

TOWN OF LAKE ARTHUR, LOUISIANA
ANNUAL FINANCIAL REPORT
JULY 31, 2019

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TOWN OF LAKE ARTHUR, LOUISIANA

ANNUAL FINANCIAL REPORT
Year Ended July 31, 2019

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TOWN OF LAKE ARTHUR, LOUISIANA

July 31, 2019

MAYOR

The Honorable Sherry Crochet

BOARD OF ALDERMEN

Mr. David Hanks
Mr. Sampson LeJeune
Mr. Ricky Monceaux

Ms. Roberta Palermo
Mr. Auldon Robinson

LEGAL COUNSEL

Mr. Bennett LaPoint

TOWN CLERK

Mrs. Mindy Marcantel

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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Board of Aldermen
Town of Lake Arthur
Lake Arthur, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Lake Arthur, Louisiana, as of and for the year ended July 31, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Lake Arthur, Louisiana as of July 31, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and the Street and Alley Fund 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 Schedule of Employer's Proportionate Share of Net Pension Liability and the Schedule of Employer's Pension Contributions on pages 58-59 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.

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Lake Arthur's basic financial statements. The introductory section and combining nonmajor fund financial statements and the Schedule of Compensation, Benefits and other Payments to Mayor are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements and the Schedule of Compensation, Benefits, and Other Payments to Mayor are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or 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 combining nonmajor fund financial statements and the Schedule of Compensation, Benefits, and Other Payments to Mayor are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Governmental Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 28, 2020, on our consideration of the Town of Lake Arthur, Louisiana's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial

reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Lake Arthur, Louisiana's internal control over financial reporting and compliance.

Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

McElroy Quirk & Bursch

Lake Charles, Louisiana
February 28, 2020

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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TOWN OF LAKE ARTHUR, LOUISIANA

STATEMENT OF NET POSITION
July 31, 2019

	Governmental Activities	Business- Type Activities	Total
ASSETS			
Cash	\$ 1,160,672	\$ 1,036,182	\$ 2,196,854
Investments	1,035,363	372,027	1,407,390
Receivables	137,738	68,936	206,674
Prepays	-	3,733	3,733
Due from other funds	18,555	(18,555)	-
Restricted cash	-	79,480	79,480
Capital assets not being depreciated	911,358	9,604	920,962
Capital assets, net of accumulated depreciation	4,340,967	1,677,339	6,018,306
Total assets	<u>7,604,653</u>	<u>3,228,746</u>	<u>10,833,399</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	<u>61,559</u>	<u>13,513</u>	<u>75,072</u>
LIABILITIES			
Accounts and other accrued payables	372	-	372
Customer meter deposits	-	79,480	79,480
Other payables	28,830	-	28,830
Long-term liabilities:			
Due within one year	67,546	14,827	82,373
Due after one year	358,210	48,785	406,995
Net pension liability	303,788	66,686	370,474
Total liabilities	<u>758,746</u>	<u>209,778</u>	<u>968,524</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	<u>101,411</u>	<u>3,924</u>	<u>105,335</u>
NET POSITION			
Net investment in capital assets	4,826,569	1,623,331	6,449,900
Restricted for:			
Debt service	137,578	-	137,578
Streets and drainage	145,338	-	145,338
Unrestricted	<u>1,696,570</u>	<u>1,405,226</u>	<u>3,101,796</u>
Total net position	<u>\$ 6,806,055</u>	<u>\$ 3,028,557</u>	<u>\$ 9,834,612</u>

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

TOWN OF LAKE ARTHUR, LOUISIANA

STATEMENT OF ACTIVITIES
Year Ended July 31, 2019

<u>Activities</u>	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Fees, Fines and Charges for Services</u>	<u>Operating Grants and Contributions</u>
Governmental activities:			
General government	\$ 405,818	\$ 107,323	\$ -
Highways and streets	300,257	-	-
Public safety	706,388	64,149	37,107
Health and recreation	614,904	290,844	-
Economic development	4,925	313	2,000
Community center	34,854	-	-
Total governmental activities	2,067,146	462,629	39,107
Business-type activities:			
Water and sewer	503,223	466,498	-
Total activities	<u>\$ 2,570,369</u>	<u>\$ 929,127</u>	<u>\$ 39,107</u>

General revenues:

 Taxes:

 Property taxes

 Sales and use taxes

 Franchise taxes

 Intergovernmental

 Interest and investment earnings

 Miscellaneous

 Transfers

 Total general revenues

Change in net position

Net position, beginning of year

Net position, end of year

See accompanying notes to financial statements

(Expense) Revenues and Changes in Net Position			
Capital Grants	Governmental Activities	Business- Type Activities	Total
\$ -	\$ (298,495)	\$ -	\$ (298,495)
-	(300,257)	-	(300,257)
23,484	(581,648)	-	(581,648)
-	(324,060)	-	(324,060)
-	(2,612)	-	(2,612)
-	(34,854)	-	(34,854)
23,484	(1,541,926)	-	(1,541,926)
-	-	(36,725)	(36,725)
<u>\$ 23,484</u>	<u>\$ (1,541,926)</u>	<u>\$ (36,725)</u>	<u>\$ (1,578,651)</u>

\$ 244,991	\$ -	\$ 244,991
700,012	51,075	751,087
113,740	-	113,740
17,591	-	17,591
9,355	3,968	13,323
407,163	41,202	448,365
893	(893)	-
<u>1,493,745</u>	<u>95,352</u>	<u>1,589,097</u>
(48,181)	58,627	10,446
<u>6,854,236</u>	<u>2,969,930</u>	<u>9,824,166</u>
<u>\$ 6,806,055</u>	<u>\$ 3,028,557</u>	<u>\$ 9,834,612</u>

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FUND FINANCIAL STATEMENTS

TOWN OF LAKE ARTHUR, LOUISIANA
BALANCE SHEET - GOVERNMENTAL FUNDS
July 31, 2019

ASSETS	<u>General</u>	<u>Street & Alley</u>
ASSETS		
Cash	\$ 972,362	\$ 87,537
Investments	946,079	-
Receivables	117,155	19,839
Due from other funds	<u>30,458</u>	<u>-</u>
Total assets	<u>\$ 2,066,054</u>	<u>\$ 107,376</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	\$ 372	\$ -
Other payables	25,471	-
Due to other funds	<u>-</u>	<u>11,385</u>
Total liabilities	<u>25,843</u>	<u>11,385</u>
Fund balances:		
Restricted for:		
Street and alley maintenance	-	95,991
Drainage maintenance	-	-
Sidewalk maintenance	-	-
Debt service	-	-
Unassigned	<u>2,040,211</u>	<u>-</u>
Total fund balances	<u>2,040,211</u>	<u>95,991</u>
Total liabilities and fund balances	<u>\$ 2,066,054</u>	<u>\$ 107,376</u>

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

 Total fund balance - total governmental funds
 Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds
 Amounts related to pension recognition are not due and payable in the current period and, therefore, are not reported in the funds
 Long-term liabilities, including bonds and capital lease payable, are not due and payable in the current period and, therefore, are not reported in the funds

Total net assets - governmental activities

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

Nonmajor Governmental Funds	Total Governmental Funds
\$ 100,773	\$ 1,160,672
89,284	1,035,363
744	137,738
<u>3,512</u>	<u>33,970</u>
<u>\$ 194,313</u>	<u>\$ 2,367,743</u>

\$ -	\$ 372
3,358	28,829
<u>4,030</u>	<u>15,415</u>
<u>7,388</u>	<u>44,616</u>

-	95,991
7,204	7,204
42,143	42,143
137,578	137,578
-	<u>2,040,211</u>
<u>186,925</u>	<u>2,323,127</u>
<u>\$ 194,313</u>	<u>\$ 2,367,743</u>

\$ 2,323,127
 5,252,325
 (343,641)
(425,756)
\$ 6,806,055

TOWN OF LAKE ARTHUR, LOUISIANA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS
Year Ended July 31, 2019

	<u>General</u>	<u>Street & Alley</u>
Revenue:		
Taxes	\$ 668,729	\$ 293,313
Licenses and permits	107,323	-
Intergovernmental	78,182	-
Charges for services	249,268	-
Fines	63,604	-
Grants	2,000	-
Interest	8,478	87
Other	447,943	2,005
Total revenues	<u>1,625,527</u>	<u>295,405</u>
Expenditures:		
Current:		
General and administrative	350,849	-
Highways and streets	-	282,708
Public safety	686,924	-
Health and recreation	406,576	-
Economic development	4,925	-
Community center	33,605	-
Other	2,671	-
Debt service:		
Principal	15,651	-
Interest	2,028	-
Total expenditures	<u>1,503,229</u>	<u>282,708</u>
Excess (deficiency) of revenues over expenditures	122,298	12,697
Other financing sources (uses):		
Operating transfers in (out)	<u>893</u>	<u>-</u>
Net changes in fund balance	123,191	12,697
Fund balance, beginning	<u>1,917,020</u>	<u>83,294</u>
Fund balance, ending	<u>\$ 2,040,211</u>	<u>\$ 95,991</u>

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

Nonmajor Governmental Funds	Total Governmental Funds
\$ 96,701	\$ 1,058,743
-	107,323
-	78,182
-	249,268
-	63,604
-	2,000
790	9,355
-	449,948
<u>97,491</u>	<u>2,018,423</u>

-	350,849
78,056	360,764
-	686,924
-	406,576
-	4,925
-	33,605
-	2,671
25,000	40,651
11,987	14,015
<u>115,043</u>	<u>1,900,980</u>

(17,552)	117,443
<u>-</u>	<u>893</u>
(17,552)	118,336
<u>204,477</u>	<u>2,204,791</u>
<u>\$ 186,925</u>	<u>\$ 2,323,127</u>

TOWN OF LAKE ARTHUR, LOUISIANA

RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO
STATEMENT OF ACTIVITIES
Year Ended July 31, 2019

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

Net change in fund balance - total governmental funds	\$ 118,336
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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. This is the amount by
which capital outlays exceeded depreciation in the current
period.

	(89,875)
--	----------

The issuance of long-term debt provides current financial
resources to governmental funds, while the repayment of
the principal of long-term debt consumes the current
financial resources of governmental funds. Neither
transaction, however, has any effect on net assets.
This amount is the net effect of these differences in
the treatment of long-term debt and related items.

	(50,718)
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Net effect of pension liability recognition	(25,924)
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	<u>\$ (48,181)</u>
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The accompanying notes are an integral part of the basic financial statements.

TOWN OF LAKE ARTHUR, LOUISIANA

PROPRIETARY FUND - UTILITY FUND
STATEMENT OF NET POSITION
July 31, 2019

	Business-Type Activities Enterprise Fund
<u>ASSETS</u>	
Current assets:	
Cash and cash equivalents	\$ 1,036,182
Investments	372,027
Receivables	68,936
Prepaid expenses	3,733
Total current assets	<u>1,480,878</u>
Restricted cash and cash equivalents	79,480
Capital assets not being depreciated	9,604
Capital assets, net of accumulated depreciation	<u>1,677,339</u>
Total assets	<u>\$ 3,247,301</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Deferred outflow related to pensions	<u>\$ 13,513</u>
<u>LIABILITIES</u>	
Current liabilities:	
Due to other funds	18,555
Customer meter deposits	79,480
Total current liabilities	<u>98,035</u>
Noncurrent liabilities:	
Due within one year	14,827
Due after one year	48,785
Net pension liability	66,686
Total noncurrent liabilities	<u>130,298</u>
Total liabilities	<u>228,333</u>
<u>DEFERRED INFLOW OF RESOURCES</u>	
Deferred inflows related to pensions	<u>3,924</u>
<u>NET POSITION</u>	
Net investment in capital assets	1,623,331
Unrestricted	<u>1,405,226</u>
Total net position	<u>\$ 3,028,557</u>

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

TOWN OF LAKE ARTHUR, LOUISIANA

PROPRIETARY FUND - UTILITY FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Year Ended July 31, 2019

	Business-Type Activities Enterprise Fund
Operating revenues:	
Charges for services	\$ 466,498
Operating expenses:	
Personal services	106,456
Other services and charges	101,783
Materials and supplies	55,435
Heat, light and power	56,060
Depreciation	181,786
Total operating expenses	501,520
Operating (loss)	(35,022)
Nonoperating revenues (expenses):	
Interest income	3,968
Interest fiscal charges	(1,703)
Sales tax	51,075
Miscellaneous	41,202
Total nonoperating revenues (expenses)	94,542
Income before operating transfers	59,520
Operating transfers in (out)	(893)
Change in net position	58,627
Net position, beginning of year	2,969,930
Net position, end of year	\$ 3,028,557

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

TOWN OF LAKE ARTHUR, LOUISIANA

PROPRIETARY FUND - UTILITY FUND
STATEMENT OF CASH FLOWS
Year Ended July 31, 2019

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from customers	\$ 446,781
Cash payments to suppliers for goods and services	(220,704)
Cash payments to employees for services	(115,636)
Net cash provided by operating activities	<u>110,441</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Operating transfers in (out)	(893)
Miscellaneous	41,202
Sales tax	51,075
(Decrease) in customer deposits	(696)
Advances from (to) other funds	18,555
Net cash provided by noncapital financing activities	<u>109,243</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Principal payments on bonds	(14,349)
Purchase of property and equipment	(11,434)
Interest paid on bonds	(1,703)
Net cash (used in) capital and related activities	<u>(27,484)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest on investments	3,968
Purchase of investments	(372,027)
Proceeds from investments	368,739
Net cash provided by investing activities	<u>680</u>

Net increase in cash and cash equivalents 192,878

Cash and cash equivalents:

Beginning of year 922,784

End of year \$ 1,115,662

Cash and cash equivalents \$ 1,036,182

Restricted cash and cash equivalents 79,480

\$ 1,115,662

(continued on next page)

TOWN OF LAKE ARTHUR, LOUISIANA

STATEMENT OF CASH FLOWS - PROPRIETARY FUND
Year Ended July 31, 2019
(Continued)

RECONCILIATION OF OPERATING (LOSS) TO NET CASH	
PROVIDED BY OPERATING ACTIVITIES	
Operating (loss)	\$ (35,022)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	181,786
Changes in assets and liabilities:	
(Increase) in receivables	(19,718)
(Decrease) in payables	(7,425)
(Decrease) in net pension liability	(9,831)
Changes in deferred inflows and outflows of resources:	
Decrease in deferred outflows related to pensions	2,800
(Decrease) in deferred inflows related to pensions	<u>(2,149)</u>
Net cash provided by operating activities	<u>\$ 110,441</u>

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

TOWN OF LAKE ARTHUR, LOUISIANA
GENERAL FUND

BUDGETARY COMPARISON STATEMENT
Year Ended July 31, 2019

		Budget		Variance with Final
	Original	Final	Actual	Budget
REVENUES				
Taxes	\$ 690,744	\$ 690,744	\$ 668,729	\$ (22,015)
Licenses and permits	96,900	96,900	107,323	10,423
Intergovernmental	80,167	80,167	78,182	(1,985)
Charges for services	249,587	249,587	249,268	(319)
Fines	29,050	29,050	63,604	34,554
Interest	1,500	1,500	8,478	6,978
Grants	1,500	1,500	2,000	500
Other	94,524	94,524	447,943	353,419
Total revenues	<u>1,243,972</u>	<u>1,243,972</u>	<u>1,625,527</u>	<u>381,555</u>
EXPENDITURES				
Current:				
General and administrative	286,359	347,359	350,849	(3,490)
Public safety	565,003	681,690	686,924	(5,234)
Health and recreation	346,005	401,005	406,576	(5,571)
Economic development	11,500	11,500	4,925	6,575
Community center	27,895	27,895	33,605	(5,710)
Other	500	500	2,671	(2,171)
Debt service:				
Principal retirement	29,000	29,000	15,651	13,349
Interest	4,280	4,280	2,028	2,252
Total expenditures	<u>1,270,542</u>	<u>1,503,229</u>	<u>1,503,229</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	(26,570)	(259,257)	122,298	381,555
Other financing sources (uses):				
Operating transfers in	<u>30,000</u>	<u>30,000</u>	<u>893</u>	<u>(29,107)</u>
Net changes in fund balance	3,430	(229,257)	123,191	352,448
Fund balance, beginning of year	<u>1,917,020</u>	<u>1,917,020</u>	<u>1,917,020</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,920,450</u>	<u>\$ 1,687,763</u>	<u>\$ 2,040,211</u>	<u>\$ 352,448</u>

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

TOWN OF LAKE ARTHUR, LOUISIANA
STREET AND ALLEY FUND

BUDGETARY COMPARISON STATEMENT
Year Ended July 31, 2019

	<u>Original</u>	<u>Budget Final</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES				
Taxes	\$ 314,620	\$ 290,305	\$ 293,313	\$ 3,008
Interest	100	100	87	(13)
Other	<u>230,000</u>	<u>5,000</u>	<u>2,005</u>	<u>(2,995)</u>
Total revenues	544,720	295,405	295,405	-
EXPENDITURES				
Current:				
Highways and streets	<u>582,283</u>	<u>582,283</u>	<u>282,708</u>	<u>299,575</u>
Excess (deficiency) of revenues over expenditures	(37,563)	(286,878)	12,697	299,575
Fund balance, beginning of year	<u>83,294</u>	<u>83,294</u>	<u>83,294</u>	<u>-</u>
Fund balance, end of year	<u>\$ 45,731</u>	<u>\$ (203,584)</u>	<u>\$ 95,991</u>	<u>\$ 299,575</u>

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

TOWN OF LAKE ARTHUR, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

July 31, 2019

1) Summary of Significant Accounting Policies

The Town of Lake Arthur, Louisiana was incorporated in 1904, under the provisions of the Lawrason Act. The Town operates under a Mayor-Town Council form of government.

The accounting and reporting policies of the Town of Lake Arthur, Louisiana conform to accounting principles generally accepted in the United States of America as applicable to governments. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:517 and to the guidance set forth in the *Louisiana Municipal Audit and Accounting Guide*, and to the industry audit guide, *Audits of State and Local Governmental Units*.

A. Financial Reporting Entity

The accompanying financial statements include the various departments, activities, and organizational units that are controlled by, or dependent on the Mayor and Town Council of the Town of Lake Arthur, Louisiana. Control by or dependence on the Town was determined on the basis of budget adoption, taxing authority, authority to issue debt, election or appointment of governing body and other general oversight authority.

Based on the foregoing criteria, the Town of Lake Arthur has no other fiscal or significant managerial responsibility over any other governmental unit that is not included in the financial statements of the Town of Lake Arthur.

B. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS (GWFS)

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

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

FUND FINANCIAL STATEMENTS

The Town segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The various funds are grouped, in the financial statements in this report, into two broad fund categories as follows:

GOVERNMENTAL FUNDS

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

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The term "proceeds of specified sources" established that one or more specific restricted or committed revenues shall be the foundation for a special revenue fund.

Capital Projects Funds - These funds account for and report financial resources that are restricted, committed, or assigned for capital acquisition or construction of capital facilities and other capital assets.

Debt Service Funds - Debt Service Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. Debt service funds should be used to report resources if legally mandated. Financial resources that are being accumulated for principal and interest maturing in future years also should be reported in debt service funds.

PROPRIETARY FUNDS

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

C. Measurement Focus and Basis of Accounting

Measurement focus refers to which transactions are recorded within various financial statements. Basis of accounting refers to when revenues and expenditures (or expenses) are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Therefore, governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for government funds. The primary effect of internal activity (between or within funds) has been eliminated from the government-wide financial statements.

In the fund financial statements, governmental funds are accounted for using a financial resources measurement focus whereby only current assets and current liabilities generally are included on the balance sheet and increases or decreases in net current assets are presented in the operating statements. These funds utilize the modified accrual basis of accounting. Revenues are recognized when they become both measurable and available to finance expenditures of the current period. Certain revenues such as sales tax, property tax, and charges for services are assessed and collected in

such a manner that they can be accrued appropriately. Expenditures are recognized in the accounting period in which the liability is incurred, if measurable, except for principal and interest on general long-term debt which are recognized when due. Also, expenditures for accrued compensated absences are not recognized until they are payable from current available financial resources.

The proprietary funds, also in the fund financial statements, are accounted for and reported using a flow of economic resources measurement focus. This means that all assets and liabilities associated with the operation of these funds are included on the balance sheet. The operating statements for the proprietary fund present increases or decreases in net total assets.

D. Deferred Outflows of Resources and Deferred Inflows of Resources

In some instances, the GASB requires a government to delay recognition of decreases in net position as expenditures until a future period. In other instances, governments are required to delay recognition of increases in net position as revenues until a future period. In these circumstances, deferred outflows of resources and deferred inflows of resources result from the delayed recognition of expenditures or revenues, respectively.

E. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires 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 and expenses during the reporting period. Actual results could differ from those estimates.

F. Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

Fund balances:

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.

Net position:

Net position is displayed in three components:

- a. Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position - Consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Constraints may be placed on the use, either by (1) external groups, such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position - Net amount of the assets, deferred outflows or resources, liabilities, and deferred inflows of resources that are not included in either of the other two categories of net position.

G. Budgets and Budgetary Accounting

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

1. Prior to July 31, the Town Clerk submits to the Mayor and Council a proposed operating budget for the fiscal year commencing the following August 1. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comment.

3. Prior to July 31, the budget is legally enacted through passage of an ordinance.
4. Any revisions that alter total expenditures of any fund must be approved by the Council. Expenditures cannot legally exceed appropriations on a fund level.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds.
6. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP). Budgeted amounts are as originally adopted, or as amended by the Town Council.
7. All budgetary appropriations except for Capital Projects lapse at the end of each fiscal year.
8. Budgets are amended by resolution approved by the Town Council.

Encumbrance accounting is not used.

H. Cash, Cash Equivalents and Investments

Cash and cash equivalents include amounts in demand deposits and U.S. Government Agencies securities with maturities of three months or less.

Louisiana state statutes, as stipulated in R.S. 39:1271, authorize the Town to invest in United States bonds, treasury notes, or certificates, or time certificates of deposit of state banks organized under the laws of Louisiana and national banks having the principal office in the State of Louisiana. The state statutes also authorize the Town to invest in any other federally insured investment, or in mutual or trust fund institutions, which are registered with the Securities and Exchange Commission under the Security Act of 1933 and the Investment Act of 1940, and which have underlying investments consisting solely of and limited to securities of the United States government or its agencies. Investing is performed in accordance with investment policies complying with State Statutes and those adopted by the Town Council.

Investments are stated at cost.

I. Inventory

Purchase of various operating supplies are regarded as expenditures at the time purchased, and inventories of such supplies (if any) are not recorded as assets at the close of the fiscal year.

J. Bad Debts

Uncollectible amounts due for ad valorem taxes and customers' utility receivables 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 receivable.

K. Interfund Activity

Interfund activity is reported as either loans, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

L. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide or financial statements. Capital assets are capitalized at historical cost or estimated cost if historical is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The Town maintains a minimum threshold level for capitalizing capital assets of \$1,500.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Prior to the adoption of GASB 34, it was the Town's policy not to record infrastructure; therefore, the Town did not have a complete listing of infrastructure. The Town has opted not to do a detailed analysis of existing infrastructure, and will begin accumulating infrastructure information prospectively.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of assets is as follows:

Water and sewer lines	30 years
Machinery and equipment	3-10 years
Autos and trucks	3-5 years
Infrastructure	10-40 years

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

M. Restricted Assets

Restricted assets include cash and interest-bearing deposits of the governmental funds and proprietary funds that are legally restricted as to their use. The restricted assets are related to debt service interest sinking and reserve accounts and utility meter deposits. When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

N. Compensated Absences

The Town's policy on annual leave is that if the time is not taken during the year earned it will be forfeited; that is, no carryover of time or compensation in lieu of time off will be allowed.

The Town's policy on sick leave is 10 days per year. Unused sick leave can be accumulated up to 30 days to be used for prolonged illness, but the town will not pay for unused sick leave upon termination.

2) Cash, Cash Equivalents and Investments

Custodial credit risk - deposits. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it.

In accordance with a fiscal agency agreement which is approved by the Town Council, the Town of Lake Arthur maintains demand and time deposits through local depository banks which are members of the Federal Reserve System.

Deposits in excess of federally insured amounts are required by Louisiana state statute to be protected by collateral of equal market value. Authorized collateral includes general obligations of the U.S. government, obligations issued or guaranteed by an agency established by the U.S. government, general obligation bonds of any state of the U.S., or of any Louisiana parish, municipality, or school district. The Town's bank demand and time deposits at year end were fully collateralized.

The deposits at July 31, 2019 are as follows:

	<u>Demand Deposits</u>	<u>Time Deposits</u>
Carrying amount	\$ <u>2,274,871</u>	\$ <u>1,407,390</u>
Bank balances:		
a. Federally insured	\$ 250,000	\$ 61,076
b. Collateralized by securities Held by the pledging financial institution	2,047,065	1,346,314
c. Uncollateralized and uninsured	-	-
Total bank balances	\$ <u>2,297,065</u>	\$ <u>1,407,390</u>

As of June 30, 2019, the Town had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-,10</u>	<u>More Than 10</u>
Certificates of deposit	\$ <u>1,407,390</u>	\$ <u>1,407,390</u>	\$ -	\$ -	\$ -

Interest rate risk. The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk. State law limits investments to United States bonds, treasury notes, or certificates, or time certificates of deposit of state banks organized under the laws of Louisiana and national banks having a principal office in the State of Louisiana. Local governments in Louisiana are authorized to invest in LAMP. The Town has no investment policy that would further limit its investment choices.

Concentration of credit risk. The Town places no limit on the amount the Town may invest in any one issuer. All of the Town's investments are in certificates of deposit.

3) Ad Valorem Taxes

The Town levies taxes on real and business personal property located within its boundaries. Property taxes are levied by the Town on property values assessed by the Jeff Davis Parish Tax Assessor and approved by the State of Louisiana Tax Commission.

For the year ended July 31, 2019 taxes of 26.09 mills were levied on property with assessed valuations totaling \$9,499,923 and were dedicated as follows:

General corporate purposes	8.21 mills
Drainage maintenance	5.64 mills
Street and alley maintenance	5.64 mills
Debt service	3.70 mills
Recreation	2.90 mills

The Town property taxes are levied on November 1 and are due December 31, and are delinquent by January 1st. Delinquent property taxes attach as enforceable liens on property as of April 30.

4) Changes in Capital Assets

Capital asset activity for the year ended July 31, 2019, was as follows:

	Beginning of Year	Additions	Deletions	End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 911,358	\$ -	\$ -	\$ 911,358
Capital assets being depreciated:				
Infrastructure	4,758,511	98,970	-	4,857,481
Buildings	1,308,426	-	-	1,308,426
Furniture and equipment	494,694	32,688	-	527,382
Vehicles	1,404,958	117,177	-	1,522,135
Total capital assets being depreciated	7,966,589	248,835	-	8,215,424
Less accumulated depreciation for:				
Infrastructure	1,362,135	191,025	-	1,553,160
Buildings	619,395	42,606	-	662,001
Furniture and equipment	437,859	28,032	-	465,891
Vehicles	1,116,358	77,047	-	1,193,405
Total accumulated depreciation	3,535,747	338,710	-	3,874,457
Government activities capital assets, net	\$ 5,342,200	\$ (89,875)	\$ -	\$ 5,252,325
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 9,604	\$ -	\$ -	\$ 9,604
Capital assets being depreciated:				
Sewer system	4,196,084	-	-	4,196,084
Water system	1,793,230	11,432	-	1,804,662
Vehicles	53,510	-	-	53,510
Furniture and equipment	182,840	-	-	182,840
Total capital assets being depreciated	6,225,664	11,432	-	6,237,096
Less accumulated depreciation for:				
Sewer system	3,163,980	121,521	-	3,285,501
Water system	1,000,256	51,346	-	1,051,602
Vehicles	53,510	-	-	53,510
Furniture and equipment	160,225	8,919	-	169,143
Total accumulated depreciation	4,377,971	181,786	-	4,559,757
Business-type activities capital assets, net	\$ 1,857,297	\$ (170,354)	\$ -	\$ 1,686,943

Depreciation expense was charged to governmental activities as follows:

General and administrative	\$ 38,876
Public safety	50,220
Highway and streets	20,819
Health and recreation	<u>228,795</u>
Total depreciation	<u>\$ 338,710</u>

5) Long-Term Debt

Long-term debt is comprised of the following at July 31, 2019:

General obligation bonds:

\$500,000 General Obligation Bonds, Series 2007, interest payable ranging from 1.75% to 3.75%, principal and interest payable through the year 2027	\$ 265,000
\$305,000 Certificate of Indebtedness, Series 2012, interest ranging from 0.35% to 3.50%, principal and interest payable through the year 2022	<u>133,000</u>
	<u>\$ 398,000</u>

Long-term liability activity for the year ended July 31, 2019, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental activities:					
General obligation	\$ 290,000	\$ -	\$ 25,000	\$ 265,000	\$ 30,000
Certificate of indebtedness	85,039	-	15,651	69,388	16,173
Capital lease payable	-	113,344	21,976	91,368	21,373
Net pension liabilities	<u>287,814</u>	<u>15,974</u>	<u>-</u>	<u>303,788</u>	<u>-</u>
Total governmental	<u>\$ 662,853</u>	<u>\$ 129,318</u>	<u>\$ 62,627</u>	<u>\$ 729,544</u>	<u>\$ 67,546</u>
Business-type activities:					
Certificate of indebtedness	\$ 77,961	\$ -	\$ 14,349	\$ 63,612	\$ 14,827
Net pension liabilities	<u>76,517</u>	<u>-</u>	<u>9,831</u>	<u>66,686</u>	<u>-</u>
Total business-type	<u>\$ 154,478</u>	<u>\$ -</u>	<u>\$ 24,180</u>	<u>\$ 130,298</u>	<u>\$ 14,827</u>

Debt service requirements at July 31, 2019 were as follows:

Governmental activities:

<u>Year Ended July 31,</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 46,173	\$ 9,760
2021	47,217	8,795
2022	47,738	7,630
2023	48,260	6,295
2024	35,000	5,105
2025-2027	<u>110,000</u>	<u>8,262</u>
	<u>\$ 334,388</u>	<u>\$ 45,847</u>

Business-type activities:

<u>Year Ended July 31,</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 14,827	\$ 1,559
2021	15,783	1,251
2022	16,262	830
2023	<u>16,740</u>	<u>293</u>
	<u>\$ 63,612</u>	<u>\$ 3,933</u>

Interest charged to expense during the year ended July 31, 2019 totaled \$15,718, of which \$14,015 was for governmental activities and \$1,703 was for business-type activities.

6) Capital Leases

The Town has financing leases for equipment that qualify as capital leases. The assets and liabilities under capital leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the assets. The assets are amortized over the lower of their related lease terms or their estimated productive lives. Amortization of the assets under capital lease is included in depreciation expense for the year ended July 31, 2019.

The following is a summary of property held under capital lease at July 31, 2019:

Vehicles	\$ 117,176
Accumulated depreciation	<u>(8,788)</u>
	<u>\$ 108,388</u>

The following is a summary of long-term liability under capital lease at July 31, 2019:

Long-term lease payable to Patterson State Bank at 3.998% of \$113,344, payable in annual installments of \$25,001 each, due June 15, 2023. Lease is secured by equipment under the lease.	\$ 91,368
Less current liability under capital lease	<u>21,373</u>
	<u>\$ 69,995</u>

The following is a schedule of the future minimum lease payments under the capital leases, together with the present value of the net minimum lease payments as of July 31, 2019:

<u>Year ending July 31,</u>	
2020	\$ 25,001
2021	25,001
2022	25,001
2023	25,001
Amount representing interest	<u>(8,636)</u>
Present value of net minimum lease payments of which \$21,373 is included in current liabilities	<u>\$ 91,368</u>

7) Interfund Transactions

Individual fund interfund receivable and payable balances which are not expected to be repaid within a year at July 31, 2019 were:

	<u>Due From</u>	<u>Due To</u>
General fund	\$ 30,458	\$ -
Street and alley maintenance	-	11,385
Utilities system fund	-	18,555
Non-major funds	-	518
	<u>\$ 30,458</u>	<u>\$ 30,458</u>

	<u>Transfer In</u>	<u>Transfer Out</u>
General fund	\$ 893	\$ -
Utilities system fund	<u>-</u>	<u>893</u>
	<u>\$ 893</u>	<u>\$ 893</u>

8) Restricted Assets - Proprietary Fund Type

Restricted assets were applicable to the following at July 31, 2019:

Customers deposits	<u>\$ 79,480</u>
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9) Fund Balance

In accordance with Government Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, the Town classifies governmental fund balances as follows:

Non-spendable -

includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

Restricted -

includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained or due to constitutional provisions or enabling legislation.

Committed -

includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority (Board of Aldermen) and does not lapse at year end. Formal action by the same authority is required to rescind such a commitment.

Assigned -

includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the Mayor.

Unassigned -

includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

The Town uses restricted/committed amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the government would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The Town does not have a formal minimum fund balance policy.

The purpose of each major special revenue fund and revenue source is listed below:

Major special revenue fund	Revenue source
Streets and Alley Fund	32% of 2½% sales tax described in Note 10

10) Dedication of Proceeds and Flow of Funds - 2 ½% Sales and Use Tax

Proceeds of a 2 ½% sales and use tax levied by the Town of Lake Arthur, Louisiana (2019 collections \$751,087) are dedicated to the following purposes:

General Fund	60%
Streets	32%
Water	6.8%
Sidewalks	.8%
Drainage	.4%

11) Pension Plan

Plan Descriptions

Substantially all employees of the Town of Lake Arthur are members of the following statewide retirement systems: Municipal Employees Retirement System of Louisiana (MERS) or Municipal Police Employees Retirement System of Louisiana (MPERS). 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. The reports for MERS and MPERS may be obtained at www.mersla.com and www.lampers.org, respectively.

Plan Description- MERS

MERS was originally established by Act 356 of the 1954 regular session of the Legislature of the State of Louisiana and is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. All employees of the Town of Lake Arthur are members of Plan B. All permanent employees working at least 35 hours per week who are not covered by another pension plan and are paid wholly or in part from municipal funds and all elected municipal officials are eligible to participate in MERS.

Plan Description- MPERS

All full-time police department employees engaged in law enforcement are required to participate in MPERS providing he or she does not have to pay social security and providing he or she meets the statutory criteria. MPERS provides retirement benefits for municipal police officers. The projections of benefit payments in the calculation of the total pension liability includes all benefits to be provided to current active and inactive employees through MPERS in accordance with benefit terms and any additional legal agreements to provide benefits that are in force at the measurement date. Benefit provisions are authorized within Act 189 of 1973 and amended by LRS 11:2211-11:2233.

Benefits Provided

Retirement Benefits- MERS

Any member of Plan B hired before January 1, 2013 may retire at any age with 30 years of creditable service or at age 60 with at least 10 years of creditable service. Any member of Plan B hired on or after January 1, 2013 may retire at age 67 with at least 7 years of creditable service, at age 62 with at least 10 years of creditable service, or at age 55 with at least 30 years of creditable service. Members hired on or after January 1, 2013 are also eligible to retire at any age with at least 25 years of creditable service, but their benefit will be actuarially reduced from the earliest age of which the member would be entitled to a vested deferred benefit under any of the previously-mentioned provisions, if the member had continued in service to that age. Members are entitled to a retirement benefit, payable monthly for life, equal to 2% of the member's final compensation (defined below) multiplied by the member's years of creditable service. However, under certain conditions as outlined in the statutes, the benefits are limited to specified amounts. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified above and receive the benefit accrued to their date of termination.

Final compensation is the employee's average salary over the 36 consecutive or joined months that produce the highest average for a member whose first employment made him or her eligible for membership in the system on or before June 30, 2006. Final compensation is the employee's average salary over the 60 consecutive or joined months that produce the highest average for a member whose first employment made him or her eligible for membership in the system after June 30, 2006. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified above and receive the benefit accrued to their date of termination.

Retirement Benefits- MPERS

Members of MPERS with membership beginning prior to January 1, 2013 are eligible for regular retirement after he or she has been a member of MPERS 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 of creditable service and is age 55. A member is eligible for early retirement after he or she has been a member of MPERS for 20 years of creditable service at any age with an actuarially reduced benefit. Members are entitled to a retirement benefit, payable monthly for life, equal to three and one-third percent (3.33%) of the member's final compensation (employee's average salary over the 36 consecutive or joined months that produce the highest average) multiplied by the member's years of creditable service.

Members of MPERS with membership beginning on or after January 1, 2013 are eligible for regular retirement, early retirement, disability and survivor benefits 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 or she has been a member of MPERS 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 or she has been a member of MPERS 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 or she has been a member of MPERS 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.

In 1999, the State Legislature authorized MPERS to establish an Initial Benefit Option program. This is available to MPERS members who are eligible for regular retirement but have not participated in DROP. This program provides both a one-time single sum payment of up to 36 months of the regular monthly retirement benefit, plus a reduced monthly retirement benefit for life.

Deferred Retirement Options

In lieu of terminating employment and accepting a service retirement allowance, any member of MERS 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. A MERS member may participate in DROP only once. 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, are credited to the MERS member's individual DROP account. Interest is earned when the member has completed DROP participation. Upon termination of employment prior to or at the end of the participation period, the member may receive a lump sum from the account or a true annuity based on the account balance. If employment is not terminated at the end of the three year DROP participation period, payments into the DROP account cease and the person resumes active contributing membership in MERS.

A member of MPERS is eligible to enter DROP when he or she is eligible for regular retirement based on the members' sub plan participation. At the entry date into DROP, employee and employer contributions cease. The amount deposited into the DROP account for MPERS members is equal to the benefit computed under the retirement plan elected by participant date of application. Interest is earned when the MPERS member has completed DROP participation. Upon termination of employment prior to or at the end of the participation period, the MPERS member may receive a lump sum from the account or a true annuity based on the account balance.

Disability Benefits

A member of MERS Plan B is eligible to retire and receive a disability benefit if he or she has at least 10 years of creditable service, is not eligible for normal retirement and has been officially certified as disabled by the State Medical Disability Board. The monthly maximum retirement benefit under Plan B of MERS is the lesser of an amount equal to two percent of member's final compensation multiplied by years of service (not less than 30% of member's final compensation) or an amount equal to what the member's normal retirement benefit would be based on final compensation at time of disability, but assuming continuous service until member's earliest normal retirement age.

A member of MPERS is eligible to retire and receive a disability benefit if he or she has been certified as disabled by the State Medical Disability Board. If the disability incurred is job-related, there is no minimum creditable service requirement. If the disability is non-job-related, a minimum of 10 years of creditable service is required if the member was employed on or after July 1, 2008. Members of MPERS employed prior to July 1, 2008 must have a minimum of 5 years of creditable service to be eligible to retire with disability benefits if the disability incurred is non-job-related. The disability benefit received by a MPERS member is equal to three percent of his or her final average compensation multiplied by years of creditable service (not less than 40%, nor more than 60% of final average compensation). At the time the disabled MPERS member reaches normal retirement age, he or she will have the option to continue to receive the disability retirement benefit or to receive his or her vested retirement benefit.

Survivor's Benefit

The surviving spouse (defined as someone married to the deceased member for at least 12 months immediately preceding the member's death) of a MERS Plan B member (not eligible for retirement at the time of death) will receive a survivor benefit, provided that the member had 5 or more years of creditable service. The surviving spouse will be paid either a monthly benefit equal to 30% of member's final compensation, payable when surviving spouse attains the age of 60 or becomes disabled, or a monthly benefit equal to actuarial equivalent of the benefit described previously (not less than 15% of member's final compensation), payable upon the death of the member. A MERS Plan B member who is eligible for normal retirement at the time of death will be deemed to have retired and selected Option 2 benefits on behalf of the surviving spouse upon the date of death. Benefits will begin only upon proper application and are paid in lieu of any other survivor benefits.

Survivor benefits for MPERS members are payable to the surviving spouse or surviving minor child/children of a deceased active contributing member or a deceased disability retiree. Survivor benefits are not payable to survivors of retirees receiving benefits under the provisions of early or normal service retirement. The maximum benefit for a surviving spouse of a MPERS member is equal to the regular retirement formula, regardless of age, but not less than 40% or more than 60% of the deceased member's final average compensation. There is no requirement for minimum years of creditable service. If the MPERS member is killed in the line of duty, the surviving spouse shall receive a benefit equal to 100% of the deceased member's final average compensation, less any survivor benefits payable to a child or children. Each surviving minor child of the MPERS member will receive a benefit equal to 10% of deceased member's final average compensation or \$200 per month, whichever is greater. Benefits for a surviving child cease upon the child's attainment of age 18 or upon marriage, whichever occurs first. The benefit may continue after age 18 if

the child meets certain educational or disability requirements. The surviving minor child may receive an increased benefit if there is no surviving spouse of the MPERS member.

Cost of Living Increases

MERS is authorized under state law to grant an annual cost of living adjustment to members who have been retired for at least one year. The adjustment cannot exceed 2% of the retiree's original benefit and may only be granted if sufficient funds are available. The cost of living increase must be paid from investment income in excess of normal requirements.

MPERS is authorized to provide annual cost of living adjustments to members who have been retired for at least one full fiscal year. The adjustment cannot exceed 3% in any given year. MPERS members who elect early retirement are not eligible for a cost of living adjustment until they reach regular retirement age.

Contributions

The MERS and MPERS employer contribution rates are established annually under La R.S 11:101-11:104 by the Public Retirement Systems' Actuarial Committee (PRSAC), taking into consideration the recommendation of the system's actuary. Each plan pays a separate actuarially-determined employer contribution rate. For the year ending July 31, 2019 the employer contribution rate for MERS Plan B was 14.00% and MPERS was 32.25%. Employer contributions to MERS and MPERS were \$45,979 and \$-0-, respectively, for the year ended July 31, 2019. Employees participating in MERS are required to contribute 5.00% and employees participating in MPERS are required to contribute 10.00%.

Contributions received by a pension plan from non-employer contributing entities that are not in a special funding situation are recorded as revenue by the respective pension plan. MERS receives ad valorem taxes and state revenue sharing funds. MPERS receives insurance premium tax monies appropriated by the legislature each year based on an actuarial study. The Town of Lake Arthur recognizes revenue in an amount equal to its proportionate share of the total contributions to the pension plan from these non-employer contributing entities. During the year ended July 31, 2019, the Town of Lake Arthur recognized revenue as a result of support received from non-employer contributing entities of \$11,165 for its participation in MERS and \$-0- for its participation in MPERS.

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

At July 31, 2019, the Town of Lake Arthur reported a liability for MERS and MPERS of \$370,474 and \$-0-, respectively, for its proportionate share of the net pension liability. The net pension liabilities were measured as of June 30, 2019 and the total pension liabilities used to calculate the net pension liability were determined by actuarial valuations as of that date. The Town of Lake Arthur's proportion of the net pension liability for each retirement system was based on a projection of the Town of Lake Arthur's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2019, the Town of Lake Arthur's proportion for MERS and MPERS was 0.423489% and 0.%, respectively. This reflects an increase for MERS of 0.020608% and a decrease for MPERS of 0.002787%, respectively, from its proportion measured as of June 30, 2018.

For the year ended July 31, 2019, the Town of Lake Arthur recognized pension expense, for which there were no forfeitures, as follows:

	<u>Pension Expense</u>
MERS	\$ 80,120
MPERS	<u>(5,291)</u>
Total	<u>\$ 74,829</u>

At July 31, 2019, the Town of Lake Arthur reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources			Deferred Inflows of Resources		
	MERS	MPERS	Total	MERS	MPERS	Total
Differences between expected and actual						
Changes in assumptions	22,584	-	22,584	16,433	-	16,433
Net difference between projected and actual earnings on pension plan investments	39,020	-	39,020	-	-	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	9,789	-	9,789	5,368	83,534	88,902
Employer contributions subsequent to measurement date	3,679	-	3,679	-	-	-
Total	<u>\$ 75,072</u>	<u>\$ -</u>	<u>\$ 75,072</u>	<u>\$ 21,801</u>	<u>\$ 83,534</u>	<u>\$105,335</u>

During the year ended July 31, 2019, employer contributions totaling \$3,679 and \$-0- were made subsequent to the measurement date for MERS and MPERS, respectively. These contributions are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended July 31, 2020. 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:	MERS	MPERS
2020	\$ 23,686	\$ (40,821)
2021	17,322	(37,220)
2022	5,196	(5,493)
2023	3,388	-
Total	<u>\$ 49,592</u>	<u>\$ (83,534)</u>

Actuarial Assumptions

The net pension liability was measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service, less the amount of the pension plan's fiduciary net position. The components of the net pension liability of MERS and MPERS employers as of June 30, 2019 are as follows:

	MERS Plan B	MPERS
Total pension liability	\$ 258,352,439	\$ 3,132,449,454
Plan fiduciary net position	<u>170,871,104</u>	<u>2,224,281,981</u>
Total net pension liability	<u>\$ 87,481,335</u>	<u>\$ 908,167,473</u>

The Town of Lake Arthur's allocation is 0.423489% of the Total Net Pension Liability for MERS and 0.% of the Total Net Pension Liability for MPERS.

The total pension liabilities for MERS and MPERS in the June 30, 2019 actuarial valuations were determined using the following actuarial assumptions:

	MERS	MPERS								
Actuarial cost method	Entry Age Normal Cost	Entry Age Normal Cost								
Expected remaining service lives	3 years for Plan B	4 years								
Investment rate of return	7.00%, net of investment expense	7.125%, net of investment expense								
Inflation rate	2.50%	2.50%								
Projected salary increases	7.4% for 1-4 years of service, 4.9% more than 4 years of service	<table><tr><th>Years of Service</th><th>Salary Growth Rate</th></tr><tr><td>1-2</td><td>9.75%</td></tr><tr><td>3-23</td><td>4.75%</td></tr><tr><td>24 & over</td><td>4.25%</td></tr></table>	Years of Service	Salary Growth Rate	1-2	9.75%	3-23	4.75%	24 & over	4.25%
Years of Service	Salary Growth Rate									
1-2	9.75%									
3-23	4.75%									
24 & over	4.25%									
Cost of living adjustments	None	None								
Mortality	<p>MERS</p> <p>PubG-2010(B) Employee Table for active members (equal to 120% for males and females, each adjusted using respective MP2018 scales):</p> <p>PubG-2010(B) Healthy Retiree Table for annuitants (equal to 120% for males and females, each adjusted using respective MP2018 scales):</p> <p>PubNS-2010(B) Disabled Retiree Table for disabled annuitants (equal to 120% for males and females with the full generational MP2018 scale).</p>	<p>MPERS</p> <p>RP-2000 Employee Table for active members (set back 4 years for males and 3 years for females);</p> <p>RP-2000 Combined Healthy Table for healthy annuitants (set back 1 year females);</p> <p>RP-2000 Disabled Lives Table for Disabled annuitants (set back 5 years for males and 3 years for females).</p>								

The MERS actuarial assumptions used were based on the results of an experience study for the period July 1, 2013 through June 30, 2018. The MPERS actuarial assumptions used were based on the results of an actuarial experience study for the period July 1, 2009 - June 30, 2014.

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 expected long-term rate of return for MERS is 7.00% and MPERS is 7.89% for the year ended June 30, 2019.

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation for MERS and MPERS as of June 30, 2019 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocations</u>		<u>Long-Term Expected Real Rate of Return</u>	
	<u>MERS</u>	<u>MPERS</u>	<u>MERS</u>	<u>MPERS</u>
Equity	50%	48.5%	2.15%	3.28%
Fixed income	35%	33.5%	1.51%	0.80%
Alternatives	15%	18.0%	0.64%	1.06%
Subtotal	<u>100%</u>	<u>100.0%</u>	4.30%	5.14%
Inflation adjustment			<u>2.70%</u>	<u>2.75%</u>
Total			<u>7.00%</u>	<u>7.89%</u>

Discount Rates

The discount rate used to measure the total pension liability for MERS was 7.00% and MPERS was 7.125%. 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 actuary. Based on those assumptions, the net position of MERS and MPERS 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 of the Employer's Proportionate Share of the Net Pension Liability to Changes in the Discount Rates

The following table presents the Town of Lake Arthur's proportionate share of the net pension liability using the discount rate of 7.00% for MERS and 7.125% for MPERS, 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 (6.00% for MERS and 6.125% for MPERS) or one percentage-point higher (8.00% for MERS and 8.125% for MPERS) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount</u>	<u>1% Increase</u>
MERS	\$ 493,746	\$ 370,474	\$ 266,219
MPERS	-	-	-
Total	<u>\$ 493,746</u>	<u>\$ 370,474</u>	<u>\$ 266,219</u>

Payables to the Pension Plans

At July 31, 2019, payables to MERS and MPERS were \$4,801 and \$-0- respectively, for July 2019 employee and employer legally-required contributions.

12) Litigation

The Town is involved in several lawsuits. The Town Attorney estimates that the potential claims against the Town that are not covered by insurance resulting from such litigation would not materially affect the financial statements of the Town.

13) Landfill Joint Venture

The Town is a participant in a joint venture referred to as the Jefferson Davis Parish Sanitary Landfill Commission. This entity was chartered on February 17, 1984. The Commission's purpose is the establishment of a long-term plan for the disposal of solid wastes in Jefferson Davis Parish. According to the charter, each participant in the Commission is responsible for a pro rata share of any operating deficits. Likewise, any distributions of surpluses are also shared on a pro rata basis. Each participant's pro rata share is based on the number of households within each participant's unit to the total number of households within all participating units. These proportions were determined using the 1980 U.S. Census as follows:

<u>Locality</u>	<u>Number of Households</u>	<u>Percentages</u>
Jennings	4,161	.421196
Welsh	1,167	.118129
Lake Arthur	1,212	.122684
Parish (excluding Jennings, Welsh, Lake Arthur and Elton)	<u>3,339</u>	<u>.337991</u>
Totals	<u>9,879</u>	<u>1.000000</u>

The Commission consists of six commissioners as follows: two residents of Jennings, one resident of Welsh, one resident of Lake Arthur, and two residents of Jefferson Davis Parish living outside the city limits of Jennings, Welsh, Lake Arthur and Elton. The Commission members are to be appointed by the governing body of their place of residence.

The Commission has the power and authority to employ personnel, adopt its own budget and enter into agreements necessary for the operation of the Landfill. In certain instances, some agreements must be consented to by all six members of the Commission.

Condensed financial information for the Jefferson Davis Parish Sanitary Landfill as of December 31, 2018 (the latest available audited financial statements which is available in a separately issued financial report) was as follows:

	<u>Total</u>	<u>Lake Arthur (12.2684%)</u>
Total assets and deferred outflows	\$ 6,138,306	\$ 753,072
Total liabilities and deferred inflows	84,960	10,423
Total net position	6,053,346	742,649
 Total revenues	 3,505,907	 430,119
Total expenditures	3,380,461	414,728
Increase in net position	125,446	15,391

As of December 31, 2018, the Commission had no long-term debt outstanding.

The Landfill Commission as owner of a sanitary landfill is subject to recent Environmental Protection Agency (EPA) regulations that require monitoring the landfill site for 30 years following closure of the site in addition to other closure requirements. These regulations also mandate that landfill owners provide financial assurances that they will have the resources available to satisfy the post closure standards. These guarantees can be third-party trusts, surety bonds, letters of credit, insurance, or state sponsored plans. According to the Commission's contract with the site operator, "...the contractor shall be responsible for closure in accordance with the permit...". Additionally, "...the contractor's post closure care, maintenance and monitoring responsibility shall be three (3) years, or as required by law...". In the event the operator is for whatever reason unwilling or unable to fulfill this requirement, the responsibility for closure and post closure monitoring will revert back to the Commission.

Additionally, because of the industry the Commission participates in, certain potential liabilities are always present. These include, but are not limited to, environmental cleanup costs and EPA penalties for violation of its regulations. The EPA is empowered by law (through the Superfund legislation) to seek recovery from anyone who ever owned or operated a particular contaminated site, or anyone who ever generated or transported hazardous materials to a site (these parties are commonly referred to as potentially responsible parties, or PRPs). Potentially, the liability can extend to subsequent owners or to the parent company of a PRP. While there are no asserted or unasserted potential costs or penalties at the date of this report that the Commission is aware of, the potential is present.

During the year ended December 31, 2018, the Commission voted to make a distribution to the four local government bodies that participate in the Landfill Commission and funded its construction and early operations. The distributions were made in the same proportions as the original investments by the governments. For the Town of Lake Arthur, the distribution amounted to \$336,123 which is recorded as "landfill revenues" in the General Fund in the fiscal year ended July 31, 2019.

14) Amounts Paid Members of Governing Board

Ms. Sherry Crochet	\$ 15,800
Mr. David Hanks	5,267
Mr. Sampson LeJeune	5,267
Mr. Ricky Monceaux	5,267
Mr. Robert Palermo	4,000
Ms. Roberta Palermo	467
Mr. Auldon Robinson	<u>5,267</u>
	<u>\$ 41,335</u>

15) Subsequent Events

Management has evaluated subsequent events through the date of the financial statements were available to be issued February 28, 2020.

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Employer's Proportionate
Share of the Net Pension Liability

Schedule of Employer's Pension
Contributions

TOWN OF LAKE ARTHUR, LOUISIANA

SCHEDULE OF EMPLOYER'S PROPORTIONATE SHARE
OF NET PENSION LIABILITY
Year Ended July 31, 2019*

Plan Year	Employer Proportionate of the Net Pension Liability (Asset)	Employer Proportionate Share of the Net Pension Liability (Asset)	Employer's Covered Employee Payroll	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of It's Covered Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
MERS:					
2019	0.423489%	\$ 370,474	\$ 325,502	113.8%	66.14%
2018	0.402881%	340,770	299,586	113.7%	65.60%
2017	0.424578%	367,360	314,976	116.6%	62.49%
2016	0.428656%	355,317	317,823	111.8%	63.34%
2015	0.425868%	289,440	295,501	97.9%	68.71%
2014	0.424662%	199,377	279,856	71.2%	76.94%
MPERS:					
2019	0.000000%	-	-	0.0%	71.01%
2018	0.002787%	23,561	7,429	317.1%	71.89%
2017	0.019187%	167,511	57,277	292.5%	70.08%
2016	0.021076%	197,541	56,986	346.6%	66.04%
2015	0.001892%	14,822	5,060	292.9%	70.73%
2014	0.000000%	-	-	- %	- %

* The amounts presented have a measurement date of the plan year end.

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

TOWN OF LAKE ARTHUR, LOUISIANA

SCHEDULE OF EMPLOYER'S PENSION CONTRIBUTIONS
Year Ended July 31, 2019

<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 Percent of Covered Employee Payroll</u>
MERS:					
2019	\$ 45,979	\$ 45,979	\$ -	\$ 328,851	13.98%
2018	39,703	39,703	-	299,586	13.25%
2017	35,147	35,147	-	309,411	11.36%
2016	30,340	30,340	-	318,795	9.52%
2015	28,697	28,697	-	302,072	9.50%
2014	24,725	24,725	-	280,589	8.81%
2013	22,317	22,317	-	276,856	8.00%
2012	21,162	21,162	-	264,524	8.00%
2011	18,213	18,213	-	265,367	6.86%
2010	17,747	17,747	-	262,912	6.75%
MPERS:					
2019	\$ -	\$ -	\$ -	\$ -	0.00%
2018	1,193	1,193	-	3,881	30.74%
2017	18,626	18,626	-	56,223	33.13%
2016	16,396	16,396	-	55,230	29.69%
2015	3,470	3,470	-	11,419	30.40%
2014	-	-	-	-	- %
2013	2,474	2,474	-	7,980	31.00%
2012	8,172	8,172	-	30,401	26.88%
2011	6,431	6,431	-	25,612	25.11%
2010	2,788	2,788	-	25,347	11.00%

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

TOWN OF LAKE ARTHUR, LOUISIANA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
Year ended July 31, 2019

Changes to benefit terms:

There were no changes in benefit term for the measurement period ending July 31, 2019.

Changes in Assumptions:

- Investment rate of return for MERS changed from 7.275% to 7.00%
- Investment rate of return for MPERS changed from 7.20% to 7.125%
- Inflation rate for MERS changed from 2.60% to 2.50%
- Inflation rate for MPERS changed from 2.60% to 2.50%
- Mortality tables for MERS changed from 2000 mortality tables to 2010 mortality tables

OTHER SUPPLEMENTAL INFORMATION

TOWN OF LAKE ARTHUR, LOUISIANA

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
July 31, 2019

	<u>Sidewalk Maintenance</u>	<u>Drainage Maintenance</u>	<u>Combined Bond Fund</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 41,647	\$ 3,444	\$ 55,682	\$ 100,773
Investments	-	-	89,284	89,284
Accounts receivable	496	248	-	744
Due from other funds	-	3,512	-	3,512
Total assets	<u>\$ 42,143</u>	<u>\$ 7,204</u>	<u>\$ 144,966</u>	<u>\$ 194,313</u>
LIABILITIES AND FUND BALANCE				
LIABILITIES				
Interest payable	\$ -	\$ -	\$ 3,358	\$ 3,358
Due to other funds	-	-	4,030	4,030
Total liabilities	-	-	7,388	7,388
FUND BALANCE				
Restricted	<u>42,143</u>	<u>7,204</u>	<u>137,578</u>	<u>186,925</u>
Total liabilities and fund balance	<u>\$ 42,143</u>	<u>\$ 7,204</u>	<u>\$ 144,966</u>	<u>\$ 194,313</u>

TOWN OF LAKE ARTHUR, LOUISIANA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
Year Ended July 31, 2019

	<u>Sidewalk Maintenance</u>	<u>Drainage Maintenance</u>	<u>Combined Bond Fund</u>	<u>Total Governmental Funds</u>
Revenues:				
Taxes	\$ 6,009	\$ 55,971	\$ 34,721	\$ 96,701
Interest	<u>-</u>	<u>17</u>	<u>773</u>	<u>790</u>
Total revenues	<u>6,009</u>	<u>55,988</u>	<u>35,494</u>	<u>97,491</u>
Expenditures:				
Highways and streets	-	78,056	-	78,056
Debt service:				
Principal retirement	-	-	25,000	25,000
Interest	<u>-</u>	<u>-</u>	<u>11,987</u>	<u>11,987</u>
Total expenditures	<u>-</u>	<u>78,056</u>	<u>36,987</u>	<u>115,043</u>
Net changes in fund balance	6,009	(22,068)	(1,493)	(17,552)
Fund balance, beginning	<u>36,134</u>	<u>29,272</u>	<u>139,071</u>	<u>204,477</u>
Fund balance, ending	<u>\$ 42,143</u>	<u>\$ 7,204</u>	<u>\$ 137,578</u>	<u>\$ 186,925</u>

TOWN OF LAKE ARTHUR, LOUISIANA

SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS TO MAYOR
Year Ended July 31, 2019

Mayor Sherry Crochet

Purpose	Amount
Salary	\$ 15,800
Travel - hotel and meals	120
Registration fees	<u>200</u>
	<u>\$ 16,120</u>

REPORT OF INDEPENDENT AUDITORS ON
INTERNAL CONTROL AND COMPLIANCE

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INDEPENDENT AUDITORS' 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

Honorable Mayor and Board of Aldermen
Town of Lake Arthur
Lake Arthur, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Lake Arthur, Louisiana, as of and for the year ended July 31, 2019, and the related notes to the financial statements, which collectively comprise the Town of Lake Arthur, Louisiana's basic financial statements and have issued our report thereon dated February 28, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Lake Arthur, Louisiana'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 of Lake Arthur, Louisiana's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Lake Arthur, Louisiana's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2019-001 and 2019-002, that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Lake Arthur, Louisiana'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 is described in the accompanying schedule of findings and responses as item 2019-003.

The Town of Lake Arthur, Louisiana's Response to Findings

The Town of Lake Arthur, Louisiana's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Town of Lake Arthur, Louisiana's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of This Report

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

Mr. Elroy Quirk & Benish

Lake Charles, Louisiana

February 28, 2020

TOWN OF LAKE ARTHUR, LOUISIANA
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended July 31, 2019

2019-001 Segregation of Duties

Condition: Because of the entity's size and the limited number of accounting personnel, it is not feasible to maintain a complete segregation of duties to achieve effective internal control.

Criteria: Effective internal control requires adequate segregation of duties among client personnel.

Effect: Without proper segregation of duties, errors within the financial records or fraud could go undetected.

Recommendation: To the extent cost effective, duties should be segregated and management should attempt to mitigate this weakness by supervision and review procedures.

Response: We concur with this recommendation. Management has implemented supervision and review procedures to the extent possible.

2019-002 Financial Reporting

Condition: In our judgment, the Town's accounting personnel and those charged with governance, in the course of their assigned duties, lack the capable resources to prepare the financial statements and related footnotes in accordance with generally accepted accounting principles and to detect and correct a material misstatement, if present.

Criteria: The Auditing Standards Board issued guidance to auditors related to entity's internal controls over financial reporting. Many small organizations rely on their auditor to generate the annual financial statements including footnotes. Auditing standards emphasize that the auditor cannot be part of your system of internal control over financial reporting.

Effect: Material misstatement in financial statements could go undetected.

TOWN OF LAKE ARTHUR, LOUISIANA

SCHEDULE OF FINDINGS AND RESPONSES
Year Ended July 31, 2019

Recommendation: In our judgment, due to the lack of resources available to management to correct this material weakness in financial reporting, we recommend management mitigate this weakness by having a heightened awareness of all transactions being reported.

Response: We concur with this recommendation. Management has implemented supervision and review procedures to the extent possible.

2019-003 Late Filing of Audited Financial Statements

Condition: The July 31, 2019 audited financial statements were not filed with the Legislative Auditor's office within six months after the fiscal year ended as required by LSA-RS 24:514; however, the audited financial statements were filed by the extended due date of February 28, 2020.

Criteria: The Legislative Auditor requires audited financial statements to be filed within six months after the fiscal year end of government entities.

Effect: The Town is not in compliance with LSA-RS 24:514.

Recommendation: In the future, the Town should file audited financial statements in a timely manner.

Response: A thirty day extension of the filing requirement was requested from the Legislative Auditor, and included a detailed explanation of the reasons it was necessary. The Town will make its best effort to file its audits in a timely manner in the future.

TOWN OF LAKE ARTHUR, LOUISIANA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
Year Ended July 31, 2019

2018-001 Inadequate Segregation of Accounting Functions

Condition: The Town of Lake Arthur did not have adequate segregation of functions within the accounting system.

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

Current status: This condition still exists; however, the Town has implemented supervision and review procedures where possible with the resources available. See Finding 2019-001.

2018-002 Application of Generally Accepted Accounting Principles (GAAP)

Condition: The Town of Lake Arthur did not have adequate controls over recording the entity's financial transactions or preparing its financial statements, including the related notes in accordance with generally accepted accounting principles (GAAP).

Recommendation: Management should evaluate the additional costs required to achieve the desired benefit and determine if it is economically feasible in relation to the benefit received.

Current status: This condition still exists; however, the Town has implemented recommended procedures where possible with the resources available. See Finding 2019-002.

TOWN OF LAKE ARTHUR, LOUISIANA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
Year Ended July 31, 2019
(Continued)

2018-003 Budget Noncompliance

Condition: Expenditures of the General Fund exceeded budgeted expenditures by more than 5%. Revenues of the Street and Alley Fund fell short of the budgeted revenues by more than 5%.

Recommendation: The Town should periodically compare actual activity to budgeted amounts and adopt budgetary amendments as necessary to comply with state statute.

Current status: The finding has been resolved.

2018-004 Budget Public Participation

Condition: A notice of public hearing was not published prior to public hearing taking place.

Recommendation: The Town should comply with the requirements of LSA-RS 39:1307(B) and publish all required notices in accordance with state law.

Current status: The finding has been resolved.

2018-005 Open Meetings Law

Condition: The Town did not publish the minutes of the Town meetings for August 2017 through May 2018.

Recommendation: The Town should comply with the requirements of LSA-RS 42:208B and 43:144 and publish all minutes in accordance with state law.

Current status: The finding has been resolved.

TOWN OF LAKE ARTHUR, LOUISIANA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
Year Ended July 31, 2019
(Continued)

2018-006 Late Report Issuance

Condition: The town failed to submit its annual audited financial statements to the Legislative Auditor's Office by the statutory due date due to GASB 68 Retirement Plan Reports not being available for timely reporting of pension plan disclosures prior to the statutory due date, January 31, 2019.

Recommendation: The Town's audited financial statements should be submitted to the Louisiana Legislative Auditor's Office by January 31.

Current status: The finding still exists. See Finding 2019-003.

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Town Council of the Town of Lake Arthur
and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below, which were agreed to by the Town of Lake Arthur (Entity) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period August 1, 2018 through July 31, 2019. The Entity's management is responsible for those C/C areas identified in the SAUPs. The sufficiency of these procedures is solely the responsibility of the Town of Lake Arthur and the LLA. 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 the entity's written policies and procedures and report whether those written policies and procedures 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:

There are no applicable written policies and procedures for budgeting.

- 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:

There are no applicable written policies and procedures for purchasing.

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

There are no applicable written policies and procedures for disbursements.

- 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):

There are no applicable written policies and procedures for receipts/collections.

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

There are no applicable written policies and procedures for payroll/personnel.

- 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:

There are no applicable written policies and procedures for contracting.

- 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):

There are no applicable written policies and procedures for credit cards.

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

There are no applicable written policies and procedures for travel and expense reimbursement.

- 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:

There are no applicable written policies and procedures for ethics.

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

There are no applicable written policies and procedures for debt service.

- k) **Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

There are no applicable written policies and procedures for disaster recovery/business continuity.

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:

No exceptions noted.

- b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget to actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds:

The minutes do not reference monthly budget to actual comparisons.

- 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:

No exceptions noted.

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) 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 reconciliation for the main operating account did not include evidence of timely preparation.

- b) Bank reconciliations include evidence that a member of management or a board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged):

Bank reconciliations were not reviewed after they were prepared by the Town's Comptroller.

- 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:

We noted three checks over 12 months outstanding, in the amounts of \$11.46, \$25.00, and \$100, that were not researched by management.

Collections

- 4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5):

No exceptions noted.

- 5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:

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

Four employees that are responsible for cash collections do share cash drawers/registers.

- b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit:

One employee responsible for collecting cash is also responsible for preparing/making bank 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:

Four employees responsible for collecting cash is responsible for posting collection entries to the general ledger.

- 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:

One employee responsible for reconciling cash collections to the general ledger is also 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:

No exceptions noted.

- 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. Obtain supporting documentation for each of the 10 deposits and:

- a) Observe that receipts are sequentially pre-numbered:

Pre-numbered receipts are not utilized.

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

No exceptions noted.

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

No exceptions noted.

- 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):

Five deposits were made more than one business day after they were received.

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

No exceptions noted.

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

8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5):

No exceptions noted

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:

No exceptions noted.

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

No exceptions noted.

- 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:

The employee responsible for processing payments is not prohibited from modifying the approved vendor list.

- 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 employee responsible for processing payments also mails the checks after they have been signed.

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:

Three of the five disbursements did not have an attached invoice for support.

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

All of the disbursements lacked any notation as to who initiated the purchase or approved the purchase. Four of the five disbursements did not document whether 2 employees were involved in the processing and approving of the disbursement.

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

11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

No exceptions noted

12. Using the listing prepared by management, randomly select 15 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.]]

One of the five statements selected did not have evidence of written approval.

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

Two of the five statements selected contained finance charges.

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 of 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):

Three charges were not supported by an original itemized receipt. Four charges lacked a documented business purpose. One meal charge lacked participant documentation.

Travel and Expense Reimbursement

14. Obtain from management a listing of all travel and related expense reimbursements, by person, during the fiscal period and management's representation that the listing 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:

Two mileage reimbursements were calculated using an incorrect mileage rate.

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

No exceptions noted

- 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):

No exceptions noted

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

One of the five travel reimbursements tested lacked a written approval by someone other than the person receiving reimbursement.

Management's Response and Corrective Action

Management's response and corrective action plan for exceptions noted in the above agreed-upon procedures:

- a) **Written Policies and Procedures:** Procedure 1 – The Town will develop written policies and procedures to address all categories and subcategories noted above.
- b) **Board or Finance Committee:** Procedure 2(a) – The Town's minutes will reference monthly budget to actual comparisons.
- c) **Bank Reconciliations:** Procedure 3(b) - In the future, someone other than the Town Clerk will review the monthly bank reconciliations whenever feasible.
- d) **Bank Reconciliations:** Procedure 3(c) – When preparing the bank reconciliations, the Town Clerk will search for checks outstanding more than 12 months and address those items as necessary.

- e) **Collections:** Procedure 5(a) – The Town will implement procedures so that employees collecting cash do not share cash drawers/registers.
- f) **Collections:** Procedure 5(b) - The Town will implement procedures so that different employees collect cash and prepare/make bank deposits.
- g) **Collections:** Procedure 5(c) – The Town will implement procedures so that different employees collect cash and post collection entries to the general ledger.
- h) **Collections:** Procedure 5(d) – The Town will implement procedures so that different employees reconcile cash collections to the general ledger and collect cash.
- i) **Collections:** Procedure 7(d) – In the future, deposits will be made within one business day of receipt of collection.
- j) **Non-Payroll Disbursements:** Procedure 9(c) - The Town will implement controls over the Town's approved vendor list.
- k) **Non-Payroll Disbursements:** Procedure 9(d) - The Town will have a person not related to the payment processing function mail the checks after they have been signed.
- l) **Non-Payroll Disbursements:** Procedure 10(a) – All disbursements will have an attached invoice for support.
- m) **Non-Payroll Disbursements:** Procedure 10(b) – Employees involved in the purchasing process will begin to note approval of the purchase through signature. The Town will have two people involved in initiating/approving future purchases.
- n) **Credit Cards:** Procedure 12(a) - All credit card statements will be approved and signed by a member of management.
- o) **Credit Cards:** Procedure 12(b) – The Town will be diligent about paying all credit card bills timely to avoid finance charges.
- p) **Credit Cards:** Procedure 13 – All charges will be supported by an original itemized receipt and contain a documented business purpose. Meal charges will contain participant documentation.
- q) **Travel and Expense Reimbursement:** Procedure 14(a) – Mileage reimbursements will be calculated using the correct mileage rate as prescribed by the IRS.

- r) **Travel and Expense Reimbursement:** Procedure 14(d) - The Town Clerk or an individual will be assigned review and approve any future travel reimbursements. The individual assigned will notate their approval on future travel reimbursement requests for all employees.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. 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 for the information and use of the Town of Lake Arthur and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than those specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

Mr. Eray Quirk - Boush

Lake Charles, Louisiana
February 28, 2020