Prior Year Findings		44
Independent Accountant's Report on Applying Agreed-Upon Procedures		45-52

## INDEPENDENT AUDITOR'S REPORT

Town of Eros  
Eros, Louisiana

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Eros, Louisiana (the Town), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

## *Opinions*

In my opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Eros, Louisiana, as of December 31, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## *Other Matters*

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Budgetary Comparison Schedules, 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. I 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. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Management has omitted 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 statement in an appropriate operational, economic, or historical context. My opinion on the basic financial statements is not affected by this missing information.

### *Supplementary and Other Information*

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The accompanying supplementary information, as listed in the table of contents, and the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the other information, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information, and the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements.

*Supplementary and Other Information (continued)*

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 to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In my opinion, the accompanying supplementary information, as listed in the table of contents, and the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The accompanying other information, as listed in the table of contents, has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, I 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 March 2, 2022, on my consideration of the Town's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

*David M. Smith, CPA (APAE)*

West Monroe, Louisiana  
March 2, 2022

**GOVERNMENT-WIDE  
FINANCIAL STATEMENTS**

Town of Eros  
Eros, Louisiana

Statement of Net Position  
As of December 31, 2019

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash and equivalents	\$ 1,551	\$ 10,052	\$ 11,603
Accounts receivable	2,529	9,592	12,121
Capital assets (net of accumulated depreciation)	381,411	1,389,705	1,771,116
<b>Total Assets</b>	<u>385,491</u>	<u>1,409,349</u>	<u>1,794,840</u>
<b>Liabilities</b>			
Accounts payable	1,344	3,291	4,635
Payroll liabilities	12,667	-	12,667
Customer meter deposits	-	13,404	13,404
Long-term liability - current portion	-	2,906	2,906
Long-term liability - accrued interest	-	2,794	2,794
Long-term liability - noncurrent portion	-	158,094	158,094
<b>Total Liabilities</b>	<u>14,011</u>	<u>180,489</u>	<u>194,500</u>
<b>Net Position</b>			
Net investment in capital assets	381,411	1,228,705	1,610,116
Unrestricted	(9,931)	154	(9,777)
<b>Total Net Position</b>	<u>\$ 371,480</u>	<u>\$ 1,228,859</u>	<u>\$ 1,600,339</u>

See Accountant's Compilation Report.

Town of Eros  
Eros, Louisiana

Statement of Activities  
For the Year Ended December 31, 2019

Functions/Programs	Major Funds			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government							
Governmental activities							
General government	\$ 65,149	\$ -	\$ 11,042	\$ -	\$ (54,107)	\$ -	\$ (54,107)
Police	6,698	4,313	-	-	(2,385)	-	(2,385)
Highways and streets	8,102	-	-	-	(8,102)	-	(8,102)
Total governmental activities	<u>79,949</u>	<u>4,313</u>	<u>11,042</u>	<u>-</u>	<u>(64,594)</u>	<u>-</u>	<u>(64,594)</u>
Business-type activities							
Water and sewer	151,118	92,699	-	655,937	-	597,518	597,518
Total primary government	<u>\$ 231,067</u>	<u>\$ 97,012</u>	<u>\$ 11,042</u>	<u>\$ 655,937</u>	<u>(64,594)</u>	<u>597,518</u>	<u>532,924</u>
<u>General Revenues</u>							
Taxes:							
Sales taxes					23,855	-	23,855
Franchise taxes					3,005	-	3,005
Other taxes					538	-	538
Licenses					17,812	-	17,812
Investment earnings					21	46	67
Other revenue					2,952	168	3,120
Operating transfers					(8,816)	8,816	-
Total general revenues and transfers					<u>39,367</u>	<u>9,030</u>	<u>48,397</u>
Change in net position					(25,227)	606,547	581,321
Net position - December 31, 2018					396,707	622,312	1,019,019
Net position - December 31, 2019					<u>\$ 371,480</u>	<u>\$ 1,228,859</u>	<u>\$ 1,600,340</u>

See Accountant's Compilation Report.



# FUND FINANCIAL STATEMENTS

Town of Eros  
Eros, Louisiana

Balance Sheet - Governmental Funds  
As of December 31, 2019

	Governmental Funds
<b>Assets</b>	
Cash and equivalents	\$ 1,551
Accounts receivable	2,529
<b>Total Assets</b>	<u>\$ 4,080</u>
<b>Liabilities &amp; Fund Balances</b>	
Liabilities:	
Accounts payable	\$ 1,344
Payroll liabilities	12,667
<b>Total Liabilities</b>	<u>14,011</u>
Fund balances:	
Unassigned, reported in:	
General revenue fund	<u>(9,931)</u>
<b>Total Fund Balances</b>	<u>(9,931)</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 4,080</u>

Town of Eros  
Eros, LouisianaReconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position  
As of December 31, 2019

Total Fund Balances at December 31, 2019 - Governmental Funds (Statement C)	\$	(9,931)
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Total Net Position reported for governmental activities in the Statement of Net Position (Statement A) are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds, net of depreciation.	<u>381,411</u>
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Net Position at December 31, 2019	\$	<u><u>371,480</u></u>
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Town of Eros  
Eros, Louisiana

Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds  
For the Year Ended December 31, 2019

	Governmental Funds
<b>Revenues</b>	
Taxes:	
Franchise tax	3,005
Sales tax	23,855
Other tax	538
Licenses and permits	17,812
Operating grant	11,042
Fines, forfeitures, and court costs	4,313
Other revenue	2,952
<b>Total revenues</b>	63,517
<b>Expenditures</b>	
Current:	
General government	50,777
Public safety	
Police	6,698
Streets	8,102
Capital outlay	-
<b>Total expenditures</b>	65,577
<b>Excess (deficiency) of revenues over (under) expenditures</b>	(2,060)
<b>Other financing sources (uses)</b>	
Interest earnings	21
Operating transfers	(8,816)
<b>Total other financing sources (uses)</b>	(8,795)
<b>Net changes in fund balances</b>	(10,855)
<b>Fund balances - December 31, 2018</b>	924
<b>Fund balances - December 31, 2019</b>	\$ (9,931)

Town of Eros  
Eros, Louisiana

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures,  
and Changes in Funds Balances to the Statement of Activities  
For the Year Ended December 31, 2019

Total net change in Fund Balances - Governmental Funds (Statement E)	\$	(10,855)
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Amounts reported for governmental activities in the Statement of Activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets capitalized over their estimated useful lives as depreciation expense. This is the amount by which capital outlay differs from depreciation for the period.

Depreciation		(14,372)
Capital outlay		-
		-
Change in net position of governmental activities (Statement B)	\$	(25,227)

Town of Eros  
Eros, Louisiana

Statement of Net Position - Proprietary Fund  
As of December 31, 2019

	Water & Sewer Fund
<b>Assets</b>	
Current Assets:	
Cash and equivalents	\$ 10,052
Accounts receivable	<u>9,592</u>
Total Current Assets	<u>19,644</u>
Noncurrent Assets:	
Capital assets (net of accumulated depreciation)	<u>1,389,705</u>
Total Noncurrent Assets	<u>1,389,705</u>
<b>Total Assets</b>	<u>1,409,349</u>
<b>Liabilities</b>	
Current Liabilities:	
Accounts payable	3,291
Long-term liability - current portion	2,906
Long-term liability - accrued interest	<u>2,794</u>
Total Current Liabilities	<u>6,197</u>
Non-Current Liabilities:	
Long-term liability - noncurrent portion	<u>158,094</u>
Total Current Liabilities	<u>158,094</u>
Current liabilities payable from restricted assets	
Customer meter deposits	<u>13,404</u>
<b>Total Liabilities</b>	<u>177,695</u>
<b>Net Position</b>	
Net investment in capital assets	1,228,705
Unrestricted	<u>154</u>
<b>Total Net Position</b>	<u>\$ 1,228,859</u>

See Accountant's Compilation Report.

Town of Eros  
Eros, Louisiana

Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Fund  
For the Year Ended December 31, 2019

	Water & Sewer Fund
<b>Operating Revenues</b>	
Water sales	\$ 75,385
Sewer fees	17,314
Miscellaneous income	168
Total operating revenues	92,867
<b>Operating Expenses</b>	
Personnel services	23,729
Supplies	5,989
Utilities	11,425
Repairs and maintenance	15,335
Contractual services	633
Miscellaneous	41,237
Depreciation	52,771
Total operating expenses	151,119
<b>Operating Income (Loss)</b>	(58,252)
<b>Non-operating Revenues (Expenses)</b>	
Interest earnings	46
Capital grant - CWEF	24,179
Capital grant - LCDBG	265,018
Capital grant - USDA	366,740
Total non-operating revenues (expenses)	655,983
<b>Income (loss) before transfers</b>	597,731
<b>Transfers</b>	8,816
<b>Change in net position</b>	606,547
<b>Total Net Position - December 31, 2018</b>	622,312
<b>Total Net Position - December 31, 2019</b>	\$ 1,228,859

Town of Eros  
Eros, Louisiana

Statement of Cash Flows - Proprietary Fund  
For the Year Ended December 31, 2019

	Water & Sewer Fund
<b>Cash flows from operating activities</b>	
Cash received from customers	\$ 92,699
Cash payments to suppliers for goods and services	(74,647)
Cash payments to employees	(23,730)
<b>Net cash provided by (used for) operating activities</b>	(5,678)
<b>Cash flows from non-capital financing</b>	
Transfers from (to) other funds	8,817
<b>Net cash provided by (used for) non-capital financing activities</b>	8,817
<b>Cash flows from capital and related financing activities</b>	
Capital grant	655,937
Loan proceeds	161,000
Acquisition of capital assets	(817,396)
<b>Net cash provided by (used for) capital and related financing activities</b>	(459)
<b>Cash flows from investing activities</b>	
Interest earnings	47
<b>Net cash provided by (used for) investing activities</b>	47
<b>Net increase (decrease) in cash and cash equivalents</b>	2,727
<b>Cash and cash equivalents - December 31, 2018</b>	7,325
<b>Cash and cash equivalents - December 31, 2019</b>	\$ 10,052
<b>Reconciliation of operating income to net provided by operating activities</b>	
Operating income	\$ (58,252)
Adjustments	
Depreciation	52,771
Net changes in assets and liabilities	
Accounts receivable	1,603
Customers' security deposits	(275)
Accounts payable	1,168
Interest payable	2,794
Payroll liabilities	(5,487)
<b>Net cash provided for (used for) operating activities</b>	\$ (5,678)

See Accountant's Compilation Report.



# **NOTES TO THE FINANCIAL STATEMENTS**

Town of Eros  
Eros, Louisiana

Notes to the Financial Statements  
As of and for the year ended December 31, 2019

**INTRODUCTION**

The Town of Eros, Louisiana (Town), was incorporated under the provisions of the Lawrason Act. The Town operates under the Mayor-Board of Aldermen form of government with five aldermen. The mayor and five aldermen serve four-year terms. Services provided by the Town include police protection and general government. The Town also operates a water distribution system and sewer system for approximately 113 customers. The Town is located in Jackson Parish, Louisiana.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Basis of Presentation**

The accompanying financial statements of the Town have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The Town applies all relevant GASB pronouncements, as applicable to governmental entities. Also, the Town's financial statements are prepared in accordance with the requirements of Louisiana R.S. 24:513, the Louisiana Municipal Audit and Accounting Guide and to the industry guide, Audits of State and Local Government Units, published by the American Institute of Certified Public Accountants.

**B. Reporting Entity**

GASB Statement No. 14, The Financial Reporting Entity, established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the Town is considered a primary government, since it is a general purpose local government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. As used in GASB Statement No. 14, fiscally independent means that the Town may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges, and issue bonded debt. The Town has no component units.

GASB Statement No. 39, Determining Whether Certain Organizations are Component Units, establishes criteria for determining which, if any, component units should be considered part of the Town for financial reporting purposes. GASB Statement No. 61 provides additional criteria for classifying entities as component units. The basic criterion for including a potential component unit within the reporting entity is financial accountability, which includes:

1. Appointing a voting majority of an organization's governing body, and:
  - i. The ability of the government to impose its will on that organization and/or
  - ii. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the government.
2. Organizations for which the government does not appoint a voting majority but are fiscally dependent on the government and there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the government regardless of whether the organization has a separately elected governing board, a governing board appointed by a higher level of government, or a jointly appointed board.

Town of Eros  
Eros, Louisiana

Notes to the Financial Statements  
As of and for the year ended December 31, 2019

3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Based on the above criteria, no component units were identified for the Town of Eros.

**C. Government-Wide Financial Statements**

The Town's government-wide financial statements include the Statement of Net Position and the Statement of Activities. These statements present summaries of the governmental activities and the business-type activities for the Town. Fiduciary activities of the Town are not included in these statements.

These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the Town's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in Net Position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange or exchange-like transactions are recognized when the exchange occurs (regardless of when cash is received or disbursed). Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Town of Eros's governmental activities.

**Program Revenues** - Program revenues included in the Statement of Activities (Statement B) are derived directly from parties outside the Town's taxpayers or citizenry, including (a) fees and charges paid by the recipient for goods or services offered by the program, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program; program revenues reduce the cost of the function to be financed from the Town's general revenues.

**Direct Expenses** - The Town reports all direct expenses by function in the Statement of Activities (Statement B). Direct expenses are those that are clearly identifiable with a function. Depreciation expense, which can be specifically identified by function, is included in the direct expenses of each function.

**Indirect Expenses** - The Town reports all indirect expenses separately on the Statement of Activities (Statement B). Indirect expenses are those expenses that are not clearly identifiable with a function. Interest on long-term debt is considered an indirect expense.

General revenues are taxes and other items that are not properly included among program revenues. The effect of interfund activity has been removed from the government-wide financial statements.

Town of Eros  
Eros, Louisiana

Notes to the Financial Statements  
As of and for the year ended December 31, 2019

**D. Fund Financial Statements**

The accounts of the Town of Eros are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, expenditures or expenses, as appropriate, additions, and deductions. 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 maintained is consistent with legal and managerial requirements. Funds of the Town are classified into two categories: governmental and proprietary.

*Governmental Funds*

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds. An accompanying schedule is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net position and changes in net position presented in the Government-Wide financial statements. The Town presented all major funds.

All governmental funds are accounted for on a spending or "current financial resources" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets, deferred outflows of resources, current liabilities, and deferred inflows of resources are included on the Balance Sheets. Amounts recorded as assets exclude capital assets and the acquisition of capital assets is treated as an expenditure. Long-term debts are reported as an other financing source, and repayment of long-term debt is reported as an expenditure. The Statement of Revenues, Expenditures and Changes in Fund Balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in fund balance.

Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. "Measurable" means the amount of the transaction can be determined, and "available" means collectible within the current period or soon thereafter to pay liabilities of the current period. Accordingly, revenues are recorded when received in cash and when collected within 60 days after year-end. Expenditures are recorded in the accounting period in which the related fund liability is incurred, except for principal and interest on general long-term debt, which are recognized when due.

The Town of Eros reports the following major governmental funds:

General Fund - The primary operating fund of the Town, the General Fund, accounts for all financial resources, except those required to be accounted for in other funds. The General Fund is available for any purpose provided it is expended or transferred in accordance with state and federal laws and according to Town policy.

Revenues

The governmental funds use the following practices in recording revenues:

Those revenues susceptible to accrual are property taxes, franchise taxes, and charges for services. Fines and permit and license revenues are not susceptible to accrual because generally they are not measurable until received in cash.

Town of Eros  
Eros, Louisiana

Notes to the Financial Statements  
As of and for the year ended December 31, 2019

Entitlements and shared revenues are recorded as unrestricted grants-in-aid at the time of receipt or earlier if the susceptible-to-accrual criteria are met. Expenditure-driven grants are recognized when the qualifying expenditures have been incurred, all other grant requirements have been met, and the susceptible-to-accrual criteria have been met.

Interest earnings are recorded when the investments have matured and the interest is available.

Expenditures

The governmental funds use the following practices in recording expenditures:

Salaries are recorded as expenditures when earned by employees.

Purchases of various operating supplies, etc. are recorded as expenditures when the related fund liability is incurred.

Compensated absences are recognized as expenditures when leave is actually taken or when employees, or their heirs, are paid for accrued leave upon retirement or death.

Principal and interest on long-term debt are recognized when due.

Other Financing Sources (Uses)

The governmental funds use the following practices in recording other financing sources (uses):

Transfers between funds that are not expected to be repaid, sales of fixed assets, and long-term debt proceeds and payments, are accounted for as other financing sources (uses). These other financing sources (uses) are recognized at the time the underlying events occur.

*Proprietary Funds*

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (net total position) is segregated into three components-net investment in capital assets, restricted net position, and unrestricted net position. Proprietary fund-type operating statements present increases (revenues) and decreases (expenses) in net total position. The proprietary funds use the accrual basis of accounting, where revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of the related cash flows.

The Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis are financed through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purpose.

Town of Eros  
Eros, Louisiana

Notes to the Financial Statements  
As of and for the year ended December 31, 2019

The Enterprise Fund of the Town of Eros is the Water and Sewer Fund, which accounts for the operations of the waterworks and sewerage systems. The intent of the Town for these facilities is (a) that the costs (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) that the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Revenues and Expenses

Operating revenues in the proprietary fund are those that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

**E. Equity Classifications**

The Town of Eros has implemented GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.

In the Government-Wide Financial Statements and the Proprietary Fund Financial Statements, the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources is classified as net position and reported in three components:

Net investment in capital assets: This classification consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of these assets.

Restricted net position: This classification consists of net position with constraints placed on its use either by external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or law through constitutional provision or enabling legislation.

Unrestricted net position: Any other net position that does not meet the definition of "restricted" or "net investment in capital assets."

When an expense is incurred for the purposes for which both restricted and unrestricted net position are available, management applies unrestricted net position first, unless a determination is made to use restricted net position. The policy concerning which to apply first varies with the intended use and legal requirements. This decision is typically made by management at the incurrence of the expense.

The Governmental Fund Financial Statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The Town did not have any nonspendable funds for the year ended December 31, 2019.

Town of Eros  
Eros, Louisiana

Notes to the Financial Statements  
As of and for the year ended December 31, 2019

Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The Town did not have any restricted funds for the year ended December 31, 2019.

Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Aldermen. These amounts cannot be used for any other purpose unless the Board of Aldermen removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The Board typically establishes commitments through the adoption and amendment of the budget. The Town did not have any committed funds for the year ended December 31, 2019.

Assigned: This classification includes amounts that are constrained by the Town's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Aldermen or through the Board delegating this responsibility to a body or official (Mayor) for specific purposes. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund. The Town has no assigned funds for year ended December 31, 2019.

Unassigned: This classification includes the residual fund balance for the General Fund. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts. The Town has unassigned funds of \$4,079 for year ended December 31, 2019.

The Town would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

## **F. Budgets**

The Mayor prepares a proposed budget and submits it to the Board of Aldermen no later than fifteen days prior to the beginning of each fiscal year. 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. A public hearing is held on the proposed budget at least ten days after publication of the call for the hearing. 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. The budget ordinance is structured such that revenues are budgeted by source and appropriations are budgeted by department and by principal object of expenditure. The Board of Aldermen may revise or amend the budget at its discretion during legally convened sessions. Management may amend the budget only below the department level. The Town utilizes formal budgetary integration as a management control device for all funds.

The 2018-2019 general fund budget was published in the official journal and made available for public inspection. A public hearing for the proposed budget was held on March 11, 2019, and the budget was adopted by the Board of Aldermen.

Town of Eros  
Eros, Louisiana

Notes to the Financial Statements  
As of and for the year ended December 31, 2019

**G. Cash and Cash Equivalents**

Cash includes amounts in demand deposits, interest-bearing demand deposits, and money market accounts. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the Town of Eros may deposit funds in demand deposits in stock-owned federally insured depository institutions organized under the laws of the state of Louisiana or of any other state of the United States, or under the laws of the United States. The Town may invest in certificates and time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

For the purposes of the statement of cash flows, cash equivalents include all highly liquid investments with a maturity date of 90 days or less when purchased.

Under state law, the Town may invest in United States bonds, treasury notes, or certificates. Those with maturities of 90 days or less would be classified as cash equivalents and all other reported as investments.

The Town reports restricted assets on the Statement of Net Position (Statement A), which includes restricted cash (customer deposits) that is collected by the Water and Sewer Department.

**H. Investments**

The Town of Eros's investments comply with Louisiana Revised Statute 33:2955. Under state law, the Town may deposit funds with a fiscal agent organized under the laws 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, or government-backed agency securities or certificates, and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana. These deposits are classified as investments if their original maturities exceed 90 days. Investments are stated at fair value except for those which are permitted under GASB Statement No. 31 to use a different valuation measurement.

In accordance with paragraph 69 of GASB Statement No. 72, the Town reports at amortized cost money market investments and participating interest-bearing investment contracts that have a remaining maturity at the time of purchase of one year or less. Money market investments are short-term, highly liquid debt instruments that include U.S. Treasury obligations.

**I. Interfund Receivables and Payables**

Activity between funds that is representative of lending or borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds" on the fund financial statements balance sheets, as well as all other outstanding balances between funds. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

**J. Inventories**

Inventories of supplies in the Proprietary Fund are not material and are charged to operations as purchased.



Town of Eros  
Eros, Louisiana

Notes to the Financial Statements  
As of and for the year ended December 31, 2019

**K. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are recorded in the applicable governmental or business-type activities columns of the government-wide financial statements, but are not reported in the governmental fund financial statements. Acquisitions of property and equipment are capitalized at historical cost or estimated cost if historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The Town maintains a threshold level of \$500 or more for capitalizing capital assets.

Improvements and replacements of property and equipment are capitalized. Maintenance and repairs that do not improve or extend the lives of property and equipment are charged to expense as incurred. When assets are sold or retired, their cost and related accumulated depreciation are removed from the accounts and any gain or loss is reported in the Statement of Activities.

Depreciation is provided over the estimated useful life of each class of depreciable assets and is computed using the straight-line method. Depreciation is recorded as an expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. The estimated useful life for classes of assets are as follows:

Buildings	40 years
Water and Sewer Systems	10-40 years
Machinery and Equipment	5-15 years
Improvements other than Buildings	20 year
Infrastructure - Asphalt Streets	20 years

In accordance with GASB Statement No. 34, general infrastructure capital assets consisting of streets, bridges, sidewalks, and drainage systems acquired before July 1, 2003, are excluded from capital assets.

**L. Deferred Outflows of Resources**

The Town reports decreases in net position that relate to future periods as deferred outflows of resources in a separate section of its government-wide and proprietary funds statements of net position. The Town reported no deferred outflows of resources.

**M. Deferred Inflows of Resources**

The Town reports increases in net position that relate to future periods as deferred inflows of resources in a separate section of its government-wide and proprietary funds statements of net position. The Town will not recognize the related revenues until a future event occurs. The Town reported no deferred inflows of resources.

Town of Eros  
Eros, Louisiana

Notes to the Financial Statements  
As of and for the year ended December 31, 2019

**N. Interfund Transactions**

Interfund activity is reported as loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements are when a fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or enterprise funds are netted as part of the reconciliation to the government-wide financial statements.

Resources belonging to particular funds are commonly shared with other funds that need access to additional resources. When resources are provided without the expectation of repayment, the transaction is reported as a transfer and is treated as a source of income by the recipient fund and as an expenditure by the providing fund.

Activity between funds that is representative of lending or borrowing arrangements outstanding at the end of the fiscal year are referred to as "due from other funds" or "due to other funds" on the Fund Financial Statements Balance Sheet (Statement C), as well as all other outstanding balances between funds.

In the process of aggregating data for the Statement of Net Position (Statement A) and the Statement of Activities (Statement B), some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

**O. Estimates**

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

**2. Sales Tax**

The qualified electors of the Town of Eros, under the provisions of Louisiana Revised Statute 47:338.1, authorized a one percent sales and use tax levy to be dedicated and used for the purpose of providing funding for any lawful corporate purpose of the Town for an undefined period of time. The tax was first levied on December 1, 1983.

**3. Cash, Cash Equivalents, and Investments**

At December 31, 2019, the Town had cash and cash equivalents (book balances) totaling \$11,603. These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent.

Town of Eros  
Eros, Louisiana

Notes to the Financial Statements  
As of and for the year ended December 31, 2019

At December 31, 2019, the Town had \$12,603 in deposits (collected bank balances). These deposits are secured from risk by \$12,603 federal deposit insurance. Even though the pledged securities are considered uncollateralized under the provisions of GASB Statement No. 40, Louisiana Revised Statute 30:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified that the fiscal agent has failed to pay deposited funds upon demand. Louisiana R.S. 39:1224 requires bonds, or other such instruments furnished as security, to be deposited with the deposing authority or with an unaffiliated bank or trust company, Federal Reserve Bank, or any Federal Home Loan Bank or its successor. This security is deemed to be under the control and in the possession of the public entity and deemed to be held in its name. The Town of Eros has complied with these requirements of state law.

Cash and investments are categorized to give an indication of the level of risk assumed by the Town at December 31, 2019. Deposits are considered to be exposed to custodial credit risk if they are not covered by depository insurance and the deposits are (a) uncollateralized, (b) collateralized with securities held by the pledging financial institution, or (c) collateralized with securities held by the the pledging financial institution's trust department or agent but not in the depositor-government's name. The Town of Eros has cash and cash equivalents that are covered by \$12,603 of federal depository insurance.

At December 31, 2019, the Town had no investments.

**4. Receivables**

The receivables of \$12,121 at December 31, 2019, are as follows:

	Fund		
	General	Enterprise	Total
Services		\$ 9,592	\$ 9,592
Sales taxes	1,835		1,835
Beer taxes	128		128
Franchise fees	463		463
Occupational licenses	89		89
Other	13		13
Total	<u>\$ 2,529</u>	<u>\$ 9,592</u>	<u>\$ 12,121</u>

1

Town of Eros  
Eros, Louisiana

Notes to the Financial Statements  
As of and for the year ended December 31, 2019

**5. Capital Assets**

A summary of changes in capital assets for the year ended December 31, 2019, is as follows:

*A. Capital Assets - Governmental Funds*

	Balance, 01/01/19	Additions	Deletions	Balance, 12/31/19
Capital assets being depreciated				
Buildings	\$ 69,310	\$ -	\$ -	69,310
Improvements other than buildings	454,035	-	-	454,035
Equipment	27,355	-	-	27,355
Vehicles	39,312	-	-	39,312
Total capital assets being depreciated	<u>\$ 590,011</u>	<u>\$ -</u>	<u>\$ -</u>	<u>590,012</u>
Less accumulated depreciation				
Buildings	\$ 52,374	2,077	\$ -	54,451
Improvements other than buildings	82,294	11,351	-	93644.68
Equipment	20,249	943	-	21192.01
Vehicles	39,312	-	-	39312.00
Total accumulated depreciation	<u>\$ 194,228</u>	<u>\$ 14,372</u>	<u>\$ -</u>	<u>208,600</u>
Governmental capital assets - net	<u>\$ 395,783</u>	<u>\$ (14,372)</u>	<u>\$ -</u>	<u>381,412</u>

Functional Allocation of Depreciation Expense

General government	\$ 14,372
Total	<u>\$ 14,372</u>

Town of Eros  
Eros, Louisiana

Notes to the Financial Statements  
As of and for the year ended December 31, 2019

*B. Capital Assets - Proprietary Funds*

	Balance, January 01, 2019	Additions	Deletions	Balance, December 31, 2019
Capital assets not depreciated				
Land	\$ 121	\$ -	\$ -	\$ 121
Construction in progress	-	858,386	-	858,386
Total capital assets not being depreciated	<u>121</u>	<u>858,386</u>	<u>-</u>	<u>858,507</u>
Capital assets being depreciated				
Buildings	3,650	-	-	3,650
Distribution/sewerage system	2,185,257	-	-	2,185,257
Equipment	42,601	-	-	42,601
Vehicles	18,128	-	-	18,128
Total capital assets being depreciated	<u>\$ 2,249,636</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,249,636</u>
Less accumulated depreciation				
Buildings	\$ 2,084	\$ 183	\$ -	\$ 2,266
Distribution/sewerage system	1,603,994	52,099	-	1,656,094
Equipment	41,461	489	-	41,950
Vehicles	18,128	-	-	18,128
Total accumulated depreciation	<u>1,665,667</u>	<u>52,771</u>	<u>-</u>	<u>1,718,438</u>
Capital assets, net	<u>\$ 583,969</u>	<u>\$ (52,771)</u>	<u>\$ -</u>	<u>\$ 531,198</u>
Business-type activities capital assets, net	<u>\$ 584,090</u>	<u>\$ 805,615</u>	<u>\$ -</u>	<u>\$ 1,389,705</u>

Functional Allocation of Depreciation Expense

Buildings	\$ 183
Distribution/Sewage System	52,099
Equipment	489
Vehicles	-
Total	<u>\$ 52,771</u>

Town of Eros  
Eros, Louisiana

Notes to the Financial Statements  
As of and for the year ended December 31, 2019

**6. Payables**

The payables of \$20,096 at December 31, 2019, are as follows:

	Fund		
	General	Enterprise	Total
Accounts	\$ 1,344	\$ 3,291	\$ 4,635
Payroll liabilities	12,667	-	12,667
Interest payable	-	2,794	2,794
<b>Total</b>	<b>\$ 14,011</b>	<b>\$ 6,085</b>	<b>\$ 20,096</b>

**7. Long-Term Obligations**

During the year ended June 30, 2019, the Town entered into a loan with the USDA to help finance wastewater treatment improvements for forty years at a 1.75% interest rate.

The following is a summary of the long-term obligation transactions for the year ended December 31, 2019:

Long-term obligation	Balance, January 01, 2019	Additions	Deletions	Balance, December 31, 2019
USDA	\$ -	\$ 161,000	\$ -	\$ 161,000
<b>Total</b>	<b>\$ -</b>	<b>\$ 161,000</b>	<b>\$ -</b>	<b>\$ 161,000</b>

The following is a summary of the current (due in one year or less) and the long-term (due in more than one year) portions of long-term obligations as of the year ended December 31, 2019:

Long-term obligation	Current portion	Long-term portion	Total
USDA	\$ 2,906	\$ 158,094	\$ 161,000
<b>Total</b>	<b>\$ 2,906</b>	<b>\$ 158,094</b>	<b>\$ 161,000</b>

**8. Grants**

During the year ended December 31, 2019, the Town of Eros received grant income of \$3,542 from the Local Government Assistance Program (LGAP) that was used for operating supplies for the streets department, \$7,500 from the Jackson Parish Police Jury (JPPJ) that was used for general operating supplies, \$366,740 from the United States Department of Agriculture (USDA) that was used for wastewater treatment improvements, \$265,018 from the Louisiana Community Development Block Grant (LCDBG) that was used for wastewater treatment improvements, and \$24,179 from the Community Water Enrichment Fund (CWEF) that was used for wastewater treatment improvements.

Town of Eros  
Eros, Louisiana

Notes to the Financial Statements  
As of and for the year ended December 31, 2019

**9. Risk Management**

The Town is exposed to various risk of loss related to torts, thefts of, damage to, and destruction of assets, errors and omissions, and injuries to employees. To handle such risk of loss, the Town maintains commercial insurance policies covering automobile liability and uninsured motorist, surety bond coverage, flood insurance, and property insurance. In addition to the above policies, the Town maintains a general liability policy and an errors and omissions policy. No claims were paid on any of the policies during the past three years, which exceeded the policies' coverage amount.

**10. Litigation and Claims**

At December 31, 2019, the Town was not involved in any lawsuits nor is aware of any outstanding claims, which are not covered by insurance.

**11. Subsequent Events**

Management has evaluated subsequent events through the date that the financial statements were available to be issued, March 3, 2022, and determined that no events occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

# **SUPPLEMENTAL INFORMATION**



Town of Eros  
Eros, Louisiana

Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds  
For the Year Ended December 31, 2019

	Budget - Original	Actual	Variance - Favorable (Unfavorable)
<b>Revenues</b>			
Taxes:			
Franchise tax	6,500	3,005	(3,495)
Sales tax	10,000	23,855	13,855
Other tax	250	538	288
Licenses and permits	20,500	17,812	(2,688)
Operating grant	-	11,042	11,042
Fines, forfeitures, and court costs	5,000	4,313	(687)
Miscellaneous	15,000	2,952	(12,048)
<b>Total revenues</b>	<u>57,250</u>	<u>63,517</u>	<u>6,267</u>
<b>Expenditures</b>			
Current:			
General government	63,600	50,777	12,823
Public safety			
Police	6,150	6,698	(548)
Streets	6,500	8,102	(1,602)
Capital outlay	-	-	-
<b>Total expenditures</b>	<u>76,250</u>	<u>65,577</u>	<u>10,673</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>(19,000)</u>	<u>(2,060)</u>	<u>16,940</u>
<b>Other financing sources (uses)</b>			
Interest earnings	100	21	(79)
Operating transfers	18,900	(8,816)	(27,716)
<b>Total other financing sources (uses)</b>	<u>19,000</u>	<u>(8,795)</u>	<u>(27,795)</u>
<b>Net changes in fund balances</b>	-	(10,855)	(10,855)
<b>Fund balances - December 31, 2018</b>	<u>924</u>	<u>924</u>	<u>-</u>
<b>Fund balances - December 31, 2019</b>	<u>\$ 924</u>	<u>\$ (9,931)</u>	<u>\$ (10,855)</u>

Town of Eros  
Eros, Louisiana

Schedule of Compensation Paid Council  
For the year ended December 31, 2019

	<b>2019</b>
Daniel Bailey	\$ 550
Linda Bailey	550
April Hammett	500
David Howard	400
Joseph Spillers	550
	<hr style="border-top: 1px solid black;"/>
	<u>\$ 2,550</u>

Town of Eros  
Eros, LouisianaSchedule of Compensation, Benefits and Other Payments to Agency Head  
For the year ended December 31, 2019

Kelly Gryder Mayor	
Salary	\$ 5,928
Benefits - payroll taxes	453
Miscellaneous	<u>927</u>
	<u>\$ 7,309</u>

**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***

Town of Eros  
Eros, Louisiana

I 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, each major fund, and the aggregate remaining fund information of the Town of Eros, Louisiana (the Town), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated March 2, 2022.

**Internal Control Over Financial Reporting**

In planning and performing my audit of the financial statements, I considered the Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, I 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.

My 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 were not identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 19-3 that we consider to be significant deficiencies.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 19-1 and 19-2.

## **Town of Eros, Louisiana's Response to Findings**

The Town of Eros, Louisiana's responses to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Town of Eros, Louisiana 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 my 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. Under Louisiana Revised Statute 24:513, this report is distributed by the Office of the Louisiana Legislative Auditor as a public document.

*David M. Hart, CPA (APAC)*

West Monroe, Louisiana  
March 2, 2022

**Independent Auditor's Report on Compliance For Each Major Federal Program  
and Report on Internal Control Over Compliance  
Required by the Uniform Guidance**

Town of Eros  
Eros, Louisiana

**Report on Compliance for Each Major Federal Program**

I have audited the Town of Eros, Louisiana (the Town), compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Town's major federal programs for the year ended December 31, 2019. The Town's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

My responsibility is to express an opinion on compliance for each of the Town's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of the Town's compliance.

### ***Opinion on Each Major Federal Program***

In my opinion, the Town complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2019.

### **Report on Internal Control Over Compliance**

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered the Town's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Town's internal control over compliance.

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

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Office of the Louisiana Legislative Auditor as a public document.

*David M. Nault, CPA (APAC)*

West Monroe, Louisiana  
January 26, 2022

**Town of Eros, Louisiana**

**Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2019**

<u>Federal Grantor/ Pass-Through Grantor/Program Name</u>	<u>Federal CFDA #</u>	<u>Grantor/Pass Through #</u>	<u>Expenditures</u>
United States Department of Agriculture			
Water and Waste Disposal Systems for Rural Communities - Loan	10.760		* 126,646
Water and Waste Disposal Systems for Rural Communities - Grant	10.760		* <u>366,740</u>
Total United States Department of Agriculture			493,386
United States Department of Housing and Urban Development			
Community Development Block Grant	14.228	2000342617	265,019
<b>TOTAL FEDERAL AWARDS</b>			<u><u>\$ 758,405</u></u>

\* Denotes Major Program



**Town of Eros, Louisiana**

**Notes to the Schedule of Expenditures of Federal Awards**

**NOTE 1 - GENERAL** The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs of the Town of Eros, Louisiana for the year ended December 31, 2019. The Town of Eros, Louisiana reporting entity is defined in Note 1 to the Town's basic financial statements. Federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included on the schedule. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Town, it is not intended to and does not present the financial position or change in net position of the Town.

**NOTE 2 - BASIS OF ACCOUNTING** The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in Note 1 to the Town's basic financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**NOTE 3 - RELATIONSHIP TO BASIC FINANCIAL STATEMENTS** Federal awards revenues are reported in the Town's basic financial statements as follows:

	<u>Federal Sources</u>
Major Funds:	
Water & Sewer Fund	\$ 493,386

**NOTE 4 - RELATIONSHIP TO FEDERAL FINANCIAL REPORTS** Amounts reported in the accompanying schedule agree with the amounts reported in the related federal financial reports except for changes made to reflect amounts in accordance with accounting principles generally accepted in the United States of America.

**NOTE 5 - MATCHING REVENUES** For those funds that have matching revenues and state funding, federal expenditures were determined by deducting matching revenues from total expenditures.

**NOTE 6-DE MINIMIS INDIRECT COST RATE** The Town has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**Town of Eros, Louisiana**

**Schedule of Findings and Questioned Costs  
For the Year Ended December 31, 2019**

**PART I-SUMMARY OF AUDITOR'S RESULTS**

**Financial Statement Audit**

- i. The type of audit report was unmodified.
- ii. There were two instances of material weaknesses or significant deficiencies required to be disclosed by Government Auditing Standards issued by the Comptroller General of the United States of America.
- iii. There was one instance of noncompliance, as defined by the Government Auditing Standards, to the financial statements.

**Audit of Federal Awards**

- iv. There were no significant deficiencies required to be disclosed by the Uniform Guidance (2 CFR 200).
- v. The type of report the auditor issued on compliance for the major program was unmodified.
- vi. The audit disclosed no findings which the auditor is required to report under the Uniform Guidance.
- vii. The major federal program was:  
USDA Water and Water Disposal Systems  
For Rural Communities CFDA #10.760
- viii. The dollar threshold used to identify between Type A and Type B programs as described in the Uniform Guidance was \$750,000.
- ix. The auditee does not qualify as a low-risk auditee under the Uniform Guidance.

**Part II - Findings related to the financial statements which are required to be reported in accordance with Government Auditing Standards generally accepted in the United States of America**

**19-1 Financial Statements Issued After Due Date**

**Condition:** The audit report was submitted after the statutory due date.

**Criteria:** State law requires the Town to submit to the Louisiana Legislative Auditor audited financial statements within six months of year end or June 30, 2020. The Town asked for and was granted an extension to file by September 30, 2021, but that deadline also expired.

**Town of Eros, Louisiana**

**Schedule of Findings and Questioned Costs (Continued)**

**For the Year Ended December 31, 2019**

**Part II - Findings related to the financial statements which are required to be reported in accordance with Government Auditing Standards generally accepted in the United States of America (continued)**

**19-1 Financial Statements Issued After Due Date (continued)**

**Cause:** The audit report was delayed because the Town did not have adequate funds to pay for an audit and a Single Audit to be performed for the year ended December 31, 2019.

**Effect:** When an entity is late filing its report, the entity is placed on the LLA's noncompliance list. Being placed on the list results in an entity receiving no funds from the State until the entity is removed from the list. Management cannot work in a timely manner to resolve internal control deficiencies and noncompliance with laws, regulations, contracts, and grants identified by the auditor.

**Management's Response:** The Town has since acquired funding to pay for its audit and Single Audit, but since this is the only year it is required to have an audit or Single Audit, this issue should never happen again.

**19-2 Unpaid Payroll Taxes**

**Condition:** Management is responsible for compliance with laws and regulations regarding the payment of payroll taxes due to the federal and state governments on behalf of the Town and its employees. The Town fell behind by not filing payroll tax returns or making payroll tax payments for all four quarters of 2019.

**Criteria:** The Town is required to submit payroll taxes quarterly to federal and state agencies.

**Cause:** The Town has not remitted payroll taxes to federal and state agencies.

**Effect:** The Town is not in compliance with federal and state regulations.

**Management's Response:** The Town will make efforts to pay the taxes owed.

**19-3 Water Meter Deposits**

**Condition:** As of the end of the year ended December 31, 2018, the Town's meter deposit liabilities exceeded its meter deposits restricted cash by \$13,404.

**Criteria:** The total amount of deposits should be maintained in a restricted bank account or certificate of deposit.

**Cause:** The Town has not segregated its meter deposits into a separate bank account

**Town of Eros, Louisiana**

**Schedule of Findings and Questioned Costs (Continued)  
For the Year Ended December 31, 2019**

**Part II - Findings related to the financial statements which are required to be reported in accordance with Government Auditing Standards generally accepted in the United States of America (continued)**

**19-3 Water Meter Deposits (continued)**

**Effect:** By not segregating meter deposits in its own restricted account, the Town could possibly not be able to issue deposit refunds when necessary

**Recommendation:** It is recommended that the town move the amount of funds to the bank account or certificate of deposit as required by the meter deposit liabilities as soon as possible.

**Part III – Management Letter**

No management letter was issued.

**Town of Eros, Louisiana**

**Status of Prior Year Findings and Questioned Costs  
For the Year Ended December 31, 2019**

Section I - Internal Control and Compliance Material to the Financial Statements

This section is not applicable for this entity.

Section II - Internal Control and Compliance Material to Federal Awards

This section is not applicable for this entity.

Section III - Management Letter

- 1) In December of 2017, the Town adopted a budget according to the local government budget law for the year ended December 31, 2018. However, the Town received a grant and actual expenditures were more than budgeted expenditures by more than 5%. The budget was not amended to address this variance.
- 2) Management is responsible for compliance with laws and regulations regarding the payment of payroll taxes due to the federal and state governments on behalf of the Town and its employees. The Town fell behind by not filing payroll tax returns or making payroll tax payments for all four quarters of 2018. We recommend that the Town establish written policies and procedures on payroll and payroll taxes. The Town of Eros submitted the late payroll returns and made progress towards payments for payroll taxes due in 2018.
- 3) As of the end of the year ended December 31, 2018, the Town's meter deposit liabilities exceeded its meter deposits restricted cash by \$13,679. We recommend that the Town move the amount of funds to the certificate of deposit as required by the meter deposit liabilities as soon as possible.
- 4) The Town of Eros has a deficit unrestricted net position in the Water & Sewer Fund of \$2,768. The Water & Sewer Fund transferred funds of \$4,954 to the General Fund. The Water & Sewer Fund excess funds are transferred to the General Fund to cover expenditures that are not related to the Water & Sewer Fund.
- 5) The compilation for the Town of Eros is late being submitted to the Louisiana Legislative Auditor.

Management's Response: There were vacancies and turnover in the positions of the Mayor and the Town Clerk during the fiscal year. The Town Council is monitoring the activities of the Town more closely. The Mayor and the Town Clerk will establish policies and procedures to insure compliance with laws and regulations, and the Town Council will monitor monthly the activities of the Town of Eros. The Town Clerk has filed all 2018 payroll tax returns and is making efforts to pay the taxes owed. The Town of Eros will move funds to the restricted cash account (certificate of deposit) to insure all meter deposit liabilities are covered.

INDEPENDENT ACCOUNTANT'S REPORT  
ON APPLYING AGREED-UPON PROCEDURES

To the Town of Eros, Louisiana and the Louisiana Legislative Auditor:

I have performed the procedures enumerated below, which were agreed to by the Town of Eros, Louisiana (Entity) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2019 through December 31, 2019. The Entity's management is responsible for those C/C areas identified in the SAUPs.

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

The findings obtained are described in the attachment to this report.

I was not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, I do not express such an opinion or conclusion. Had I performed additional procedures, other matters might have come to my attention that would have been reported to you.

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

*David M. Hartt, CPA (APAC)*

West Monroe, Louisiana  
March 2, 2022

SUPPLEMENT TO INDEPENDENT ACCOUNTANT'S REPORT ON  
APPLYING AGREED-UPON PROCEDURES

***Written Policies and Procedures***

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1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):
  - a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget
  - b) ***Purchasing***, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.
  - c) ***Disbursements***, including processing, reviewing, and approving
  - d) ***Receipts/Collections***, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).
  - e) ***Payroll/Personnel***, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
  - f) ***Contracting***, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process
  - g) ***Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)***, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases)
  - h) ***Travel and expense reimbursement***, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers
  - i) ***Ethics***, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.
  - j) ***Debt Service***, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
  - k) ***Disaster Recovery/Business Continuity***, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

Exceptions

Currently, the Town does not have written policies and procedures addressing budgeting, purchasing, disbursements, receipts, payroll/personnel, contracting, travel, ethics, debt service and disaster recovery.

### ***Board or Finance Committee***

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

#### Exceptions

No exceptions noted in the above procedures.

### ***Bank Reconciliations***

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

#### Exceptions

The Town has two bank accounts and all bank reconciliations for each month have been prepared. There is no evidence that a member of management with no involvement in the transactions associated with the bank accounts have reviewed each bank reconciliation.



## Collections

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4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).
5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:
  - a) Employees that are responsible for cash collections do not share cash drawers/registers.
  - b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.
  - c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.
  - d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.
6. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.
7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:
  - a) Observe that receipts are sequentially pre-numbered.
  - b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
  - c) Trace the deposit slip total to the actual deposit per the bank statement.
  - d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).
  - e) Trace the actual deposit per the bank statement to the general ledger.

## Exceptions

All cash/checks/money order (cash) collection is done at one location, the Town's office. There is only one employee that handles all aspects of the accounting process and she is not bonded. That employee receives the checks and makes the deposit. A copy of the check received is made and put in the file and no sequentially numbered receipts are used.

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

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8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).
9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:
  - a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
  - b) At least two employees are involved in processing and approving payments to vendors.
  - c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.
  - d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.
10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:
  - a) Observe that the disbursement matched the related original invoice/billing statement.
  - b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

**Exceptions**

A listing of disbursements was obtained and from that, 5 disbursements were randomly selected. Requisition or purchase orders are not used in purchasing and there is no approval on the invoices. There is only one employee in charge of all areas of the accounting function. This employee can add vendors to the computer system, does not have signatory authority, and does not initiate the purchase. She maintains blank checks in the filing cabinet and no signature stamp is used.

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

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11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.
12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:
  - a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain

public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.)]

- b) Observe that finance charges and late fees were not assessed on the selected statements.
13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only).

#### Exceptions

The Town has no credit, debit or fuel cards.

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

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14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:
- a) If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration ([www.gsa.gov](http://www.gsa.gov)).
  - b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
  - c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).
  - d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

#### Exceptions

The Town had no travel expenditures during the year.

#### *Contracts*

---

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

- c) If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment.
- d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

Exceptions

No contracts are maintained by the Town.

***Payroll and Personnel***

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

Exceptions

There are only six employees in the Town’s office. There are no formal employment contracts or pay rate structure. No changes were made to salaries during the year. Attendance and leave records are required to be maintained and no employees were terminated during the year.

***Ethics***

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- 20. Using the 5 randomly selected employees/officials from procedure #16 under “Payroll and Personnel” above, obtain ethics documentation from management, and:
  - a. Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.

- b. Observe that the documentation demonstrates each employee/official attested through signature verification that he or she has read the entity's ethics policy during the fiscal period.

Exceptions

None of the employees or Board of Aldermen received the required ethics training.

***Debt Service***

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

Exceptions

The only debt the Town obtained during the year was through a United States Department Agriculture Rural Development grant.

***Other***

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

Exceptions

Inquired of management whether the Town had any misappropriations of public funds or assets and there was none. The entity does not have posted on its premises, the notice required by R.S. 24:523.1.