

**TOWN OF ARCADIA**  
**ANNUAL FINANCIAL STATEMENTS**  
**AS OF DECEMBER 31, 2018 AND**  
**FOR THE YEAR THEN ENDED**

**TOWN OF ARCADIA**  
**ANNUAL FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018**  
**WITH SUPPLEMENTAL INFORMATION SCHEDULES**

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**TOWN OF ARCADIA**  
**ANNUAL FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018**  
**WITH SUPPLEMENTAL INFORMATION SCHEDULES**

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## MANAGEMENT DISCUSSION AND ANALYSIS

DECEMBER 2018

This section of the Town of Arcadia, Louisiana's (Town) annual financial report presents our discussion and analysis of the Town's financial performance during the calendar year ended December 31, 2018. Please read it in conjunction with the Town's financial statements, which follow this section.

### Financial Highlights

The following exhibits some of the more important highlights from the government-wide financial statements for the year ended December 31, 2018.

1. The Town's total net position from governmental activities decreased \$10,357 from the beginning of the fiscal year as a result of operations during the year.
2. During the year ended December 31, 2018, the Town's total expenses were \$3,018,212 greater than the \$1,013,394 recognized as revenue from fees, fines, and charges for services, made up of mostly water and sewer charges. However, if revenues, such as taxes, licenses and State grants are considered, the Town's expenses exceeded the revenues by \$241,124.
3. The cost of operating programs of the Town was \$4,031,606, which represents an increase in costs of operations from the prior year of \$384,947 or an 11% increase.
4. The total revenues of the Town were \$3,790,482, which represents an increase in revenues from the prior year of \$274,887 or an 8% increase. This increase is related to increase in water system revenue.
5. The governmental funds reported unrestricted fund balance of \$85,859.

### Overview of the Financial Statements

The annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two (2) kinds of statements that present different views of the Town:

1. The first two statements are government-wide financial statements that provide both long-term and short-term information about the Town's overall financial status.
2. The remaining statements are fund financial statements that focus on individual parts of the Town's governmental operations, reporting the Town's operations in more detail than the government-wide statements.
3. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

### Government-Wide Financial Statements

Financial reporting at this level uses a perspective similar to the private sector using the economic resources measurement focus and the accrual basis of accounting.

The first of these government-wide statements is the Statement of Net Position. This government-wide statement of position presents information that includes all of the Town's assets, liabilities, and deferred outflows and inflows with the difference reported as net position. An increase or decrease in net position may serve as a useful indicator of whether the financial position of the Town as a whole is improving or deteriorating. Evaluation of the overall health of the Town would extend to other non-financial factors, such as diversification of the taxpayer base, in addition to the financial information provided in this report.

The second government-wide statement is the Statement of Activities, which reports how the Town's net position changed during the year. All current year revenues and expenses are included regardless of when they are received or paid. An important purpose of the design of the Statement of Activities is to show the financial reliance of the Town's distinct activities or functions on revenues provided by the Town's taxpayers.

Both of the above financial statements have separate columns for the two (2) different types of Town activities as follows:

*Governmental Activities* - The government-wide financial statements present governmental activities of the Town which are principally supported by taxes and intergovernmental revenues (grants). Most services normally associated with a town fall in this category, including general government, public safety, streets and parks and recreations

*Business-Type Activities* - The government-wide financial statements present business-type activities that are normally intended to recover all or a significant portion of their costs through user fees and charges to external users of goods and services. The business-type activity of the Town consists of the provision of water and sewer services to the citizens and the operation of the outlet mall.

The government-wide financial statements are presented on pages 4 and 5.

### **Fund Financial Statements**

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The Town uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the Town's most significant funds, rather than the Town as a whole.

The Town uses two (2) fund categories, governmental funds and proprietary funds. It is important to note that these fund categories use different accounting approaches and should be interpreted differently.

*Governmental Funds* - The services provided by the Town are financed through governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the fund financial statements focus on near-term inflows and outflows of spendable resources as well as on balances of spendable resources at the end of the year. Such information may be useful in evaluating the Town's near-term financing requirements. This approach is known as using the flow of financial resources measurement focus and the modified accrual basis of accounting. These governmental fund financial statements provide a detailed short-term view of the Town's finances and assists in determining whether there will be adequate resources available to meet the current needs of the Town.

Since focus of the governmental funds financial statements is narrower than that of the government-wide financial statements, it is useful to compare the information presented for the governmental funds with similar information presented for governmental activities in the government-wide financial statements.

Users may better understand the long-term impact of the Town’s near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and the governmental activities. These reconciliations are presented immediately following each of the governmental fund financial statements.

The Town has seven (7) governmental funds, of which two are major funds and are presented in separate columns and five are non-major funds and are combined and presented in one (1) column titled “other governmental funds.” The governmental funds are as follows:

Major Funds

- General Fund
- Special Revenue Fund - Sales Tax Fund

Non-major Funds

- Special Revenue Funds
  - Parks and Recreation Fund
  - Street Fund
  - Economic Development Fund
  - Industrial Inducement Fund
  - LMA Fund

The fund financial statements are presented on pages 6 through 9.

*Proprietary Fund* - The proprietary fund is used to show activities that operate more like those of commercial enterprises. Since this fund charges fees for services to outside customers, including local governments, it is known as an enterprise fund. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Like the government-wide financial statements, proprietary fund financial statements use the accrual basis of accounting. There is no reconciliation needed between the government-wide financial statements for the business-type activities and the proprietary fund financial statements.

The Town has three enterprise funds: Water, Sewer, and Mall. The Water and Sewer Funds are considered a major proprietary fund; whereas, the Mall Fund is considered an other major proprietary fund.

The proprietary fund financial statements are presented on pages 10 through 12.

**Notes to the Financial Statements**

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin on page 13 of this report.

**Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Town’s budget presentation. Budgetary comparison statements are included as “required supplementary information” for the General Fund and the Sales Tax Fund. These statements demonstrate compliance with the Town’s adopted and final revised budget and can be found on pages 34 and 35 in this report.

## Financial Analysis of Governmental-Wide Activities

### *Net Position*

The Town's combined net position (governmental and business-type activities) decreased during 2018 by \$241,124 or 2% from the \$12,855,331 at December 31, 2017, as shown in the following table:

	<u>2018</u>	<u>2017</u>
Assets		
Current and other assets	1,438,090	2,268,294
Capital assets (net)	<u>12,339,368</u>	<u>12,278,173</u>
Total assets	13,777,458	14,546,467
Deferred outflows of resources	279,195	276,077
Liabilities		
Other liabilities	289,443	817,175
Long-term liabilities	<u>1,007,788</u>	<u>976,606</u>
Total liabilities	1,297,231	1,793,781
Deferred inflows of resources	145,215	173,432
Net position		
Net investment in capital assets	12,339,368	12,278,173
Restricted	108,543	170,186
Unrestricted	<u>166,296</u>	<u>406,972</u>
Total net position	<u>12,614,207</u>	<u>12,855,331</u>

### *Changes in Net Position*

The following condensed government-wide statement of activity illustrates the major changes in operations for the Town as compared to 2017:

	<u>2018</u>	<u>2017</u>
Revenue		
Governmental	2,659,178	1,901,141
Business-type	<u>1,131,304</u>	<u>1,614,454</u>
Total revenue	3,790,482	3,515,595
Expenses		
Governmental	2,669,535	2,487,166
Business-type	<u>1,362,071</u>	<u>1,159,493</u>
Total expenses	<u>4,031,606</u>	<u>3,646,659</u>
Decrease in net position	<u>(241,124)</u>	<u>(131,064)</u>

Net position of the Town's governmental activities decreased \$10,357. Net position of the Town's business-type activities decreased \$230,767.

### **Financial Analysis of Individual Funds**

As noted above, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

### **Governmental Fund**

The focus of the Town's governmental fund is to provide information on the near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. Unrestricted fund balance may serve as a useful measure of the Town's net resources available for spending at the end of the year.

At December 31, 2018, the Town's governmental funds reported an ending fund balance of \$133,211, a decrease of \$169,260 compared to the calendar year 2017. The general fund is the chief operating fund of the Town.

### **Proprietary Fund**

The Town's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail. The Town's proprietary funds (Water and Sewer Fund and Mall Fund) reported operating expenses of \$1,362,071, which was \$371,891 more than operating revenues of \$990,180, for the year ended December 31, 2018. This was an increase in excess operating expenses of \$202,578 compared to 2017. The proprietary fund reported a decrease of \$230,767 in net position in the calendar year 2018 compared to an increase of \$450,868 in the calendar year 2017.

### **Budgetary Highlights**

Formal budgetary integration is employed as a management control device during the calendar year. The budget policy of the Town complies with state law, as amended, and as set forth in Louisiana Revised Statutes Title 39, Chapter 9, Louisiana Local Government Budget Act (LSA-R.S. 39:1302 et seq).

For the General Fund, actual expenditures exceeded budgeted amount by more than 5%.

### **Capital Asset Administration**

The Town's investment in capital assets for its governmental and business-type activities at December 31, 2018 totaled \$22,364,674, less accumulated depreciation of \$10,025,306, leaving a \$12,339,368 balance in net capital assets. The investment in capital assets consists of land, buildings, equipment, and water, and sewer improvements. The total increase in the Town's investment in capital assets for the year ended December 31, 2018 totaled \$502,694.

### **Contacting the Town's Financial Management**

The financial report is designed to provide a general overview of the Town's finances, comply with finance-related laws and regulations, and demonstrate the Town's commitment to public accountability. If you have questions about this report, contact Eugene Smith, Mayor, P. O. Box 767, Arcadia, Louisiana 71001.

## **BASIC FINANCIAL STATEMENTS**

# HEARD, McELROY, & VESTAL

LLC

CERTIFIED PUBLIC ACCOUNTANTS

333 TEXAS STREET, SUITE 1525  
SHREVEPORT, LOUISIANA 71101  
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June 27, 2019

To the Honorable Mayor and the  
Members of the Town Council  
Town of Arcadia, Louisiana

## **Independent Auditor's Report**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Arcadia, as of and for the year ended December 31, 2018, 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 the financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Arcadia as of December 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages i-v and *Budgetary Comparison Information* on pages 34-36, Schedule of Town's proportionate share of net pension liability on page 37, and Schedule of Town's contributions on page 38 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the *Governmental Accounting Standards Board* who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The accompanying supplementary information, on pages 39-43, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report, dated June 27, 2019, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters.

The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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.

Shreveport, Louisiana

Heard, McElroy & Vestal, LLC

## **Government-Wide Financial Statements**

**TOWN OF ARCADIA  
STATEMENT OF NET POSITION  
DECEMBER 31, 2018**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 270,693	123,784	\$ 394,477
Investments, at fair value	207,803	169,803	377,606
Receivables	456,299	138,928	595,227
Internal balances	(737,294)	737,294	-
Inventory	-	23,428	23,428
Prepaid expenses	47,352	-	47,352
Capital assets, net of depreciation	7,149,834	5,189,534	12,339,368
Total assets	<u>7,394,687</u>	<u>6,382,771</u>	<u>13,777,458</u>
Deferred pension outflow	208,800	70,395	279,195
Total assets and deferred outflows	<u>\$ 7,603,487</u>	<u>\$ 6,453,166</u>	<u>\$ 14,056,653</u>
<b>LIABILITIES</b>			
Accounts payable	111,642	69,258	180,900
Deposits	-	108,543	108,543
Net pension liability	764,908	242,880	1,007,788
Total liabilities	<u>876,550</u>	<u>420,681</u>	<u>1,297,231</u>
Deferred pension inflow	130,686	14,529	145,215
Total liabilities and deferred inflows	<u>1,007,236</u>	<u>435,210</u>	<u>1,442,446</u>
<b>NET POSITION</b>			
Net investment in capital assets	7,149,834	5,189,534	12,339,368
Restricted	-	108,543	108,543
Unrestricted	(553,583)	719,879	166,296
Total net position	<u>\$ 6,596,251</u>	<u>\$ 6,017,956</u>	<u>\$ 12,614,207</u>

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

**TOWN OF ARCADIA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<b>Program Revenues</b>				<b>Net (Expenses) Revenue and Changes in Net Assets</b>		
	<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	<b>Primary Government</b>		
					<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Functions/Programs</b>							
<b>Primary Government:</b>							
Governmental activities:							
General government	\$ 783,137	\$ -	\$ -	\$ -	\$ (783,137)	-	\$ (783,137)
Public safety	835,484	23,214	-	-	(812,270)	-	(812,270)
Public works	418,891	-	-	-	(418,891)	-	(418,891)
Depreciation - unallocated	367,781	-	-	-	(367,781)	-	(367,781)
Cultural and recreation	64,456	-	-	-	(64,456)	-	(64,456)
Economic development	167,558	-	-	-	(167,558)	-	(167,558)
Transportation	32,228	-	-	-	(32,228)	-	(32,228)
Total governmental activities	<u>2,669,535</u>	<u>23,214</u>	<u>-</u>	<u>-</u>	<u>(2,646,321)</u>	<u>-</u>	<u>(2,646,321)</u>
Business-type activities:							
Water system	1,126,050	868,366	-	-	-	(257,684)	(257,684)
Mall	236,021	121,814	-	-	-	(114,207)	(114,207)
Total business-type activities	<u>1,362,071</u>	<u>990,180</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(371,891)</u>	<u>(371,891)</u>
Total primary government	<u>4,031,606</u>	<u>1,013,394</u>	<u>-</u>	<u>-</u>	<u>(2,646,321)</u>	<u>(371,891)</u>	<u>(3,018,212)</u>
General revenues:							
Taxes					2,210,038	-	2,210,038
Licenses and permits					96,426	-	96,426
Intergovernmental					383,938	-	383,938
Use of money and property					47,700	-	47,700
Investment loss					-	(8,062)	(8,062)
Other					47,048	-	47,048
Transfers in (out)					(149,186)	149,186	-
Total general revenues and transfers					<u>2,635,964</u>	<u>141,124</u>	<u>2,777,088</u>
Change in net position					(10,357)	(230,767)	(241,124)
Net position - beginning					6,606,608	6,248,723	12,855,331
Net position - ending					<u>\$ 6,596,251</u>	<u>\$ 6,017,956</u>	<u>\$ 12,614,207</u>

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

**Fund Financial Statements**

**Governmental Funds**

**TOWN OF ARCADIA  
BALANCE SHEET - GOVERNMENTAL FUNDS  
DECEMBER 31, 2018**

	<u>GENERAL</u>	<u>SALES TAX</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
ASSETS				
Cash and cash equivalents	\$ (2,974)	\$ 242,679	\$ 30,988	\$ 270,693
Investments, at fair value	-	197,507	10,296	207,803
Receivables	206,771	249,528	-	456,299
Due from other funds	378,425	1,144,996	516,240	2,039,661
Prepaid items	40,097	-	7,255	47,352
	<u>622,319</u>	<u>1,834,710</u>	<u>564,779</u>	<u>3,021,808</u>
Total assets	<u>\$ 622,319</u>	<u>\$ 1,834,710</u>	<u>\$ 564,779</u>	<u>\$ 3,021,808</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	90,573	\$ 3,953	\$ 17,116	\$ 111,642
Due to other funds	1,257,400	196,098	1,323,457	2,776,955
Total liabilities	<u>1,347,973</u>	<u>200,051</u>	<u>1,340,573</u>	<u>2,888,597</u>
Fund balances:				
Nonspendable	40,097	-	7,255	47,352
Unrestricted:				
Assigned	-	1,634,659	(783,049)	851,610
Unassigned (deficit)	(765,751)	-	-	(765,751)
Total fund balances (deficit)	<u>(725,654)</u>	<u>1,634,659</u>	<u>(775,794)</u>	<u>133,211</u>
Total liabilities and fund balances	<u>\$ 622,319</u>	<u>\$ 1,834,710</u>	<u>\$ 564,779</u>	<u>\$ 3,021,808</u>

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

**TOWN OF ARCADIA  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
DECEMBER 31, 2018**

Fund balances - total governmental funds		\$	133,211
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>			
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.</p>			
Governmental capital assets			10,417,949
Less accumulated depreciation			(3,268,115)
			7,149,834
<p>Subsequent retirement payments are reported as expenditures in the governmental funds. In the government-wide statements, the payments represent deferred outflow of resources.</p>			
			78,114
<p>Long-term pension obligations are not payable from current resources and, therefore, are not reported in the governmental funds.</p>			
			(764,908)
Net position of governmental activities		\$	6,596,251

**TOWN OF ARCADIA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>GENERAL</u>	<u>SALES TAX</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
Revenues:				
Taxes				
Ad valorem	\$ 204,806	\$ -	\$ -	\$ 204,806
Sales and use	-	1,940,272	-	1,940,272
Other taxes, penalties and interest	64,960	-	-	64,960
Licenses and permits	96,426	-	-	96,426
Intergovernmental				
State	383,938	-	-	383,938
Fines	23,214	-	-	23,214
Interest	24	2,149	8,980	11,153
Use of money and property	40,359	(3,812)	-	36,547
Miscellaneous	50,770	-	(3,722)	47,048
	<u>864,497</u>	<u>1,938,609</u>	<u>5,258</u>	<u>2,808,364</u>
Expenditures:				
General government	693,043	29,723	-	722,766
Public safety	867,019	-	-	867,019
Public works	-	-	427,236	427,236
Culture and recreation	-	-	89,652	89,652
Economic development	147,457	-	20,101	167,558
Transportation	32,228	-	-	32,228
Capital outlay	445,571	-	76,408	521,979
	<u>2,185,318</u>	<u>29,723</u>	<u>613,397</u>	<u>2,828,438</u>
Excess (deficiency) of revenue over expenditures	<u>(1,320,821)</u>	<u>1,908,886</u>	<u>(608,139)</u>	<u>(20,074)</u>
Other financing sources (uses):				
Operating transfers in	1,379,205	384,819	769,350	2,533,374
Operating transfers out	-	(2,335,624)	(346,936)	(2,682,560)
	<u>1,379,205</u>	<u>(1,950,805)</u>	<u>422,414</u>	<u>(149,186)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	58,384	(41,919)	(185,725)	(169,260)
Fund balances, beginning of year	<u>(784,038)</u>	<u>1,676,578</u>	<u>(590,069)</u>	<u>302,471</u>
Fund balances, end of year	<u>\$ (725,654)</u>	<u>\$ 1,634,659</u>	<u>\$ (775,794)</u>	<u>\$ 133,211</u>

**TOWN OF ARCADIA**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND**  
**BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

Net change in fund balances - total governmental funds \$ (169,260)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures.

However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	\$ 496,532	
Depreciation expense	<u>(367,781)</u>	128,751

Governmental funds report retirement expenses as payment is remitted to the retirement systems. However, in the government-wide statement of activities, retirement is reported based on the allocations stated in the various system reports.

30,152

Change in net position of governmental activities

\$ (10,357)

**Proprietary Funds**

**TOWN OF ARCADIA  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
DECEMBER 31, 2018**

ASSETS	Utility Fund	Mall Fund	Total
Current assets:			
Cash and cash equivalents	\$ 120,834	\$ 2,950	\$ 123,784
Investments	61,260	-	61,260
Receivables	138,928	-	138,928
Due from other funds	901,180	-	901,180
Inventory	23,428	-	23,428
Total current assets	1,245,630	2,950	1,248,580
Noncurrent assets:			
Restricted:			
Investments	108,543	-	108,543
Capital assets (net of accumulated depreciation)	4,452,011	737,523	5,189,534
Total noncurrent assets	4,560,554	737,523	5,298,077
Deferred outflow of resources:			
Deferred pension outflow	70,395	-	70,395
Total assets and deferred outflows	\$ 5,876,579	\$ 740,473	\$ 6,617,052
LIABILITIES			
Current liabilities:			
Accounts payable	62,877	6,381	69,258
Due to other funds	163,886	-	163,886
Total current liabilities	226,763	6,381	233,144
Current liabilities payable from restricted assets:			
Customer deposits	108,543	-	108,543
Non-current liabilities:			
Net pension liability	242,880	-	242,880
Deferred inflows of resources:			
Deferred pension inflow	14,529	-	14,529
Total liabilities and deferred inflows	\$ 592,715	\$ 6,381	\$ 599,096
NET POSITION			
Net investment in capital assets	4,452,011	737,523	5,189,534
Restricted	108,543	-	108,543
Unrestricted	723,310	(3,431)	719,879
Total net position	\$ 5,283,864	\$ 734,092	\$ 6,017,956

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

**TOWN OF ARCADIA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUND TYPES**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Utility Fund</u>	<u>Mall Fund</u>	<u>Total</u>
Operating Revenues:			
Water charges	\$ 742,367	\$ -	\$ 742,367
Sewer charges	125,999	-	125,999
Rental income	-	121,814	121,814
	<hr/>	<hr/>	<hr/>
Total operating revenues	\$ 868,366	121,814	990,180
	<hr/>	<hr/>	<hr/>
Operating expenses:			
General and administrative	235,139	-	235,139
Water department	585,271	-	585,271
Sewer department	85,031	-	85,031
Mall expenses	-	206,128	206,128
Depreciation	220,609	29,893	250,502
	<hr/>	<hr/>	<hr/>
Total operating expenses	1,126,050	236,021	1,362,071
	<hr/>	<hr/>	<hr/>
Operating income (loss)	(257,684)	(114,207)	(371,891)
	<hr/>	<hr/>	<hr/>
Nonoperating revenues (expenses):			
Transfers	(19,749)	168,935	149,186
Investment earnings	(8,062)	-	(8,062)
	<hr/>	<hr/>	<hr/>
Total nonoperating revenues (expenses)	(27,811)	168,935	141,124
	<hr/>	<hr/>	<hr/>
Change in net position	(285,495)	54,728	(230,767)
	<hr/>	<hr/>	<hr/>
Net position, beginning of year	5,569,359	679,364	6,248,723
	<hr/>	<hr/>	<hr/>
Net position, end of year	\$ 5,283,864	\$ 734,092	\$ 6,017,956
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**TOWN OF ARCADIA**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUND TYPES**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Utility Fund</u>	<u>Mall Fund</u>	<u>Total</u>
Cash flows from operating activities:			
Cash received from customers	\$ 838,445	\$ 121,814	\$ 960,259
Cash paid to suppliers	(474,964)	(222,862)	(697,826)
Cash paid to employees	(307,733)	-	(307,733)
Other operating cash payments	(14,577)	-	(14,577)
Net cash provided (used) by operating activities	<u>41,171</u>	<u>(101,048)</u>	<u>(59,877)</u>
Cash flows from noncapital financing activities			
Non-operating transfers (net)	(19,749)	168,936	149,187
Net cash provided (used) by noncapital financing activities	<u>(19,749)</u>	<u>168,936</u>	<u>149,187</u>
Cash flows from capital and related financing activities:			
Cash received from grants	110,547	-	110,547
Capital expenditures paid in cash	(149,103)	(111,441)	(260,544)
Net cash (used) by capital and related financing activities	<u>(38,556)</u>	<u>(111,441)</u>	<u>(149,997)</u>
Cash flows from investing activities:			
Interest received	7,032	-	7,032
Investments sold	83,574	-	83,574
Net cash provided by investing activities	<u>90,606</u>	<u>-</u>	<u>90,606</u>
Net increase (decrease) in cash and cash equivalents	73,472	(43,553)	29,919
Cash and cash equivalents: beginning of year	47,362	46,503	93,865
Cash and cash equivalents: end of year	<u>\$ 120,834</u>	<u>\$ 2,950</u>	<u>\$ 123,784</u>
Reconciliation of operating loss to net cash provided (used) by operations:			
Operating (loss)	\$ (257,684)	\$ (114,207)	\$ (371,891)
Adjustments to reconcile operating (loss) to net cash provided (used) by operating activities:			
Depreciation	220,609	29,893	250,502
Decrease in accounts receivable	2,826	-	2,826
Decrease in due from other funds	13,134	-	13,134
(Decrease) increase in accounts payable	62,746	(16,734)	46,012
Decrease in due to other funds	(8,252)	-	(8,252)
Increase in customer deposits	9,857	-	9,857
Net change in deferred outflow/inflow	(2,065)	-	(2,065)
Total adjustments to operating income	<u>298,855</u>	<u>13,159</u>	<u>312,014</u>
Net cash provided (used) by operating activities	<u>\$ 41,171</u>	<u>\$ (101,048)</u>	<u>\$ (59,877)</u>

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

**Notes to the Financial Statements**

TOWN OF ARCADIA

NOTES TO THE FINANCIAL STATEMENTS

AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018

INTRODUCTION

The Town of Arcadia was incorporated June 26, 1902 under the provisions of the Lawrason Act (Louisiana Revised Statutes 33321-463). The Town is located in the parish of Bienville in the northwest corner of the state of Louisiana. The Town operates under a mayor-town council form of government. Members of the board are all elected and serve a term of 4 years. The town provides the following services as authorized by its charter: police and fire protection, water and sewerage, streets, industrial development and inducement and general administrative services.

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 special purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state and 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the Town have been prepared in conformity with U.S. generally accepted accounting principles 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.

A. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and Intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charge to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

### B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessment receivables due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Town reports the following governmental funds:

The General fund is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Special Revenue Funds are used to account for the proceeds of specific revenues sources that are legally restricted to expenditures for specific purposes.

The Town reports the following proprietary funds:

The Water and Sewer fund accounts for the provision of water and sewer services to the residents of the Town. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing, and related debt service and billing.

The Mall Fund is used to account for the assets and activities related to the operation of the outlet mall.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The content and certain titles of the GWFS were changed upon the adoption by the town in 2012 of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement provides reporting guidance for deferred outflows of resources and deferred inflows of resources, and adds them, when applicable, as elements of the GWFS, because they are distinct from assets and liabilities. In addition, because these additional elements may affect the residual amount of all of the elements presented in a statement of financial position, GASB 63 renames that measure as net position rather than net assets. The Town had deferred outflows of resources and deferred inflows of resources related to pensions at December 31, 2018.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's enterprise operations. Elimination of those charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Principal operating revenues of the proprietary funds include water and sewer services to the residents of the Town. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, supplies, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

### C. Deposits and Investments

The Town's cash and cash equivalents are considered to be demand deposits, interest-bearing demand deposits, and investments with original maturities of three months or less from the date of acquisition. State law and the Town's investment policy allow the Town to invest in collateralized certificates of deposits, government backed securities, commercial paper, the state sponsored investment pool, and mutual funds consisting solely of government backed securities. Investments for the Town are reported at fair value.

### D. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In the government-wide financial statement, receivables consist of all revenues earned at year end and not yet received. Major receivables for the governmental activities include ad valorem, franchise taxes and sales and use taxes. Business-type activities report customers' utilities service charges as its major receivables. Uncollectible amounts due for ad valorem taxes and customers' utility accounts receivable are recognized as bad debts through the establishment of an allowance account at the time information becomes available which would indicate the uncollectibility of the particular receivable.

E. Inventories

Inventory in the water and sewer enterprise fund, consisting of expendable supplies held for consumption, is valued at historical cost.

F. Restricted Assets

The Enterprise fund, because of certain bond covenants, is required to establish and maintain prescribed amounts of resources (consisting of cash and temporary investments) that can be used only to service outstanding debt. The Enterprise fund also restricts customer meter deposits.

G. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets 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 \$1,500 or more for capitalizing capital assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

All capital assets, other than land, are depreciated using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and building improvements	20-40 years
Water improvements	5-35 years
Sewer improvements	5-40 years
Equipment and vehicles	4-15 years
Infrastructure improvements	20-40 years

H. Compensated Absences

Employees of the town earn two weeks vacation after one year of service, 3 weeks after ten years of service, and 4 weeks after twenty years of service. Vacation time which is earned but not used during the calendar year cannot be carried forward into the next calendar year, except under special circumstances pre-approved by the Mayor. Vacation time must be taken in at least one week intervals, unless approved by supervisor. Employees earn 40 hours of sick leave and 24 hours of personal leave each calendar year following the successful completion of the employee's three month probationary period. Only unused sick leave can be

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

accumulated up to 240 hours and can be carried forward to the next year, however, employees will not be compensated upon termination or retirement. Unused, earned vacation leave will be paid for provided the employee gives two full weeks' notice to the town clerk, in writing, of their intention to terminate.

### I. Long-Term Obligations

In the government-wide financial statements, and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

### J. Fund Equity

The Town implemented GASB Statement No. 54 beginning in 2011. The Town assumes that when amounts are expended for purposes for which funds in any of the unrestricted classifications could be used, committed amounts are reduced first, followed by assigned amounts and then unassigned amounts.

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. There are no material reservations or designations for the year ended December 31, 2018.

### K. 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 the estimates.

### L. Risk Management

The Town is exposed to various risk of loss related to torts; theft 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 its vehicles, professional liability and surety bond coverage. No claims were paid on any of the policies which exceeded the policies' coverage amounts. There were no significant reductions in insurance coverage during the year ended December 31, 2018.

### M. Sales Tax

On October 18, 1997, the voters of the Town of Arcadia approved the rededication of the 1987 one cent sales tax to be used and dedicated as follows: 50% for general operating revenue; 30% for constructing, paving, resurfacing, improving, and/or maintaining streets; 10% for acquiring, improving, maintaining and supporting parks and recreation programs in and for the town; and 10% for industrial construction, inducement, and/or procurement. The election on October 18, 1997 extended the levy and collection of the original tax for an additional ten years from June 1, 2002 through June 1, 2012. Subsequent to the tax expiring, the Bienville Parish School Board continued collecting the sales tax through September 2012 when it was discovered the tax had expired. On December 8, 2012, the voters of the Town of Arcadia approved the one percent (1%)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

sales and use tax previously authorized to be levied by the Town through June 1, 2012; extending the levy and collection beginning January 1, 2013 for a period of ten years. On July 13, 1991, the voters approved a one percent sales and use tax requiring that at least 40% of the proceeds be used for constructing, acquiring, extending, and/or improving sewer and sewerage disposal facilities and the waterworks system of the Town and the remainder to be used for any lawful purpose of the Town. The 1991 tax was for a twenty-five year period. On April 9, 2016, the voters of the Town of Arcadia approved the one percent sales and use tax previously authorized to be levied by the Town through July 2016; extending the levy and collection beginning July 2016 for a period of ten years. On December 8, 2012, the voters of the Town of Arcadia approved a new half cent sales and use tax requiring that the proceeds be used for building, constructing, improving, and/or maintaining of public roads and drainage facilities; and to provide for the supplemental collection and disposal of solid waste within and for the Town which is not currently being collected by other agencies, including the payment of contracts providing therefore and acquiring, constructing, improving, maintaining, and operating equipment and facilities necessary therefore. The new tax is for a ten year period beginning January 1, 2013. The Bienville Parish School Board serves as the collection agent for the sales taxes and is paid a collection fee for acting as such.

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

BUDGET INFORMATION. The Town adopted budgets for the year ended December 31, 2018 for the General fund and Special Revenue funds on a basis consistent with generally accepted accounting principles (GAAP). The Town follows the following procedures in establishing the budgetary data reflected in the financial statements. During the December meeting, the Town clerk submits to the board of aldermen a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and expenses and the means of financing them. Prior to December 15, the budget is legally enacted through passage of an ordinance. The public is invited to attend all meetings. The Town clerk is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures or expenses of any fund must be approved by the board of aldermen. Appropriations lapse at the end of the year. The budgets were not amended during the fiscal year.

The Town was not in compliance with the General Fund budget. Also, the General Fund shows a deficit in ending fund balance at December 31, 2017. This is a product of the “due to” account balances and GASB 68 implementation. In addition, the Town has a deficit in their other governmental funds at December 31, 2018, which is related to “due to/from” accounts; mainly in the Street Fund. In fiscal year 2019, Town management has stated the due to/from accounts will be cleared out for the respective funds which have a negative fund balance, which will alleviate the deficits.

3. CASH AND CASH EQUIVALENTS

At December 31, 2018, the Town has cash and cash equivalents (book balances) totaling \$394,477 as follows:

Demand deposits	13,896
Interest-bearing demand deposits	<u>380,581</u>
Total	<u><u>394,477</u></u>

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. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

3. CASH AND CASH EQUIVALENTS (Continued)

At December 31, 2018, the Town has \$748,790 in deposits (collected bank balances). These deposits are secured from risk by \$259,844 of federal deposit insurance and \$488,946 of pledged securities held by the custodial bank in the name of the fiscal agent bank. (GASB Category 3).

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement No. 3, R.S. 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the Town that the fiscal agent has failed to pay deposited funds upon demand.

4. INVESTMENTS

The Town is a political subdivision of the State of Louisiana and has authority to invest in Federal National Mortgage Association notes under RS 33:2955. Investment in government and agency securities are stated at market value. Unrealized gains or losses are included in investment income under the caption use of money and property. Investments are categorized into these three categories of credit risk:

1. Insured or registered, or securities held by the Town or its agent in the Town's name.
2. Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Town's name.
3. Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the Town's name.

At fiscal year-end, the Town's investment balances were as follows:

	<u>Category</u>			<u>Carrying Amount</u>			<u>Total Carrying Amount</u>
	<u>1</u>	<u>2</u>	<u>3</u>	<u>Fair Value</u>	<u>Amortized Cost</u>	<u>Cost</u>	
Type of investment	1	2	3				
FNMA Mortgage notes	-	377,606	-	377,606	-	-	377,606
Total investments	-	377,606	-	377,606	-	-	377,606

5. RECEIVABLES

The receivables of \$595,227 at December 31, 2018, are as follows:

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Water and Sewer Fund</u>	<u>Total</u>
Taxes:				
Ad valorem	194,228	-	-	194,228
Sales and use	-	249,528	-	249,528
Other taxes, penalties, and interests	12,543	-	-	12,543
Grants	-	-	39,778	39,778
Accounts	-	-	99,150	99,150
Total	206,771	249,528	138,928	595,227

6. RESTRICTED ASSETS

Restricted assets of business-type activities were applicable to the following at December 31, 2018:

	<u>Enterprise fund</u> <u>Customer Deposits</u>
Investments	108,543
Total	<u>108,543</u>

7. AD VALOREM TAXES

For the year ended December 31, 2018, taxes of \$204,806 were levied on property with assessed valuations totaling \$40,001,116 and were dedicated as follows:

General corporate purposes                      5.120 mills

The following are the principal taxpayers and related property tax revenue for the Town:

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Assessed Valuation</u>	<u>% of Total Assessed Valuation</u>	<u>Ad Valorem Tax Revenue for Town</u>
Arcadia Gas Storage, LLC	Natural Gas Storage	8,184,688	20.5%	41,906
Haynes International, Inc.	Tubular Production	5,507,713	13.8%	28,200
House of Raeford Farms	Poultry Productions	<u>3,299,526</u>	<u>8.2%</u>	<u>16,894</u>
Total		<u>16,991,927</u>	<u>42.5%</u>	<u>87,000</u>

Ad valorem taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied by the town in September or October and are actually billed to the taxpayers in November. Billed taxes become delinquent on January 1 of the following year. Revenues from ad valorem taxes are budgeted in the year billed.

8. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of December 31, 2018 is as follows:

	<u>Due from</u>	<u>Due to</u>
General fund	378,425	1,257,400
Special revenue funds		
Sales tax	1,144,996	196,098
Street	42,723	1,008,292
Industrial inducement	323,814	275,631
Parks and Recreation	149,703	39,534
Water and sewer fund	<u>901,180</u>	<u>163,886</u>
Total	<u>2,940,841</u>	<u>2,940,841</u>

## 9. CAPITAL ASSETS

Capital assets and depreciation activity as of and for the year ended December 31, 2018, for the primary government is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Governmental activities:</u>				
Capital assets, not being depreciated:				
Land	475,375	73,660	-	549,035
Total capital assets, not being depreciated	<u>475,375</u>	<u>73,660</u>	<u>-</u>	<u>549,035</u>
Capital assets being depreciated:				
Buildings	4,517,582	-	-	4,517,582
Vehicles	299,136	384,789	176,784	507,141
Improvements	3,851,732	-	-	3,851,732
Equipment	954,376	38,083	-	992,459
Total capital assets being depreciated	9,622,826	422,872	176,784	9,868,914
Less accumulated depreciation	<u>3,077,118</u>	<u>367,781</u>	<u>176,784</u>	<u>3,268,115</u>
Total capital assets being depreciated, net	<u>6,545,708</u>	<u>55,091</u>	<u>-</u>	<u>6,600,799</u>
<u>Business-type activities:</u>				
Capital assets, not being depreciated:				
Land	268,628	-	-	268,628
Total capital assets, not being depreciated	<u>268,628</u>	<u>-</u>	<u>-</u>	<u>268,628</u>
Capital assets being depreciated:				
Water wells	1,217,306	-	-	1,217,306
Pumping plant	105,235	-	-	105,235
Purification plant	111,489	-	-	111,489
Storage reservoir tanks	194,176	-	-	194,176
Water distribution system	2,693,663	68,539	-	2,762,202
General equipment	415,071	54,514	-	469,585
Office equipment	19,130	2,967	-	22,097
Improvements	106,586	56,926	-	163,512
Sewer system	5,946,278	-	-	5,946,278
Buildings	504,862	-	-	504,862
Vehicles	181,355	-	-	181,355
Total capital assets being depreciated	11,495,151	182,946	-	11,678,097
Less-accumulated depreciation	<u>6,506,689</u>	<u>250,502</u>	<u>-</u>	<u>6,757,191</u>
Total capital assets being depreciated, net	<u>4,988,462</u>	<u>(67,556)</u>	<u>-</u>	<u>4,920,906</u>

## 9. CAPITAL ASSETS (Continued)

Depreciation expense of \$327,208 and \$40,573 for the year ended December 31, 2018 was charged to general government and public safety, respectively.

## 10. RETIREMENT

### PENSION AND RETIREMENT PLANS

Effective December 31, 2015, the Town implemented Governmental Accounting Standards Board Statement No. 68, *Accounting for Financial Reporting and Pensions – an amendment of GASB Statement No. 27*, and Statement No. 71 – *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No.68*. These statements required the Town to recognize its proportionate share of the net pension liability for the four defined benefit plans in which its employees participate.

#### Cost-Sharing Multiple-Employer Retirement Systems

The Town participates in two state-administered cost-sharing multiple-employer retirement systems: Municipal Employees' Retirement System (MERS) and Municipal Police Employees' Retirement System (MPERS) of the State of Louisiana. These systems are cost-sharing, multiple-employer defined benefit pension plans administered by separate boards of trustees. Article 10, Section 29 of the Louisiana Constitution of 1974 assigns the authority to establish and amend benefit provisions to the state legislature. The systems issue annual, publicly available financial reports that include financial statements and required supplementary information for the systems. Although separately administered by their respective boards of trustees, these systems are established and regulated by acts of the Louisiana Legislature with respect to membership and contribution requirements, plan benefits, and actuarial determination of funding requirements as provided by the state constitution. The Town of Arcadia implemented Government Accounting Standards Board (GASB) Statement 68 on Accounting and Financial Reporting for Pensions and Statement 71 on Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB 68. Additional disclosures with respect to GASB 68 to the Town's participation in these systems are provided below. The reports for MERS and MPERS may be obtained at [www.mersla.com](http://www.mersla.com) and [www.lampers.org](http://www.lampers.org), respectively.

#### Municipal Police Employees' Retirement System

All full-time police department employees engaged in law enforcement are required to participate in the Municipal Police Employees' Retirement System. The System is the administrator of a cost-sharing multiple-employer plan. The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Municipal Police Retirement System of Louisiana, 8401 United Plaza Boulevard, Baton Rouge, Louisiana 70809-2250, or by calling (225) 929-7411.

#### Membership Prior to January 1, 2013

A member is eligible for regular retirement after he has been a member of the System and has 25 years of creditable service at any age or has 20 years of creditable service and is age 50 or has 12 years creditable service and is age 55. A member is eligible for early retirement after he has been a member of the System for 20 years of creditable service at any age with an actuarially reduced benefit.

Benefit rates are three and one-third percent of average final compensation (average monthly earnings during the highest 36 consecutive months or joined months if service was interrupted) per number of years of creditable service not to exceed 100% of final salary.

## 10. RETIREMENT (Continued)

Upon the death of an active contributing member, or disability retiree, the plan provides for surviving spouses and minor children. Under certain conditions outlined in the statutes, the benefits range from forty to sixty percent of the member's average final compensation for the surviving spouse. In addition, each child under age eighteen receives benefits equal to ten percent of the member's average final compensation or \$200 per month, whichever is greater.

### Membership Commencing January 1, 2013

Member eligibility for regular retirement, early retirement, disability and survivor benefits are based on Hazardous Duty and Non Hazardous Duty sub plans. Under the Hazardous Duty sub plan, a member is eligible for regular retirement after he has been a member of the System and has 25 years of creditable service at any age or has 12 years of creditable service at age 55. Under the Non Hazardous Duty sub plan, a member is eligible for regular retirement after he has been a member of the System and has 30 years of creditable service at any age, 25 years of creditable service at age 55, or 10 years of creditable service at age 60. Under both sub plans, a member is eligible for early retirement after he has been a member of the System for 20 years of creditable service at any age, with an actuarially reduced benefit from age 55.

Under the Hazardous and Non Hazardous Duty sub plans, the benefit rates are three percent and two and a half percent, respectively, of average final compensation (average monthly earnings during the highest 60 consecutive months or joined months if service was interrupted) per number of years of creditable service not to exceed 100% of final salary.

Upon death of an active contributing member, or disability retiree, the plan provides for surviving spouses and minor children. Under certain conditions outlined in the statutes, the benefits range from twenty-five to fifty-five percent of the member's average final compensation for the surviving spouse. In addition, each child under age eighteen receives ten percent of average final compensation or \$200 per month whichever is greater. If deceased member had less than ten years of service, beneficiary will receive a refund of employee contributions only.

### Cost of Living Adjustments

The Board of Trustees is authorized to provide annual cost-of-living adjustments computed on the amount of the current regular retirement, disability, beneficiary or survivor's benefit, not to exceed 3% in any given year. The Board is authorized to provide an additional 2% COLA, computed on the member's original benefit, to all regular retirees, disability, survivors and beneficiaries who are 65 years of age or older on the cut-off date which determines eligibility.

No regular retiree, survivor or beneficiary shall be eligible to receive a cost-of-living adjustment until benefits have been received at least one full fiscal year and the payment of such COLA, when authorized, shall not be effective until the lapse of at least one-half of the fiscal year.

Members who elect early retirement are not eligible for a cost of living adjustment until they reach regular retirement age.

### Deferred Retirement Option Plan

A member is eligible to elect to enter the deferred retirement option plan (DROP) when he is eligible for regular retirement based on the members' sub plan participation. Upon filing the application for the program, the employee's active membership in the System is terminated. At the entry date into the DROP, the employee and employer contributions cease. The amount to be

## 10. RETIREMENT (Continued)

deposited into the DROP account is equal to the benefit computed under the retirement plan elected by the participant at date of application. The duration of participation in the DROP is thirty six months or less. If employment is terminated after the three-year period the participant may receive his benefits by lump sum payment or a true annuity. If employment is not terminated, active contributing membership into the System shall resume and upon later termination, he shall receive additional retirement benefit based on the additional service. For those eligible to enter DROP prior to January 1, 2004, DROP accounts shall earn interest subsequent to the termination of DROP participation at a rate of half of one percentage point below the percentage rate of return of the System's investment portfolio as certified by the actuary on an annual basis but will never lose money. For those eligible to enter DROP subsequent to January 1, 2004, an irrevocable election is made to earn interest based on the System's investment portfolio return or a money market investment return. This could result in a negative earnings rate being applied to the account. If the member elects a money market investment return, the funds are transferred to a government money market account.

### Initial Benefit Option Plan

In 1999, the State Legislature authorized the System to establish an Initial Benefit Option program. Initial Benefit Option is available to members who are eligible for regular retirement and have not participated in DROP. The Initial Benefit Option program provides both a one-time single sum payment of up to 36 months of regular monthly retirement benefit, plus a reduced monthly retirement benefit for life. Interest is computed on the balance based on same criteria as DROP.

### **Contributions**

Plan members are required by state statute to contribute 10% of their annual covered salary and the Town of Arcadia is required to contribute at an actuarially determined rate. The current rate for the year ended December 31, 2018 was 32.25% of annual covered payroll. The contribution requirements of plan members and the Town are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Town of Arcadia, Louisiana's contributions to the System, for the year ending December 31, 2018 was \$50,100.

The System also receives insurance premium tax monies as additional employer contributions. The tax is considered support from a non-contributing entity and appropriated by the legislature each year based on an actuarial study. Non-employer contributions during the measurement period of \$9,351 are recognized as revenue and are excluded from pension expense.

### **Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At December 31, 2018, the Town reported a liability of \$400,587 for its proportionate share of the net pension liability of the System. The net pension liability was measured as of June 30, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2018, the Town's proportion was 0.047384% which was an increase of 0.004971% from its proportion measured as of June 30, 2017.

10. RETIREMENT (Continued)

For the year ended December 31, 2018, the Town recognized pension expense of \$27,955 representing its proportionate share of the System's net expense, including amortization of deferred amounts.

At December 31, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,806	\$ 20,471
Changes in assumptions	26,178	-
Net difference between projected and actual earnings on pension plan investments	19,203	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	28,845	88,423
Employer contributions subsequent to the measurement date	<u>27,176</u>	<u>-</u>
Total	<u>\$ 103,208</u>	<u>\$ 108,894</u>

The Town reported a total of \$27,176 as deferred outflow of resources related to pension contributions made subsequent to the measurement period of December 31, 2018 which will be recognized as a reduction in net pension liability in the year ended December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	
2019	(18,088)
2020	(14,183)
2021	(1,289)
2022	<u>698</u>
	<u>\$ (32,862)</u>

**Actuarial Methods and Assumptions**

A summary of the actuarial methods and assumptions used in determining the total pension liability as of June 30, 2018 are as follows:

Valuation Date	June 30, 2018
Actuarial Cost Method	Entry Age Normal Cost
Investment Rate of Return	7.20%, net of investment expense
Expected Remaining Service lives	4 years
Inflation Rate	2.60%

10. RETIREMENT (Continued)

	<u>Years of Service</u>	<u>Salary Growth Rate</u>
Salary increases, including	1-2	9.75%
inflation and merit	3-23	4.75%
	23 & Over	4.25%

The forecasted long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and an adjustment for the effect of rebalancing/diversification. The resulting forecasted long-term rate of return is 8.03% for the year ended June 30, 2018.

Best estimates of arithmetic nominal rates of return for each major asset class included in the System's target allocation as of June 30, 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	Long-Term Expected Portfolio Real Rate of <u>Return</u>
Equity	52%	3.58%
Fixed Income	22%	0.46%
Alternatives	20%	1.07%
Other	<u>6%</u>	<u>0.17%</u>
Totals	100%	5.28%
Inflation		<u>2.75%</u>
Expected Arithmetic Nominal Return		<u>8.03%</u>

The discount rate used to measure the total pension liability was 7.20%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made at the actuarially determined rates approved by PRSAC taking into consideration the recommendation of the System's actuary. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The mortality rate assumption used was set based upon an experience study performed by the prior actuary on plan data for the period July 1, 2009 through June 30, 2014 and review of similar law enforcement mortality. The data was then assigned credibility weighting and combined with a standard table to produce current levels of mortality. This mortality was then projected forward to a period equivalent to the estimated duration of the System's liabilities. Annuity values calculated

10. RETIREMENT (Continued)

based on this mortality were compared to those produced by using a set back of standard tables. The result of the procedure indicated that the tables used would produce liability values approximating the appropriate generational mortality tables.

**SENSITIVITY TO CHANGES IN DISCOUNT RATE**

The following presents the Town’s proportionate share of the net pension liability calculated using the discount rate of 7.20%, as well as what the Town’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.20%) or one percentage point higher (8.20%) than the current rate:

	<u>Changes in Discount Rate</u>		
	1% Decrease	Current Discount Rate	1% Increase
	<u>6.20%</u>	<u>7.20%</u>	<u>8.20%</u>
Town’s proportionate share of the net pension liability	\$ 562,936	\$ 400,587	\$ 264,383

Municipal Employees’ Retirement System of Louisiana

The Municipal Employees’ Retirement System of Louisiana is the administrator of a cost-sharing multiple-employer defined benefit pension plan. The System was originally established by Act 356 of the 1954 regular session of the Legislature of the State of Louisiana.

The System provides retirement benefits to employees of all incorporated villages, towns and cities within the State which do not have their own retirement system and which elect to become members of the System.

The following is a description of the plan and its benefits and is provided for general information purposes only. The City is a contributing municipality of Plan B.

Eligibility Requirements:

Membership is mandatory as a condition of employment beginning on the date employed if the employee is on a permanent basis working at least thirty-five hours per week. Those individuals paid jointly by a participating employer and the parish are not eligible for membership in the System with exceptions as outlined in the statutes.

Retirement Benefits:

Any member of Plan B who was hired before January 1, 2013 can retire providing the member meets one of the following criteria:

1. Any age with thirty (30) or more years of creditable service.
2. Age 60 with a minimum of ten (10) years of creditable service.
3. Any age with ten (10) years of creditable service eligible for disability benefits.
4. Survivor’s benefits require five (5) years creditable service at death of member.

## 10. RETIREMENT (Continued)

Eligibility for Retirement for Plan B members hired on or after January 1, 2013 is as follows:

1. Age 67 with seven (7) or more years of creditable service
2. Age 62 with ten (10) or more years of creditable service
3. Age 55 with thirty (30) or more years of creditable service
4. Twenty-five (25) years of service credit at any age, exclusive of military service and unused annual sick

However, any member retiring under subsection #4 shall have their benefit actuarially reduced from the earliest age of which the member would be entitled to a vested deferred benefit under any provision of this section, if the member had continued in service to that age.

Generally, the monthly amount of the retirement allowance for any member of Plan B shall consist of an amount equal to two percent of the member's monthly average final compensation multiplied by his years of creditable service. However, under certain conditions as outlined in the statutes, the benefits are limited to specified amounts.

### Survivor Benefits:

Upon death of any member of Plan B with five (5) or more years of creditable service, not eligible for retirement, the plan provides for benefits for the surviving spouse and/or minor children as outlined in the statutes.

Any member of Plan B who is eligible for normal retirement at time of death and who leaves a surviving spouse will be deemed to have retired and selected Option 2 benefits on behalf of the surviving spouse on the date of death. Such benefits will begin only upon proper application and are paid in lieu of any other survivor benefits.

### DROP Benefits:

In lieu of terminating employment and accepting a service retirement allowance, any member of Plan A or B who is eligible to retire may elect to participate in the deferred retirement option plan (DROP) for up to three years and defer the receipt of benefits. During participation in the plan, employer contributions are payable but employee contributions cease. The monthly retirement benefits that would be payable, had the person elected to cease employment and receive a service retirement allowance, are paid into the DROP Fund. Interest is earned when the member has completed DROP participation. Interest earnings are based upon the actual rate of return on the investments identified as DROP funds for the period. In addition, no cost-of-living increases are payable to participants until employment which made them eligible to become members of the System has been terminated for at least one full year.

Upon termination of employment prior to or at the end of the specified period of participation, a participant in the DROP may receive, at his option, a lump sum from the account equal to the payments into the account, a true annuity based upon his account balance in that fund, or any other method of payment if approved by the board of trustees. If a participant dies during participation in the DROP, a lump sum equal to the balance in his account shall be paid to his named beneficiary or, if none, to his estate. If employment is not terminated at the end of the three years, payments into the DROP fund cease and the person resumes active contributing membership in the System.

## 10. RETIREMENT (Continued)

### Disability Benefits:

For Plan B, a member shall be eligible to retire and receive a disability benefit if he has at least ten years of creditable service, in which he would receive a regular retirement benefit under retirement provisions. A member shall be eligible to retire and receive a disability benefit if he has at least ten years of creditable service, is not eligible for normal retirement, and has been officially certified as disabled by the State Medical Disability Board. Upon retirement caused by disability, a member of Plan B shall be paid a disability benefit equal to the lesser of thirty percent of his final average compensation or two percent of his final average compensation multiplied by his years of creditable service, whichever is greater, or an amount equal to two percent of the member's final average compensation multiplied by his years of creditable service, projected to his earliest normal retirement age.

### Cost of Living Increases:

The System is authorized under state law to grant a cost of living increase to members who have been retired for at least one year. The adjustment cannot exceed 2% of the retiree's original benefit for each full calendar year since retirement and may only be granted if sufficient funds are available from investment income in excess of normal requirements. State law allows the System to grant an additional cost of living increase to all retirees and beneficiaries who are age sixty-five and above equal to 2% of the benefit being received on October 1, 1977, or the original benefit, if retirement commenced after that date.

### Deferred Benefits:

Both plans provide for deferred benefits for members who terminate before being eligible for retirement. Once the member reaches the appropriate age for retirement, benefits become payable. Benefits are based on statutes in effect at time of withdrawal.

### **Contributions**

Plan members are required by state statute to contribute 5.0% of their annual covered salary and the Town of Arcadia is required to contribute at an actuarially determined rate. The current rate for the year ended December 31, 2018 was 14.0% of annual covered payroll. The contribution requirements of plan members and the Town are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Town of Arcadia, Louisiana's contributions to the System, for the year ending December 31, 2018 was \$77,495.

In accordance with state statute, the System receives ad valorem taxes and state revenue sharing funds. These additional sources of income are used as employer contributions and are considered support from non-employer contributing entities, but are not considered special funding situations. Non-employer contributions of \$18,025 during the measurement period are recognized as revenue and are excluded from pension expense.

### **Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At December 31, 2018, the Town reported a liability of \$607,201 for its proportionate share of the net pension liability of the System. The net pension liability was measured as of June 30, 2018 and

10. RETIREMENT (Continued)

the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At December 31, 2018, the Town's proportion was 0.717874% which was an increase of 0.017111% from its proportion measured as of June 30, 2017.

For the year ended December 31, 2018, the Town recognized pension expense of \$127,320 representing its proportionate share of the System's net expense, including amortization of deferred amounts.

At December 31, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to the pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,627	\$ 27,349
Changes of assumptions	22,722	-
Net difference between projected and actual earnings on pension plan investments	98,689	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	11,781	8,972
Employer contributions subsequent to the measurement date	<u>41,167</u>	<u>-</u>
Total	<u>\$ 175,986</u>	<u>\$ 36,321</u>

The Town reported a total of \$41,167 as deferred outflow of resources related to pension contributions made subsequent to the measurement period of December 31, 2018 which will be recognized as a reduction in net pension liability in the year ended December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:

2019	\$ 51,763
2020	34,727
2021	8,949
2022	<u>3,059</u>
	<u>\$ 98,498</u>

10. RETIREMENT (Continued)

**Actuarial Methods and Assumptions**

A summary of the actuarial methods and assumptions used in determining the total pension liability as of June 30, 2018 are as follows:

Valuation Date	June 30, 2018
Actuarial Cost Method	Entry Age Normal Actuarial Assumptions:
Investment Rate of Return	7.275%, net of investment expense
Projected Salary Increases	5.0% (including inflation and merit)
Mortality Rates	RP-2000 Employee Table for active members RP-2000 Healthy Annuitant Table for healthy annuitants RP-2000 Disabled Lives Mortality Tables for disabled annuitants
Expected Remaining Service Lives	3 years
Inflation Rate	2.60%
Cost of Living Adjustments	The present value of future retirement benefits is based on benefits currently being paid by the System and includes previously granted cost of living increases. The present values do not include provisions for potential future increases not yet authorized by the Board of Trustees.

The mortality rate assumption used was verified by combining data from this plan with three other statewide plans which have similar workforce composition in order to produce a credible experience. The aggregated data was collected over the period July 1, 2009 through June 30, 2014. The data was then assigned credibility weighting and combined with a standard table to produce current levels of mortality. This mortality was then projected forward to a period equivalent to the estimated duration of the System's liabilities. Annuity values calculated based on this mortality were compared to those produced by using a setback of standard tables. The result of the procedure indicated that these tables would produce liability values approximating the appropriate generational mortality tables used.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.70% and an adjustment for the effect of rebalancing/diversification. The resulting expected long-term rates of return is 4.3% for the year ended June 30, 2018.

Best estimates of arithmetic real rates of return for each major asset class included in the System's target asset allocation as of June 30, 2018 are summarized in the following table:

10. RETIREMENT (Continued)

<u>Asset Class</u>	<u>Long-Term Expected Portfolio Target Asset Allocation</u>	<u>Real Rate Return</u>
Public Equity	50%	2.2%
Public Fixed Income	35%	1.5%
Alternatives	<u>15%</u>	<u>0.6%</u>
Totals	100%	4.3%
 Inflation		 <u>2.7%</u>
 Expected Arithmetic Nominal Return		 <u>7.0%</u>

The discount rate used to measure the total pension liability was 7.275%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made at the actuarially determined rates approved by PERSAC taking into consideration the recommendation of the System’s actuary. Based on those assumptions, the System’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**SENSITIVITY TO CHANGES IN DISCOUNT RATE**

The following presents the Town’s proportionate share of the net pension liability calculated using the discount rate of 7.275%, as well as what the Town’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.275%) or one percentage point higher (8.275%) than the current rate:

	<u>Changes in Discount Rate</u>		
	1% Decrease	Current Discount Rate	1% Increase
	<u>6.275%</u>	<u>7.275%</u>	<u>8.275%</u>
Town’s proportionate share of the net pension liability	\$ 796,877	\$ 607,201	\$ 445,960

11. CONTINGENT LIABILITIES

As of December 31, 2018, the Town was involved in the following matters: 1) Dennie Ashley vs. Town of Arcadia and Louisiana Municipal Risk Management Agency Self-Insurance Fund, 2) Rosie Hampton vs. Town of Arcadia and LA Department of Transportation and Development, and 3) Gap Farms LLC vs. Town of Arcadia, et al. These matters are covered under the Town’s general liability policy and are being defended by Louisiana Risk Management, Inc., the Town’s liability insurer. It is believed the Town’s liability, if any, does not exceed the coverage afforded under the liability policy, thus, no reserves have been recorded for potential loss.

## 12. ON BEHALF PAYMENTS FOR SALARIES

The Town recognizes as general fund revenues and expenses supplemental pay made by the State of Louisiana to the Town's police employees. For the year ended December 31, 2018, the State made contributions of \$60,000.

**Required Supplemental Information**

**TOWN OF ARCADIA  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(unaudited)**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
Revenues:				
Taxes				
Ad valorem	\$ 170,000	\$ 170,000	\$ 204,806	\$ 34,806
Other taxes, penalties and interest	65,000	65,000	64,960	(40)
Licenses and permits	108,000	108,000	96,426	(11,574)
Intergovernmental	80,500	80,500	383,938	303,438
Fines	30,000	30,000	23,214	(6,786)
Use of money and property	50,000	50,000	40,383	(9,617)
Miscellaneous	120	120	50,770	50,650
<b>Total revenues</b>	<u>503,620</u>	<u>503,620</u>	<u>864,497</u>	<u>360,877</u>
Expenditures:				
Current:				
General government	683,099	683,099	693,043	(9,944)
Public safety	743,612	743,612	867,019	(123,407)
Economic development	134,824	134,824	147,457	(12,633)
Transportation	11,000	11,000	32,228	(21,228)
Capital outlay	66,000	66,000	445,571	(379,571)
<b>Total expenditures</b>	<u>1,638,535</u>	<u>1,638,535</u>	<u>2,185,318</u>	<u>(546,783)</u>
Excess (deficiency) of revenue over expenditures	<u>(1,134,915)</u>	<u>(1,134,915)</u>	<u>(1,320,821)</u>	<u>(185,906)</u>
Other financing sources (uses):				
Operating transfers (net)	<u>1,135,000</u>	<u>1,135,000</u>	<u>1,379,205</u>	<u>244,205</u>
<b>Total other financing sources (uses)</b>	<u>1,135,000</u>	<u>1,135,000</u>	<u>1,379,205</u>	<u>244,205</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	85	85	58,384	58,299
Fund balances, beginning of year	<u>(784,038)</u>	<u>(784,038)</u>	<u>(784,038)</u>	<u>-</u>
<b>Fund balances, end of year</b>	<u>\$ (783,953)</u>	<u>\$ (783,953)</u>	<u>\$ (725,654)</u>	<u>\$ 58,299</u>

**TOWN OF ARCADIA  
SPECIAL REVENUE FUND TYPES  
SALES TAX FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(unaudited)**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
Revenues:				
Taxes	\$ 2,619,831	\$ 2,619,831	\$ 1,940,272	\$ (679,559)
Interest and other revenue	-	-	(1,663)	(1,663)
Total revenues	<u>2,619,831</u>	<u>2,619,831</u>	<u>1,938,609</u>	<u>(681,222)</u>
Expenditures:				
General government	<u>39,297</u>	<u>39,297</u>	<u>29,723</u>	<u>9,574</u>
Total expenditures	<u>39,297</u>	<u>39,297</u>	<u>29,723</u>	<u>9,574</u>
Excess (deficiency) of revenue over expenditures	<u>2,580,534</u>	<u>2,580,534</u>	<u>1,908,886</u>	<u>(671,648)</u>
Other financing sources (uses):				
Operating transfers (net)	<u>(2,580,534)</u>	<u>(2,580,534)</u>	<u>(1,950,805)</u>	<u>629,729</u>
Total other financing sources (uses)	<u>(2,580,534)</u>	<u>(2,580,534)</u>	<u>(1,950,805)</u>	<u>629,729</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	-	-	(41,919)	(41,919)
Fund balances, beginning of year	<u>1,676,578</u>	<u>1,676,578</u>	<u>1,676,578</u>	<u>-</u>
Fund balances, end of year	<u>\$ 1,676,578</u>	<u>\$ 1,676,578</u>	<u>\$ 1,634,659</u>	<u>\$ (41,919)</u>

TOWN OF ARCADIA

NOTES TO BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED DECEMBER 31, 2018

**Budget Variances - Major Funds**

Actual revenues were lower than budgeted revenues by 5% or more in the General Fund for various categories including licenses and permits, fines and use of money and property.

The General Fund shows a deficit in ending fund balance at December 31, 2018. This is a product of the “due to” account balances.

During 2018, total actual revenues were less than budgeted revenues by 5% or more in the Sales Tax Fund. Lower amounts of sales tax were collected than anticipated during the year.

**TOWN OF ARCADIA**

**SCHEDULE OF TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

**FOR THE YEARS ENDED DECEMBER 31, 2015 THROUGH DECEMBER 31, 2018**

(Unaudited)

<b>Fiscal Year</b>	<b>Employer Proportion of the Net Pension Liability (Asset)</b>	<b>Employer Proportionate Share of the Net Pension Liability (Asset)</b>	<b>Employer's Covered Employee Payroll</b>	<b>Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Employee Payroll</b>	<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>
<u>MERS</u>					
2018	0.717874%	607,201	568,222	106.9%	65.60%
2017	0.700763%	606,323	520,309	116.5%	63.49%
2016	0.686303%	568,881	512,390	111.0%	63.34%
2015	0.753400%	512,046	501,057	102.2%	68.71%
<u>MPERS</u>					
2018	0.047384%	400,587	148,441	269.9%	71.89%
2017	0.042413%	370,283	134,701	274.9%	70.08%
2016	0.062017%	581,274	122,770	473.5%	66.04%
2015	0.069372%	543,457	165,159	329.1%	70.73%

*This schedule will contain ten years of historical information once such information becomes available.*

See accompanying notes to required supplementary information and independent auditors' report.

**TOWN OF ARCADIA**

**SCHEDULE OF TOWN'S CONTRIBUTIONS**

**FOR THE YEARS ENDED DECEMBER 31, 2015 THROUGH DECEMBER 31, 2018**

(Unaudited)

<u>Fiscal Year</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to Contractual Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Employer's Covered Employee Payroll</u>	<u>Contributions as a Percentage of Covered Employee Payroll</u>
<u>MERS</u>					
2018	77,495	77,495	-	568,222	13.64%
2017	63,034	63,034	-	520,309	12.11%
2016	51,343	51,343	-	512,390	10.02%
2015	47,600	47,600	-	501,057	9.50%
<u>MPERS</u>					
2018	50,100	50,100	-	148,441	33.75%
2017	42,115	42,115	-	134,701	31.27%
2016	41,189	41,189	-	122,770	33.55%
2015	56,309	56,309	-	165,159	34.09%

*This schedule will contain ten years of historical information once such information becomes available.*

See accompanying notes to required supplementary information and independent auditors' report.

**Supplementary Information**

**TOWN OF ARCADIA  
COMBINING BALANCE SHEET, NON-MAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2018**

	<u>STREET</u>	<u>INDUSTRIAL INDUCEMENT</u>	<u>PARKS AND RECREATION</u>	<u>LMA</u>	<u>TOTAL OTHER GOVERNMENTAL FUNDS</u>
<b>ASSETS</b>					
Cash and cash equivalents	1,561	23,268	3,807	2,352	30,988
Investments	-	10,296	-	-	10,296
Due from other funds	42,723	323,814	149,703	-	516,240
Prepays	7,255	-	-	-	7,255
Total assets	<u>51,539</u>	<u>357,378</u>	<u>153,510</u>	<u>2,352</u>	<u>564,779</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	15,486	1,630	-	-	17,116
Due to other funds	1,008,292	275,631	39,534	-	1,323,457
Total liabilities	<u>1,023,778</u>	<u>277,261</u>	<u>39,534</u>	<u>-</u>	<u>1,340,573</u>
Fund balances:					
Nonspendable	7,255	-	-	-	7,255
Unrestricted:					
Assigned	(979,494)	80,117	113,976	2,352	(783,049)
Total fund balances	<u>(972,239)</u>	<u>80,117</u>	<u>113,976</u>	<u>2,352</u>	<u>(775,794)</u>
Total liabilities and fund balances	<u>51,539</u>	<u>357,378</u>	<u>153,510</u>	<u>2,352</u>	<u>564,779</u>

**TOWN OF ARCADIA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>STREET</u>	<u>INDUSTRIAL INDUCEMENT</u>	<u>PARKS AND RECREATION</u>	<u>LMA</u>	<u>TOTAL OTHER GOVERNMENTAL FUNDS</u>
Revenues:					
Interest	\$ 12	\$ 8,962	\$ 6	\$ -	\$ 8,980
Miscellaneous	8,570	(14,816)	700	1,824	(3,722)
Total revenues	8,582	(5,854)	706	1,824	5,258
Expenditures:					
Economic development	-	19,144	49	908	20,101
Public works	427,236	-	-	-	427,236
Culture and recreation	-	-	89,652	-	89,652
Capital outlay	74,925	-	1,483	-	76,408
Total expenditures	502,161	19,144	91,184	908	613,397
Excess (deficiency) of revenue over expenditures	(493,579)	(24,998)	(90,478)	916	(608,139)
Other financing sources (uses):					
Operating transfers in	615,422	76,964	76,964	-	769,350
Operating transfers out	-	(336,936)	(10,000)	-	(346,936)
Total other financing sources (uses)	615,422	(259,972)	66,964	-	422,414
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	121,843	(284,970)	(23,514)	916	(185,725)
Fund balances, beginning of year	(1,094,082)	365,087	137,490	1,436	(590,069)
Fund balances, end of year	<u>\$ (972,239)</u>	<u>\$ 80,117</u>	<u>\$ 113,976</u>	<u>\$ 2,352</u>	<u>\$ (775,794)</u>

TOWN OF ARCADIA  
SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS  
TO AGENCY HEAD  
FOR THE YEAR ENDED DECEMBER 31, 2018

Agency Head: Honorable Eugene Smith (prior – 4/23/2018)

Salary	21,027
Benefits-insurance	738
Conference travel	391

TOWN OF ARCADIA  
SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS  
TO AGENCY HEAD  
FOR THE YEAR ENDED DECEMBER 31, 2018

Agency Head: Honorable Gary Carlisle (4/23/2018 - 12/31/2018)

Salary	42,053
Benefits-insurance	9,698
Conference travel	4,363

TOWN OF ARCADIA

SCHEDULE OF COMPENSATION AND BENEFITS PAID ELECTED OFFICIALS

FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Compensation</u>	<u>Benefits</u>
Honorable Eugene Smith, Mayor	21,027	1,129
Honorable Gary Carlisle, Interim Mayor	42,053	14,061
Victor Rogers, Police Chief	60,899	6,345
Mattie Lou Harris, Mayor Protem	7,800	-
Deandre Alexander, Board Member	7,800	-
Gary Carlisle, Board Member	2,600	-
Billy Roy Cook, Board Member	7,800	-
Charles Butler, Board Member	5,240	-
Melanie Monroe, Board Member	9,100	-

## **Other Reports**

# HEARD, McELROY, & VESTAL

LLC

CERTIFIED PUBLIC ACCOUNTANTS

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SHREVEPORT, LOUISIANA 71101  
318-429-1525 PHONE • 318-429-2070 FAX

June 27, 2019

To the Honorable Mayor and the  
Members of the Town Council  
Town of Arcadia, Louisiana

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*

We have audited 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Arcadia, Louisiana as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Town of Arcadia, Louisiana's basic financial statements, and have issued our report thereon dated June 27, 2019.

## **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered The Town's internal control over financial reporting (internal control) 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, we do not express an opinion on the effectiveness of The Town's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2018-1 to be a material weakness.



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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2018-2, 2018-3 and 2018-4 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, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance 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 2018-2.

### **The Town's Response to Findings**

The Town's response to the findings identified in our audit is described in Management's Corrective Plan for Current Year Findings. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result 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.

Shreveport, Louisiana

Heard, McElroy & Vestal, LLC

TOWN OF ARCADIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2018

**A. Summary of Audit Results**

1. The auditor's report expresses an unmodified opinion on the basic financial statements of the Town of Arcadia, Louisiana.
2. Four significant deficiencies relating to the audit of the basic financial statements are reported, one of which is considered to be a material weakness.
3. One instance of noncompliance relating to the basic financial statements of the Town of Arcadia, Louisiana was disclosed during the audit.
4. No federal single audit was required under the Uniform Guidance relating to the financial statements of the Town of Arcadia, Louisiana.

**B. Findings – Financial Statement Audit**

2018-1: Accounting Staff:

As is common in small operations, management has chosen to engage the auditor to propose certain year-end adjusting journal entries and to prepare the Town's annual financial statements. Consistent with this decision, internal controls over the preparation of year-end adjusting entries and annual financial statements, complete with notes, in accordance with generally accepted accounting principles have not been established, nor does management have the ability to perform these functions in-house. Under generally accepted auditing standards, this condition represents a control deficiency that is also considered to be a material weakness in internal controls. This condition is intentional and results from management balancing the Town's financial complexity with the appropriate level of accounting expertise. Whether or not it would be cost effective to correct a control deficiency is not a factor in applying SAS 115's reporting requirements. Because prudent management requires that the potential benefit from an internal control must exceed its cost, it may not be practical to correct all deficiencies reported under SAS 115.

2018-2: Budget Variance:

The Town had an unfavorable variance of more than 5% in its General Fund and Sales Tax Funds during the year. The Budget Act requires that the budget be amended when the variances exceed 5%.

**B. Findings – Financial Statement Audit (Continued)**

2018-3: Internal Control over Accounts Payable/Disbursements:

As a result of test-work over the accounts payable process the following items were noted:

- a) Certain old items from prior years were included in the accounts payable aging reconciliation for two Funds.
- b) Certain instances in which invoices were not properly accrued for at year-end, including those related to credit card transactions, were present.
- c) Certain invoices were not recorded in a timely manner when received.
- d) Several invoices could not be located.

Policies and procedures to address the items noted above should be implemented. All employees involved in the accounts payable process should be provided with a copy of the procedures and then be trained on the processes.

2018-4: Internal Control over Grant Accounts:

Activity relating to the recording of grants was not properly reconciled throughout the year, and required review and adjustment during year-end procedures (either by the external CPA or auditor). As a result, financial results on a monthly basis are not entirely accurate as presented to the Town Council. Also, supporting documentation was not readily available when requested. Policies and procedures should be set up to ensure these accounts are being completely reconciled at least quarterly and preferably on a monthly basis (as well as filed in an organized manner) to ensure accurate financial reporting, and to alleviate the amount of time and resources required to correct during year-end procedures.

2018-5: Internal Control over Credit Card Statements:

As a result of test-work over credit card statements, the following items were noted:

- a) Several statements selected for testing did not have documentation of review/approval.
- b) Certain transactions were not supported by itemized receipt and did not include documentation of business/public purpose of the transaction.

2018-6: Internal Control over Travel-Related Expenses:

Certain transactions were not supported by itemized receipt and did not include documentation of business/public purpose of the transaction.

TOWN OF ARCADIA  
SCHEDULE OF PRIOR YEAR FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2018

2017-1: Accounting Staff:

Status: Unresolved – repeated as 2018-1.

2017-2: Budget Variance:

Status: Unresolved – repeated as 2018-2.

2017-3: Internal Control over Accounts Payable:

Status: Unresolved – repeated as 2018-3.

2017-4: Internal Control over Grant Accounts:

Status: Unresolved – repeated as 2018-4.

TOWN OF ARCADIA

MANAGEMENT'S CORRECTIVE ACTION PLAN FOR CURRENT YEAR FINDINGS

FOR THE YEAR ENDED DECEMBER 31, 2018

2018-1: The Town has hired an outside CPA to propose certain year-end adjustments and to assist in the preparation of the Town's annual financial statements. This will provide the Town with the proper tools needed for the preparation of the annual financial statements in accordance with generally accepted accounting principles.

2018-2: The above noted CPA will assist the Town in monitoring the budget on a quarterly basis and will recommend amendments before the Town Council when the budgets' variances exceed 5% as required by the Budget Act.

2018-3: Internal Control over Accounts Payable:

The Town is working diligently with outside CPA to create and implement policies and procedures to correct internal control issues within the accounts payable process.

2018-4: Internal Control over Grant Accounts:

The Town is working diligently with outside CPA to create and implement policies and procedures to correct internal control issues within the grant recording and documentation process.

2018-5: Internal Control over Credit Card Statements:

The Town is working diligently with outside CPA to create and implement policies and procedures to correct internal control issues within the credit card statement approval and documentation process.

2018-6: Internal Control over Travel-Related Expenses:

The Town is working diligently with outside CPA to create and implement policies and procedures to correct internal control issues within travel-related expenses approval and documentation process.

**TOWN OF ARCADIA, LOUISIANA**  
**STATEWIDE AGREED-UPON**  
**PROCEDURES REPORT**  
**YEAR ENDED DECEMBER 31, 2018**

# HEARD, McELROY, & VESTAL

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June 27, 2019

Board of Directors  
Town of Arcadia  
1819 S Railroad Ave  
Arcadia, Louisiana 71001

Louisiana Legislative Auditor  
Baton Rouge, Louisiana

## INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

We have performed the procedures enumerated below, which were agreed to by Town of Arcadia (the Town) 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 01, 2018 through December 31, 2018. The Town'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*, issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we 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 procedures and associated findings are as follows:

### Written Policies and Procedures

---

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

*The entity has written policies and procedures that adequately address the budget function.*

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- 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.

*Exception: The entity has written policies or procedures over the purchasing process, but does not address how vendors are added to the vendor list.*

*Management's Response: The town will update procedures to address how vendors are added to the vendor list.*

- c) **Disbursements**, including processing, reviewing, and approving

*The entity has written policies and procedures that adequately address the disbursement function.*

- 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).

*The entity has written policies and procedures that adequately address the receipts/collections function.*

- e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.

*The entity has written policies and procedures that adequately address the payroll function.*

- 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

*The entity has written policies and procedures that adequately address the contracting function.*

- 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)

*The entity has written policies and procedures that adequately address the credit card function.*

- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers

*The entity has written policies and procedures that adequately address the travel and expense function.*

- 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.

*Exception: The entity does not have a written policy regarding ethics.*

*Management's Response: The entity will create a written policy regarding ethics.*

- j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

*Exception: The entity does not have a written policy regarding debt service.*

*Management's Response: The entity will create a written policy for debt service.*

### Board or Finance Committee

---

2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:

- a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.

*The entity's Town Council met monthly with a quorum.*

- b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons of 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.*

*Exception: The minutes did not include or reference monthly budget-to-actual comparisons.*

*Management's Response: The entity will include monthly budget-to-actual comparisons in each board meeting.*

- 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.

*The general fund had a negative ending unrestricted fund balance in the prior year audit report. From review of minutes, no reference or formal plan to eliminate the negative unrestricted fund balance was noted.*

*Management's Response: This is a product of the "due to" account balances and GASB 68 implementation. In addition, the Town has a deficit in their other governmental funds at December 31, 2018, which is related to "due to/from" accounts; mainly in the Street Fund. In fiscal year 2019, Town management has stated the due to/from accounts will be cleared out for the respective funds which have a negative fund balance, which will alleviate the deficits.*

### Bank Reconciliations

---

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 list of bank accounts was obtained from management.*

- 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);

*The selected bank reconciliations were prepared within two months of the related statement closing date.*

- 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

*Exception: The bank reconciliations had no evidence of review by an independent member of management.*

*Management's Response: The town's third-party CPA will document review when the CPA reviews the bank reconciliations each month.*

- 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.

*Exception: For three of the bank accounts, items greater than twelve months old were noted. There was no documentation from management reflecting the research of the outstanding items.*

*Management's Response: The town's third-party CPA will document research of any outstanding items.*

### 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).

*A listing of deposit locations was obtained.*

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 listing of collection locations was obtained.*

- a) Employees that are responsible for cash collections do not share cash drawers/registers.

*The entity does not receive cash; however, employees do not share money drawers.*

- 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.

*The same individual who collects payments is not responsible for preparing and making deposits.*

- 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.

*The same individual who collects payments is not responsible for posting payments to the general ledger and reconciling accounts.*

- 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.

*The employee responsible for reconciling cash collections is not responsible for collecting cash.*

6. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.

*The entity carries adequate business insurance coverage.*

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.

*Exception: The entity does not issue pre-numbered receipts.*

*Management's Response: The Town no longer accepts cash; therefore, it is not part of their policy to issue receipts for checks, money orders, or credit card transactions.*

- b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.

*Exception: The entity does not issue pre-numbered receipts.*

*Management's Response: The Town no longer accepts cash; therefore, it is not part of their policy to issue receipts for checks, money orders, or credit card transactions.*

- c) Trace the deposit slip total to the actual deposit per the bank statement.

*Exception: For five of the deposits selected, the procedure could not be performed due to there being no supporting documentation.*

*Management's Response: The Town will implement additional controls to ensure supporting documentation is on file for all disbursements.*

- 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).

*Exception: For five of the deposits selected, the procedure could not be performed due to there being no supporting documentation. For two of the transactions selected, there was not a receipt issued therefore the procedure could not be performed.*

*Management's Response: The Town will implement additional controls to ensure supporting documentation is on file for all disbursements.*

- e) Trace the actual deposit per the bank statement to the general ledger.

*The deposit was traced to the general ledger without exception.*

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).

*A listing of locations was obtained from management.*

- 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.

*An employee will request a purchase for any item over \$150, which then must be approved by the administrative assistant and mayor.*

- b) At least two employees are involved in processing and approving payments to vendors.

*The mayor approves the invoices, the administrative assistant codes the invoices, and the clerk processes payments.*

- 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.

*Exception: The same individual responsible for processing payments is also responsible for adding vendors to the entity's disbursement system.*

*Management's Response: The town's third-party CPA will periodically document review of 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.

*The economic developer, who is independent from the payment distribution process, mails the checks.*

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.

*Exception: One of the selected disbursements was missing a supporting billing statement.*

*Management's Response: The Town will implement additional controls to ensure supporting billing statements are on file for all disbursements.*

- b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

*Exception: Two of the selections did not have documentation of segregation of duties.*

*Management's Response: The Town will implement additional controls to ensure all disbursements are evidenced with segregation of duties.*

#### 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.

*A listing of all cards was obtained from management.*

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.]]

*Exceptions: Four of the card statements selected did not have documentation of approval.*

*Management's Response: The Town will implement additional controls to ensure all credit card statements are evidenced with approval.*

- b) Observe that finance charges and late fees were not assessed on the selected statements.

*Exception: Finance Charges and late fees were assessed on one of the selected statements.*

*Management's Response: The Town will work to pay the credit card balances in a timely manner to avoid future fees.*

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).

- a) An original itemized receipt that identifies precisely what was purchased.

*Exception: Two of the selected transactions were not supported by an itemized receipt showing what was purchased.*

*Management's Response: The Town will implement additional controls to ensure all credit card purchases are supported by itemized receipts.*

- b) Written documentation of the business/public purpose

*Exception: None of the selected transactions had written documentation of the business/public purpose of the transaction.*

*Management's Response: The Town will implement additional controls to ensure all credit card purchases include documentation of the business/public purpose.*

- c) Documentation of the individuals participating in meals (for meal charges only).

*Not applicable, as none of the transactions were for meals.*

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)).

*All transactions reimbursed per diem agree to the applicable rates.*

- b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.

*Exception: Four of the selections were not supported by an itemized receipt.*

*Management's Response: The Town will implement additional controls to ensure all travel related expenses are supported by itemized receipts.*

- 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).

*Exception: Four of the reimbursements did not have documentation of the business/public purpose.*

*Management's Response: The Town will implement additional controls to ensure all travel related expenses include documentation of the business/public purpose.*

- d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

*Exception: None of the selections had documentation of approval.*

*Management's Response: The Town will implement additional controls to ensure all travel related expenses are evidenced with an approval.*

Payroll and Personnel

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*Not applicable as there were no exceptions found in prior year with regard to this procedure..*

## Payroll and Personnel

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15. 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.

*A listing was obtained from management.*

*Exception: Three of the employees selected did not have support for their pay rate in their file.*

*Management's Response: The Town will implement additional controls to ensure all employees pay is supported by approval and documentation.*

16. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #15 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.)

*All selections were supported by documentation of their daily attendance and leave.*

- b) Observe that supervisors approved the attendance and leave of the selected employees/officials.

*Exception: There was no documentation of approval for the attendance and leave for three of the employees selected.*

*Management's Response: The Town will implement additional controls to ensure attendance and leave records for every employee are documented on a daily basis.*

- c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

*All leave was reflected in the entity's cumulative leave records.*

17. 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.

*No employees were terminated during the year.*

18. 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.

*Management confirmed that all payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums were filed and paid.*

## Ethics

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19. Using the 5 randomly selected employees/officials from procedure #15 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.

*Exception: Two of the employees selected did not have documentation that the one hour of ethics training had been completed.*

*Management’s Response: The Town will implement additional controls to ensure there is documentation to support all employees annual ethics training.*

- 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.

*Exception: None of the employees selected has documentation that he or she has read the entity’s ethics policy.*

*Management’s Response: The Town will implement additional controls to ensure there is documentation to support each employee’s reading of the Town’s ethics policy.*

## Other

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20. 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.

*There were no misappropriations of public funds during the year.*

21. 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.

*The fraud notice concerning the reporting of misappropriation, fraud, waste, or abuse of public funds was posted on the premises.*

We were 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, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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.

*Heard, McElroy & Vestal, LLC*