

TOWN OF ARCADIA
ANNUAL FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2019
FOR THE YEAR THEN ENDED

TOWN OF ARCADIA
ANNUAL FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019
WITH SUPPLEMENTAL INFORMATION SCHEDULES

TABLE OF CONTENTS

	<u>Page</u>
REQUIRED SUPPLEMENTAL INFORMATION (PART I)	
Management Discussion and Analysis	i-v
BASIC FINANCIAL STATEMENTS	
Independent Auditor's Report	1-3
<u>Government-Wide Financial Statements:</u>	
Statement of Net Position	4
Statement of Activities	5
<u>Fund Financial Statements:</u>	
<u>Governmental Funds:</u>	
Balance Sheet	6
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	7
Statement of Revenues, Expenditures, and Changes in Fund Balances	8
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	9
<u>Proprietary Funds:</u>	
Statement of Net Position	10
Statement of Revenues, Expenses, and Changes in Fund Net Position	11
Statement of Cash Flows	12
Notes to the Financial Statements	13-33

TOWN OF ARCADIA
ANNUAL FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019
WITH SUPPLEMENTAL INFORMATION SCHEDULES

TABLE OF CONTENTS

	<u>Page</u>
REQUIRED SUPPLEMENTAL INFORMATION (PART II)	
Budgetary Comparison Schedule General Fund	34
Budgetary Comparison Schedule Sales Tax Special Revenue Fund	35
Notes to Budgetary Comparison Schedules	36
Schedule of Town’s Proportionate Share of the Net Pension Liability	37
Schedule of Town’s Contributions	38
SUPPLEMENTARY INFORMATION	
<u>Non-major Governmental Funds:</u>	
Combining Balance Sheet	39
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	40
Schedule of Compensation, Benefits, and Other Payments to Agency Head	41
Schedule of Compensation and Benefits Paid Elected Officials	42
OTHER REPORTS	
Independent Auditor’s Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	43-44
Schedule of Findings and Questioned Costs	45-46
Schedule of Prior Year Findings	47
Management’s Corrective Action Plan for Current Year Findings	48

MANAGEMENT DISCUSSION AND ANALYSIS

DECEMBER 2019

This section of the Town of Arcadia, Louisiana's (Town) annual financial report presents our discussion and analysis of the Town's financial performance during the calendar year ended December 31, 2019. Please read it in conjunction with the Town's financial statements, which follow this section.

Financial Highlights

The following exhibits some of the more important highlights from the government-wide financial statements for the year ended December 31, 2019.

1. The Town's total net position from governmental activities decreased \$610,586 from the beginning of the fiscal year as a result of operations during the year.
2. During the year ended December 31, 2019, the Town's total expenses were \$3,279,354 greater than the \$906,334 recognized as revenue from fees, fines, and charges for services, made up of mostly water and sewer charges. However, if revenues, such as taxes, licenses and State grants are considered, the Town's expenses exceeded the revenues by \$1,033,024.
3. The cost of operating programs of the Town was \$4,185,688, which represents an increase in costs of operations from the prior year of \$154,082 or a 3.8% increase.
4. The total revenues of the Town were \$3,152,664, which represents a decrease in revenues from the prior year of \$637,818 or a 16.8% decrease. This is related to decrease in water system revenue.
5. The governmental funds reported unrestricted fund balance of \$(857,250).

Overview of the Financial Statements

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

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

Government-Wide Financial Statements

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

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

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

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

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

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

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

Fund Financial Statements

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

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

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

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

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

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

Major Funds

- General Fund
- Special Revenue Fund - Sales Tax Fund

Non-major Funds

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

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

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

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

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

Notes to the Financial Statements

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

Other Information

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

Financial Analysis of Governmental-Wide Activities

Net Position

The Town's combined net position (governmental and business-type activities) decreased during 2019 by \$1,033,024 or 8.2% from the \$12,614,207 at December 31, 2018, as shown in the following table:

	<u>2019</u>	<u>2018</u>
Assets		
Current and other assets	1,172,612	1,438,090
Capital assets (net)	<u>11,801,820</u>	<u>12,339,368</u>
Total assets	12,974,432	13,777,458
Deferred outflows of resources	495,197	279,195
Liabilities		
Other liabilities	457,795	289,443
Long-term liabilities	<u>1,342,031</u>	<u>1,007,788</u>
Total liabilities	1,799,826	1,297,231
Deferred inflows of resources	88,621	145,215
Net position		
Net investment in capital assets	11,801,820	12,339,368
Restricted	114,534	108,543
Unrestricted	<u>(335,172)</u>	<u>166,296</u>
Total net position	<u>11,581,182</u>	<u>12,614,207</u>

Changes in Net Position

The following condensed government-wide statement of activity illustrates the major changes in operations for the Town as compared to 2018:

	<u>2019</u>	<u>2018</u>
Revenue		
Governmental	2,341,028	2,659,178
Business-type	<u>811,636</u>	<u>1,131,304</u>
Total revenue	3,152,664	3,790,482
Expenses		
Governmental	2,951,614	2,669,535
Business-type	<u>1,234,074</u>	<u>1,362,071</u>
Total expenses	<u>4,185,688</u>	<u>4,031,606</u>
Decrease in net position	<u>(1,033,024)</u>	<u>(241,124)</u>

Net position of the Town's governmental activities decreased \$610,586. Net position of the Town's business-type activities decreased \$422,438.

Financial Analysis of Individual Funds

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

Governmental Fund

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

At December 31, 2019, the Town's general fund reported an ending fund balance of \$(817,152), a decrease of \$91,498 compared to the calendar year 2018. The general fund is the chief operating fund of the Town.

Proprietary Fund

The Town's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail. The Town's proprietary funds (Water and Sewer Fund and Mall Fund) reported operating expenses of \$1,234,074, which was \$362,443 more than operating revenues of \$871,631, for the year ended December 31, 2019. This was a decrease in excess operating expenses of \$9,448 compared to 2018. The proprietary fund reported a decrease of \$422,438 in net position in the calendar year 2019 compared to a decrease of \$230,767 in the calendar year 2018.

Budgetary Highlights

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

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

Capital Asset Administration

The Town's investment in capital assets for its governmental and business-type activities at December 31, 2019 totaled \$22,484,304, less accumulated depreciation of \$10,682,484, leaving a \$11,801,820 balance in net capital assets. The investment in capital assets consists of land, buildings, equipment, and water, and sewer improvements. The total increase in the Town's investment in capital assets for the year ended December 31, 2019 totaled \$119,630.

Contacting the Town's Financial Management

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

BASIC FINANCIAL STATEMENTS

HEARD, McELROY, & VESTAL

LLC

CERTIFIED PUBLIC ACCOUNTANTS

333 TEXAS STREET, SUITE 1525
SHREVEPORT, LOUISIANA 71101
318-429-1525 PHONE • 318-429-2070 FAX

January 29, 2021

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

Independent Auditor's Report

Report on the Financial Statements

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

Auditor's Responsibility

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

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

HMV

A PROFESSIONAL SERVICES FIRM
SHREVEPORT • MONROE

hmv@hmvcpa.com E-MAIL
www.hmvcpa.com WEB ADDRESS

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Arcadia as of December 31, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The accompanying supplementary information, on pages 39-42, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report, dated January 29, 2021, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters.

The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

HEARD, MELROY & VESTAL, L.L.C.

Shreveport, Louisiana

Government-Wide Financial Statements

**TOWN OF ARCADIA
STATEMENT OF NET POSITION
DECEMBER 31, 2019**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 339,442	88,234	\$ 427,676
Investments, at fair value	206,596	72,961	279,557
Receivables	256,408	138,929	395,337
Internal balances	(741,916)	741,916	-
Inventory	-	14,000	14,000
Prepaid expenses	50,844	5,198	56,042
Capital assets, net of depreciation	6,838,608	4,963,212	11,801,820
Total assets	<u>6,949,982</u>	<u>6,024,450</u>	<u>12,974,432</u>
Deferred pension outflow	412,931	82,266	495,197
Total assets and deferred outflows	<u><u>\$ 7,362,913</u></u>	<u><u>\$ 6,106,716</u></u>	<u><u>\$ 13,469,629</u></u>
LIABILITIES			
Accounts payable	214,670	128,591	343,261
Deposits	-	114,534	114,534
Net pension liability	1,085,343	256,688	1,342,031
Total liabilities	<u>1,300,013</u>	<u>499,813</u>	<u>1,799,826</u>
Deferred pension inflow	77,236	11,385	88,621
Total liabilities and deferred inflows	<u><u>1,377,249</u></u>	<u><u>511,198</u></u>	<u><u>1,888,447</u></u>
NET POSITION			
Net investment in capital assets	6,838,608	4,963,212	11,801,820
Restricted	-	-	-
Unrestricted	(852,944)	632,306	(220,638)
Total net position	<u><u>\$ 5,985,664</u></u>	<u><u>\$ 5,595,518</u></u>	<u><u>\$ 11,581,182</u></u>

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

**TOWN OF ARCADIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019**

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary Government:							
Governmental activities:							
General government	\$ 734,633	\$ -	\$ -	\$ -	\$ (734,633)	-	\$ (734,633)
Public safety	879,603	34,703	-	-	(844,900)	-	(844,900)
Public works	641,918	-	-	-	(641,918)	-	(641,918)
Depreciation - unallocated	397,565	-	-	-	(397,565)	-	(397,565)
Cultural and recreation	51,813	-	-	-	(51,813)	-	(51,813)
Economic development	241,158	-	-	-	(241,158)	-	(241,158)
Transportation	4,924	-	-	-	(4,924)	-	(4,924)
Total governmental activities	<u>2,951,614</u>	<u>34,703</u>	<u>-</u>	<u>-</u>	<u>(2,916,911)</u>	<u>-</u>	<u>(2,916,911)</u>
Business-type activities:							
Water system	1,060,397	789,719	-	-	-	(270,678)	(270,678)
Mall	173,677	81,912	-	-	-	(91,765)	(91,765)
Total business-type activities	<u>1,234,074</u>	<u>871,631</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(362,443)</u>	<u>(362,443)</u>
Total primary government	<u>4,185,688</u>	<u>906,334</u>	<u>-</u>	<u>-</u>	<u>(2,916,911)</u>	<u>(362,443)</u>	<u>(3,279,354)</u>
General revenues:							
Taxes					1,953,859	-	1,953,859
Licenses and permits					146,142	-	146,142
Intergovernmental					30,497	-	30,497
Use of money and property					3,608	-	3,608
Investment gain					-	24,081	24,081
Other					88,143	-	88,143
Transfers in (out)					84,076	(84,076)	-
Total general revenues and transfers					<u>2,306,325</u>	<u>(59,995)</u>	<u>2,246,330</u>
Change in net position					(610,586)	(422,438)	(1,033,024)
Net position - beginning					6,596,250	6,017,956	12,614,206
Net position restated - beginning					6,596,250	6,017,956	12,614,206
Net position - ending					<u>\$ 5,985,664</u>	<u>\$ 5,595,518</u>	<u>\$ 11,581,182</u>

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

Fund Financial Statements

Governmental Funds

**TOWN OF ARCADIA
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2019**

	<u>GENERAL</u>	<u>SALES TAX</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
ASSETS				
Cash and cash equivalents	\$ 163,698	\$ 141,704	\$ 34,040	\$ 339,442
Investments, at fair value	-	198,584	8,012	206,596
Receivables	4,412	251,996	-	256,408
Due from other funds	436,146	1,212,461	555,308	2,203,915
Prepaid items	40,098	-	10,746	50,844
	<u>40,098</u>	<u>-</u>	<u>10,746</u>	<u>50,844</u>
Total assets	<u>\$ 644,354</u>	<u>\$ 1,804,745</u>	<u>\$ 608,106</u>	<u>\$ 3,057,205</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	192,581	\$ 3,953	\$ 18,136	\$ 214,670
Due to other funds	1,268,925	267,349	1,409,557	2,945,831
Total liabilities	<u>1,461,506</u>	<u>271,302</u>	<u>1,427,693</u>	<u>3,160,501</u>
Fund balances:				
Nonspendable:				
Capital projects	40,098	-	10,746	50,844
Unrestricted:				
Assigned	-	1,533,443	(830,333)	703,110
Unassigned (deficit)	(857,250)	-	-	(857,250)
Total fund balances (deficit)	<u>(817,152)</u>	<u>1,533,443</u>	<u>(819,587)</u>	<u>(103,296)</u>
Total liabilities and fund balances	<u>\$ 644,354</u>	<u>\$ 1,804,745</u>	<u>\$ 608,106</u>	<u>\$ 3,057,205</u>

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

**TOWN OF ARCADIA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2019**

Fund balances - total governmental funds		\$ (103,296)
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.</p>		
Governmental capital assets	10,504,288	
Less accumulated depreciation	<u>(3,665,680)</u>	6,838,608
<p>Subsequent retirement payments are reported as expenditures in the governmental funds. In the government-wide statements, the payments represent deferred outflow of resources.</p>		
		335,695
<p>Long-term pension obligations are not payable from current resources and, therefore, are not reported in the governmental funds.</p>		
		<u>(1,085,343)</u>
Net position of governmental activities		<u><u>\$ 5,985,664</u></u>

TOWN OF ARCADIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

	GENERAL	SALES TAX	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Revenues:				
Taxes				
Ad valorem	\$ 200,421	\$ -	\$ -	\$ 200,421
Sales and use	-	1,715,868	-	1,715,868
Other taxes, penalties and interest	37,570	-	-	37,570
Licenses and permits	146,142	-	-	146,142
Intergovernmental				
State	30,497	-	-	30,497
Fines	34,703	-	-	34,703
Interest	20	1,992	519	2,531
Use of money and property	-	1,077	-	1,077
Miscellaneous	63,897	-	24,246	88,143
	513,250	1,718,937	24,765	2,256,952
Expenditures:				
General government	665,367	25,738	-	691,105
Public safety	881,299	-	-	881,299
Public works	-	-	586,387	586,387
Culture and recreation	-	-	51,663	51,663
Economic development	205,227	-	35,931	241,158
Transportation	4,924	-	-	4,924
Capital outlay	33,602	-	87,397	120,999
	1,790,419	25,738	761,378	2,577,535
Excess (deficiency) of revenue over expenditures	(1,277,169)	1,693,199	(736,613)	(320,583)
Other financing sources (uses):				
Operating transfers in	1,196,717	-	815,656	2,012,373
Operating transfers out	(11,046)	(1,794,415)	(122,836)	(1,928,297)
	1,185,671	(1,794,415)	692,820	84,076
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(91,498)	(101,216)	(43,793)	(236,507)
Fund balances, beginning of year	(725,654)	1,634,659	(775,794)	133,211
Fund balances, end of year	\$ (817,152)	\$ 1,533,443	\$ (819,587)	\$ (103,296)

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

TOWN OF ARCADIA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

Net change in fund balances - total governmental funds \$ (236,507)

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

Governmental funds report capital outlays as expenditures.

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

Capital outlay	\$	86,339	
Depreciation expense		<u>(397,565)</u>	(311,226)

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

(62,853)

Change in net position of governmental activities \$ (610,586)

Proprietary Funds

**TOWN OF ARCADIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2019**

ASSETS	<u>Utility Fund</u>	<u>Mall Fund</u>	<u>Total</u>
Current assets:			
Cash and cash equivalents	\$ 35,506	\$ 11,155	\$ 46,661
Investments	-	-	-
Receivables	138,929	-	138,929
Due from other funds	925,535	-	925,535
Inventory	14,000	-	14,000
Prepays	-	5,198	5,198
Total current assets	<u>1,113,970</u>	<u>16,353</u>	<u>1,130,323</u>
Noncurrent assets:			
Restricted:			
Cash and cash equivalents	41,573	-	41,573
Investments	72,961	-	72,961
Due from other funds	-	-	-
Capital assets (net of accumulated depreciation)	4,260,569	702,643	4,963,212
Total noncurrent assets	<u>4,375,103</u>	<u>702,643</u>	<u>5,077,746</u>
Deferred outflow of resources:			
Deferred pension outflow	82,266	-	82,266
Total assets and deferred outflows	<u>\$ 5,571,339</u>	<u>\$ 718,996</u>	<u>\$ 6,290,335</u>
 LIABILITIES 			
Current liabilities:			
Accounts payable	116,584	12,007	128,591
Due to other funds	183,619	-	183,619
Total current liabilities	<u>300,203</u>	<u>12,007</u>	<u>312,210</u>
Current liabilities payable from restricted assets:			
Customer deposits	114,534	-	114,534
Non-current liabilities:			
Net pension liability	256,688	-	256,688
Deferred inflows of resources:			
Deferred pension inflow	11,385	-	11,385
Total liabilities and deferred inflows	<u>\$ 682,810</u>	<u>\$ 12,007</u>	<u>\$ 694,817</u>
 NET POSITION 			
Net investment in capital assets	4,260,569	702,643	4,963,212
Restricted	-	-	-
Unrestricted	627,960	4,346	632,306
Total net position	<u>\$ 4,888,529</u>	<u>\$ 706,989</u>	<u>\$ 5,595,518</u>

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

TOWN OF ARCADIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Utility Fund</u>	<u>Mall Fund</u>	<u>Total</u>
Operating revenues:			
Water charges	\$ 660,657	\$ -	\$ 660,657
Sewer charges	129,062	-	129,062
Rental income	-	81,912	81,912
	<u> </u>	<u> </u>	<u> </u>
Total operating revenues	<u>\$ 789,719</u>	<u>81,912</u>	<u>871,631</u>
Operating expenses:			
General and administrative	135,603	-	135,603
Water department	586,292	-	586,292
Sewer department	113,769	-	113,769
Mall expenses	-	138,797	138,797
Depreciation	224,733	34,880	259,613
	<u> </u>	<u> </u>	<u> </u>
Total operating expenses	<u>1,060,397</u>	<u>173,677</u>	<u>1,234,074</u>
Operating income (loss)	<u>(270,678)</u>	<u>(91,765)</u>	<u>(362,443)</u>
Nonoperating revenues (expenses):			
Transfers	(148,738)	64,662	(84,076)
Investment earnings	24,081	-	24,081
	<u> </u>	<u> </u>	<u> </u>
Total nonoperating revenues (expenses)	<u>(124,657)</u>	<u>64,662</u>	<u>(59,995)</u>
Change in net position	(395,335)	(27,103)	(422,438)
Net position, beginning of year	<u>5,283,864</u>	<u>734,092</u>	<u>6,017,956</u>
Net position, end of year	<u>\$ 4,888,529</u>	<u>\$ 706,989</u>	<u>\$ 5,595,518</u>

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

TOWN OF ARCADIA
STATEMENT OF CASH FLOWS - PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Utility Fund</u>	<u>Mall Fund</u>	<u>Total</u>
Cash flows from operating activities:			
Cash received from customers	\$ 795,709	\$ 81,912	\$ 877,621
Cash paid to suppliers	(452,659)	(138,369)	(591,028)
Cash paid to employees	(321,077)	-	(321,077)
Other operating cash payments	(4,622)	-	(4,622)
Net cash provided (used) by operating activities	<u>17,351</u>	<u>(56,457)</u>	<u>(39,106)</u>
Cash flows from noncapital financing activities			
Non-operating transfers (net)	(148,738)	64,662	(84,076)
Net cash provided (used) by noncapital financing activities	<u>(148,738)</u>	<u>64,662</u>	<u>(84,076)</u>
Cash flows from capital and related financing activities:			
Cash received from grants	-	-	-
Capital expenditures paid in cash	(33,291)	-	(33,291)
Net cash (used) by capital and related financing activities	<u>(33,291)</u>	<u>-</u>	<u>(33,291)</u>
Cash flows from investing activities:			
Interest received	6,063	-	6,063
Investments sold	114,860	-	114,860
Net cash provided by investing activities	<u>120,923</u>	<u>-</u>	<u>120,923</u>
Net increase (decrease) in cash and cash equivalents	(43,755)	8,205	(35,550)
Cash and cash equivalents: beginning of year	<u>120,834</u>	<u>2,950</u>	<u>123,784</u>
Cash and cash equivalents: end of year	<u>\$ 77,079</u>	<u>\$ 11,155</u>	<u>\$ 88,234</u>
Reconciliation of operating loss to net cash provided (used) by operations:			
Operating (loss)	\$ (270,678)	\$ (91,765)	\$ (362,443)
Adjustments to reconcile operating (loss) to net cash provided (used) by operating activities:			
Depreciation	224,733	34,880	259,613
(Increase) in accounts receivable	(1)	-	(1)
(Increase) in due from other funds	(24,355)	-	(24,355)
Decrease in inventory	9,428	-	9,428
(Increase) in prepaids	-	(5,198)	(5,198)
Increase in accounts payable	53,707	5,626	59,333
Increase in due to other funds	19,733	-	19,733
Increase in customer deposits	5,991	-	5,991
Net change in deferred outflow/inflow and net pension liability	<u>(1,207)</u>	<u>-</u>	<u>(1,207)</u>
Total adjustments to operating income	<u>288,029</u>	<u>35,308</u>	<u>323,337</u>
Net cash provided (used) by operating activities	<u>\$ 17,351</u>	<u>\$ (56,457)</u>	<u>\$ (39,106)</u>

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

Notes to the Financial Statements

TOWN OF ARCADIA

NOTES TO THE FINANCIAL STATEMENTS

AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019

INTRODUCTION

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the Town have been prepared in conformity with U.S. generally accepted accounting principles as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

A. Government-Wide and Fund Financial Statements

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

The Town reports the following governmental funds:

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

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

The Town reports the following proprietary funds:

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The content and certain titles of the GWFS were changed upon the adoption by the town in 2012 of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement provides reporting guidance for deferred outflows of resources and deferred inflows of resources, and adds them, when applicable, as elements of the GWFS, because they are distinct from assets and liabilities. In addition, because these additional elements may affect the residual amount of all of the elements presented in a statement of financial position, GASB 63 renames that measure as net position rather than net assets. The Town had deferred outflows of resources and deferred inflows of resources related to pensions at December 31, 2019.

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

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

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

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

C. Deposits and Investments

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

D. Receivables and Payables

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

E. Inventories

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

F. Restricted Assets

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

G. Capital Assets

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

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

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

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

H. Compensated Absences

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

I. Long-Term Obligations

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

J. Fund Equity

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

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. There are no material reservations or designations for the year ended December 31, 2019.

K. Estimates

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

L. Risk Management

The Town is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and injuries to employees. To handle such risk of loss, the Town maintains commercial insurance policies covering its vehicles, professional liability and surety bond coverage. No claims were paid on any of the policies which exceeded the policies' coverage amounts. There were no significant reductions in insurance coverage during the year ended December 31, 2019.

M. Sales Tax

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

BUDGET INFORMATION. The Town adopted budgets for the year ended December 31, 2019 for the General fund and Special Revenue funds on a basis consistent with generally accepted accounting principles (GAAP). The Town follows the following procedures in establishing the budgetary data reflected in the financial statements. During the December meeting, the Town clerk submits to the board of aldermen a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and expenses and the means of financing them. Prior to December 15, the budget is legally enacted through passage of an ordinance. The public is invited to attend all meetings. The Town clerk is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures or expenses of any fund must be approved by the board of aldermen. Appropriations lapse at the end of the year. The budgets were not amended during the fiscal year.

The Town was not in compliance with the General Fund budget. The Town did not formally approve a budget for the Sales Tax special revenue fund. Also, the General Fund shows a deficit in ending fund balance at December 31, 2019. This is a product of the “due to” account balances and GASB 68 implementation. In addition, the Town has a deficit in their other governmental funds at December 31, 2019, which is related to “due to/from” accounts; mainly in the Street Fund. In fiscal year 2020, Town management has stated the due to/from accounts will be cleared out for the respective funds which have a negative fund balance, which should alleviate the deficits.

3. CASH AND CASH EQUIVALENTS

At December 31, 2019, the Town has cash and cash equivalents (book balances) totaling \$427,676 as follows:

Demand deposits	49,478
Interest-bearing demand deposits	<u>378,198</u>
Total	<u><u>427,676</u></u>

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

3. CASH AND CASH EQUIVALENTS (Continued)

At December 31, 2019, the Town has \$439,844 in deposits (collected bank balances). These deposits are secured from risk by \$250,000 of federal deposit insurance and \$189,844 of pledged securities held by the custodial bank in the name of the fiscal agent bank. (GASB Category 3).

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

4. INVESTMENTS

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

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

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

Category	Carrying Amount			Total Carrying Amount
	Fair Value	Amortized Cost	Cost	
Type of investment	1	2	3	
FNMA Mortgage notes	-	279,557	-	279,557
Total investments	-	279,557	-	279,557

5. RECEIVABLES

The receivables of \$395,337 at December 31, 2019, are as follows:

	General Fund	Special Revenue Funds	Water and Sewer Fund	Total
Taxes:				
Ad valorem	-	-	-	-
Sales and use	-	251,996	-	251,996
Other taxes, penalties, and interests	4,412	-	-	4,412
Grants	-	-	-	-
Accounts	-	-	138,929	138,929
Total	4,412	251,996	138,929	395,337

6. RESTRICTED ASSETS

Restricted assets of business-type activities were applicable to the following at December 31, 2019:

	<u>Enterprise fund</u> <u>Customer Deposits</u>
Cash and cash equivalents	41,573
Investments	<u>72,961</u>
Total	<u><u>114,534</u></u>

7. AD VALOREM TAXES

For the year ended December 31, 2019, taxes of \$200,421 were levied on property with assessed valuations totaling \$39,144,708 and were dedicated as follows:

General corporate purposes 5.120 mills

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

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Assessed Valuation</u>	<u>% of Total Assessed Valuation</u>	<u>Ad Valorem Tax Revenue for Town</u>
Arcadia Gas Storage, LLC	Natural Gas Storage	9,536,051	24.4%	48,659
Haynes International, Inc.	Tubular Production	6,358,460	16.2%	32,555
House of Raeford Farms	Poultry Productions	<u>3,692,388</u>	<u>9.4%</u>	<u>18,905</u>
Total		<u><u>19,586,899</u></u>	<u><u>50.0%</u></u>	<u><u>100,119</u></u>

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

8. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of December 31, 2019 is as follows:

	<u>Due from</u>	<u>Due to</u>
General fund	436,146	1,268,925
Special revenue funds		
Sales tax	1,212,461	267,349
Street	52,597	1,087,272
Industrial Inducement	327,098	279,191
Parks and Recreation	175,613	43,094
Water and sewer fund	<u>925,535</u>	<u>183,619</u>
Total	<u><u>3,129,450</u></u>	<u><u>3,129,450</u></u>

9. CAPITAL ASSETS

Capital assets and depreciation activity as of and for the year ended December 31, 2019, for the primary government is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Governmental activities:</u>				
Capital assets, not being depreciated:				
Land	549,035	-	-	549,035
Total capital assets, not being depreciated	<u>549,035</u>	<u>-</u>	<u>-</u>	<u>549,035</u>
Capital assets being depreciated:				
Buildings	4,517,582	-	-	4,517,582
Vehicles	640,507	-	-	640,507
Improvements	3,851,732	-	-	3,851,732
Equipment	859,093	86,339	-	945,432
Total capital assets being depreciated	9,868,914	86,339	-	9,995,253
Less accumulated depreciation	<u>3,268,115</u>	<u>397,565</u>	<u>-</u>	<u>3,665,680</u>
Total capital assets being depreciated, net	<u>6,600,799</u>	<u>(311,226)</u>	<u>-</u>	<u>6,289,573</u>
<u>Business-type activities:</u>				
Capital assets, not being depreciated:				
Land	268,628	-	-	268,628
Total capital assets, not being depreciated	<u>268,628</u>	<u>-</u>	<u>-</u>	<u>268,628</u>
Capital assets being depreciated:				
Water wells	1,217,306	31,233	-	1,248,539
Pumping plant	105,235	-	-	105,235
Purification plant	111,489	-	-	111,489
Storage reservoir tanks	194,176	-	-	194,176
Water distribution system	2,762,202	-	-	2,762,202
General equipment	469,585	2,058	-	471,643
Office equipment	22,097	-	-	22,097
Improvements	163,512	-	-	163,512
Sewer system	5,946,278	-	-	5,946,278
Buildings	504,862	-	-	504,862
Vehicles	181,355	-	-	181,355
Total capital assets being depreciated	11,678,097	33,291	-	11,711,388
Less-accumulated depreciation	<u>6,757,191</u>	<u>259,613</u>	<u>-</u>	<u>7,016,804</u>
Total capital assets being depreciated, net	<u>4,920,906</u>	<u>(226,322)</u>	<u>-</u>	<u>4,694,584</u>

9. CAPITAL ASSETS (Continued)

Depreciation expense of \$327,588 and \$69,977 for the year ended December 31, 2019 was charged to general government and public safety, respectively.

10. RETIREMENT

PENSION AND RETIREMENT PLANS

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

Cost-Sharing Multiple-Employer Retirement Systems

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

Municipal Police Employees' Retirement System

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

Membership Prior to January 1, 2013

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

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

10. RETIREMENT (Continued)

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

Membership Commencing January 1, 2013

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

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

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

Cost of Living Adjustments

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

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

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

Deferred Retirement Option Plan

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

10. RETIREMENT (Continued)

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

Initial Benefit Option Plan

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

Contributions

Plan members are required by state statute to contribute 10% of their annual covered salary and the Town of Arcadia is required to contribute at an actuarially determined rate. The current rate for the year ended December 31, 2019 was 32.50% of annual covered payroll. The contribution requirements of plan members and the Town are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Town of Arcadia, Louisiana's contributions to the System, for the year ending December 31, 2019 was \$85,173.

The System also receives insurance premium tax monies as additional employer contributions. The tax is considered support from a non-contributing entity and appropriated by the legislature each year based on an actuarial study. Non-employer contributions during the measurement period of \$13,797 are recognized as revenue and are excluded from pension expense.

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

At December 31, 2019, the Town reported a liability of \$608,636 for its proportionate share of the net pension liability of the System. The net pension liability was measured as of June 30, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2019, the Town's proportion was 0.067018% which was an increase of 0.019634% from its proportion measured as of June 30, 2018.

10. RETIREMENT (Continued)

For the year ended December 31, 2019, the Town recognized pension expense of \$102,299 representing its proportionate share of the System's net expense, including amortization of deferred amounts.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,277	\$ 18,725
Changes in assumptions	34,107	-
Net difference between projected and actual earnings on pension plan investments	39,542	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	135,418	37,367
Employer contributions subsequent to the measurement date	<u>49,807</u>	<u>-</u>
Total	<u>\$ 260,151</u>	<u>\$ 56,092</u>

The Town reported a total of \$49,807 as deferred outflow of resources related to pension contributions made subsequent to the measurement period of December 31, 2019 which will be recognized as a reduction in net pension liability in the year ended December 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:

2020	\$ 44,026
2021	46,779
2022	53,573
2023	<u>9,874</u>
	<u>\$ 154,252</u>

Actuarial Methods and Assumptions

A summary of the actuarial methods and assumptions used in determining the total pension liability as of June 30, 2019 are as follows:

Valuation Date	June 30, 2019
Actuarial Cost Method	Entry Age Normal Cost
Investment Rate of Return	7.125%, net of investment expense
Expected Remaining Service lives	4 years
Inflation Rate	2.50%

10. RETIREMENT (Continued)

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

The forecasted long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and an adjustment for the effect of rebalancing/diversification. The resulting forecasted long-term rate of return is 7.89% for the year ended June 30, 2019.

Best estimates of arithmetic nominal rates of return for each major asset class included in the System's target allocation as of June 30, 2019 are summarized in the following table:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	Long-Term Expected Portfolio Real Rate of <u>Return</u>
Equity	48.50%	3.28%
Fixed Income	33.50%	0.80%
Alternatives	18.00%	1.06%
Other	<u>0.00%</u>	<u>0.00%</u>
Totals	100.00%	5.14%
Inflation		<u>2.75%</u>
Expected Arithmetic Nominal Return		<u>7.89%</u>

The discount rate used to measure the total pension liability 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 PRSAC taking into consideration the recommendation of the System's actuary. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

10. RETIREMENT (Continued)

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

SENSITIVITY TO CHANGES IN DISCOUNT RATE

The following presents the Town’s proportionate share of the net pension liability calculated using the discount rate of 7.125%, 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 (6.125%) or one percentage point higher (8.125%) than the current rate:

	<u>Changes in Discount Rate</u>		
	1% Decrease	Current Discount Rate	1% Increase
	<u>6.125%</u>	<u>7.125%</u>	<u>8.125%</u>
Town’s proportionate share of the net pension liability	\$ 848,030	\$ 608,636	\$ 407,808

Municipal Employees’ Retirement System of Louisiana

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

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

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

Eligibility Requirements:

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

Retirement Benefits:

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

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

10. RETIREMENT (Continued)

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

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

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

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

Survivor Benefits:

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

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

DROP Benefits:

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

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

10. RETIREMENT (Continued)

Disability Benefits:

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

Cost of Living Increases:

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

Deferred Benefits:

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

Contributions

Plan members are required by state statute to contribute 5.0% of their annual covered salary and the Town of Arcadia is required to contribute at an actuarially determined rate. The current rate for the year ended December 31, 2019 was 14.0% of annual covered payroll. The contribution requirements of plan members and the Town are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Town of Arcadia, Louisiana's contributions to the System, for the year ending December 31, 2019 was \$97,950.

In accordance with state statute, the System receives ad valorem taxes and state revenue sharing funds. These additional sources of income are used as employer contributions and are considered support from non-employer contributing entities, but are not considered special funding situations. Non-employer contributions of \$22,103 during the measurement period are recognized as revenue and are excluded from pension expense.

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

At December 31, 2019, the Town reported a liability of \$733,395 for its proportionate share of the net pension liability of the System. The net pension liability was measured as of June 30, 2019 and

10. RETIREMENT (Continued)

the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At December 31, 2019, the Town's proportion was 0.838345% which was an increase of 0.120471% from its proportion measured as of June 30, 2018.

For the year ended December 31, 2019, the Town recognized pension expense of \$183,959 representing its proportionate share of the System's net expense, including amortization of deferred amounts.

At December 31, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to the pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 32,529
Changes of assumptions	44,707	-
Net difference between projected and actual earnings on pension plan investments	77,243	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	63,116	
Employer contributions subsequent to the measurement date	<u>49,980</u>	<u>-</u>
Total	<u>\$ 235,046</u>	<u>\$ 32,529</u>

The Town reported a total of \$49,980 as deferred outflow of resources related to pension contributions made subsequent to the measurement period of December 31, 2019 which will be recognized as a reduction in net pension liability in the year ended December 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:

2020	\$ 82,330
2021	53,213
2022	10,286
2023	<u>6,708</u>
	<u>\$ 152,537</u>

10. RETIREMENT (Continued)

Actuarial Methods and Assumptions

A summary of the actuarial methods and assumptions used in determining the total pension liability as of June 30, 2019 are as follows:

Valuation Date	June 30, 2019
Actuarial Cost Method	Entry Age Normal Actuarial Assumptions:
Investment Rate of Return	7.0%, net of investment expense
Projected Salary Increases	1-4 Years: 7.4% (including inflation and merit) 4+ Years: 4.9% (including inflation and merit)
Mortality Rates	PubG-2010(B) Employee Table for active members PubG-2010(B) Healthy Retiree Table for healthy annuitants PubNS-2010(B) Disabled Lives Retiree Tables for disabled annuitants
Expected Remaining Service Lives	3 years
Inflation Rate	2.50%
Cost of Living Adjustments	The present value of future retirement benefits is based on benefits currently being paid by the System and includes previously granted cost of living increases. The present values do not include provisions for potential future increases not yet authorized by the Board of Trustees.

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.70% and an adjustment for the effect of rebalancing/diversification. The resulting expected long-term rates of return is 4.3% for the year ended June 30, 2019.

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

10. RETIREMENT (Continued)

<u>Asset Class</u>	<u>Long-Term Expected Portfolio Target Asset Allocation</u>	<u>Real Rate Return</u>
Public Equity	50%	2.15%
Public Fixed Income	35%	1.51%
Alternatives	<u>15%</u>	<u>0.64%</u>
Totals	100%	4.30%
Inflation		<u>2.70%</u>
Expected Arithmetic Nominal Return		<u>7.00%</u>

The discount rate used to measure the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made at the actuarially determined rates approved by PERSAC taking into consideration the recommendation of the System’s actuary. Based on those assumptions, the System’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

SENSITIVITY TO CHANGES IN DISCOUNT RATE

The following presents the Town’s proportionate share of the net pension liability calculated using the discount rate of 7.0%, 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 (6.0%) or one percentage point higher (8.0%) than the current rate:

	<u>Changes in Discount Rate</u>		
	1%	Current	1%
	Decrease	Discount Rate	Increase
	<u>6.0%</u>	<u>7.0%</u>	<u>8.0%</u>
Town’s proportionate share of the net pension liability	\$ 977,427	\$ 733,395	\$ 527,010

11. CONTINGENT LIABILITIES

As of December 31, 2019, the Town was involved in the following matters: 1) Dennie Ashley vs. Town of Arcadia and Louisiana Municipal Risk Management Agency Self-Insurance Fund, 2) Gap Farms LLC vs. Town of Arcadia, et al, and 3) Patricia Hampton claim against Town of Arcadia. These matters are covered under the Town’s general liability policy and are being defended by Louisiana Risk Management, Inc., the Town’s liability insurer. It is believed the Town’s liability, if any, does not exceed the coverage afforded under the liability policy, thus, no reserves have been recorded for potential loss.

12. ON BEHALF PAYMENTS FOR SALARIES

The Town recognizes as general fund revenues and expenses supplemental pay made by the State of Louisiana to the Town's police employees. For the year ended December 31, 2019, the State made contributions of \$38,500.

13. SUBSEQUENT EVENTS

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Town operates. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration. Therefore, while the Town anticipates this could negatively affect its operating results, the related financial impact and duration cannot be reasonably estimated at this time.

Required Supplemental Information

**TOWN OF ARCADIA
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2019
(unaudited)**

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
Revenues:				
Taxes:				
Ad valorem	\$ 170,000	\$ 170,000	\$ 200,421	\$ 30,421
Other taxes, penalties and interest	65,000	65,000	37,570	(27,430)
Licenses and permits	108,000	108,000	146,142	38,142
Intergovernmental	158,500	158,500	30,497	(128,003)
Fines	20,000	20,000	34,703	14,703
Use of money and property	35,000	35,000	20	(34,980)
Miscellaneous	120	120	63,897	63,777
Total revenues	<u>556,620</u>	<u>556,620</u>	<u>513,250</u>	<u>(43,370)</u>
Expenditures:				
Current:				
General government	612,665	612,665	665,367	(52,702)
Public safety	785,183	785,183	881,299	(96,116)
Economic development	122,672	122,672	205,227	(82,555)
Transportation	9,500	9,500	4,924	4,576
Capital outlay	36,000	36,000	33,602	2,398
Total expenditures	<u>1,566,020</u>	<u>1,566,020</u>	<u>1,790,419</u>	<u>(224,399)</u>
Excess (deficiency) of revenue over expenditures	<u>(1,009,400)</u>	<u>(1,009,400)</u>	<u>(1,277,169)</u>	<u>(267,769)</u>
Other financing sources (uses):				
Operating transfers (net)	<u>1,025,000</u>	<u>1,025,000</u>	<u>1,185,671</u>	<u>160,671</u>
Total other financing sources (uses)	<u>1,025,000</u>	<u>1,025,000</u>	<u>1,185,671</u>	<u>160,671</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	15,600	15,600	(91,498)	(107,098)
Fund balances, beginning of year	<u>(725,654)</u>	<u>(725,654)</u>	<u>(725,654)</u>	<u>-</u>
Fund balances, end of year	<u><u>\$ (710,054)</u></u>	<u><u>\$ (710,054)</u></u>	<u><u>\$ (817,152)</u></u>	<u><u>\$ (107,098)</u></u>

**TOWN OF ARCADIA
SPECIAL REVENUE FUND TYPES
SALES TAX FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2019
(unaudited)**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
Revenues:				
Taxes	\$ -	\$ -	\$ 1,715,868	\$ 1,715,868
Interest and other revenue	-	-	3,069	3,069
Total revenues	-	-	1,718,937	1,718,937
Expenditures:				
General government	-	-	25,738	(25,738)
Total expenditures	-	-	25,738	(25,738)
Excess (deficiency) of revenue over expenditures	-	-	1,693,199	1,693,199
Other financing sources (uses):				
Operating transfers (net)	-	-	(1,794,415)	(1,794,415)
Total other financing sources (uses)	-	-	(1,794,415)	(1,794,415)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	-	-	(101,216)	(101,216)
Fund balances, beginning of year	1,634,659	1,634,659	1,634,659	-
Fund balances, end of year	<u>\$ 1,634,659</u>	<u>\$ 1,634,659</u>	<u>\$ 1,533,443</u>	<u>\$ (101,216)</u>

TOWN OF ARCADIA

NOTES TO BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED DECEMBER 31, 2019

Budget Variances - Major Funds

Actual revenues were lower than budgeted revenues by 5% or more in the General Fund for various categories. Actual expenses were greater than budgeted expenditures by 5% or more in the General Fund for various categories.

The General Fund shows a deficit in ending fund balance at December 31, 2019. This is generally a product of the “due to” account balances.

During 2019, a formal budget was not approved for the Sales Tax Fund.

TOWN OF ARCADIA

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

FOR THE YEARS ENDED DECEMBER 31, 2015 THROUGH DECEMBER 31, 2019

(Unaudited)

Fiscal Year	Employer Proportion 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 its Covered Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
MERS					
2019	0.838345%	733,395	710,039	103.3%	66.14%
2018	0.717874%	607,201	568,222	106.9%	65.60%
2017	0.700763%	606,323	520,309	116.5%	63.49%
2016	0.686303%	568,881	512,390	111.0%	63.34%
2015	0.753400%	512,046	501,057	102.2%	68.71%
MPERS					
2019	0.067018%	608,636	262,914	231.5%	71.01%
2018	0.047384%	400,587	148,441	269.9%	71.89%
2017	0.042413%	370,283	134,701	274.9%	70.08%
2016	0.062017%	581,274	122,770	473.5%	66.04%
2015	0.069372%	543,457	165,159	329.1%	70.73%

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

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

TOWN OF ARCADIA

SCHEDULE OF TOWN'S CONTRIBUTIONS

FOR THE YEARS ENDED DECEMBER 31, 2015 THROUGH DECEMBER 31, 2019

(Unaudited)

<u>Fiscal Year</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to Contractual Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Employer's Covered Employee Payroll</u>	<u>Contributions as a Percentage of Covered Employee Payroll</u>
<u>MERS</u>					
2019	97,950	97,950	-	710,039	13.80%
2018	77,495	77,495	-	568,222	13.64%
2017	63,034	63,034	-	520,309	12.11%
2016	51,343	51,343	-	512,390	10.02%
2015	47,600	47,600	-	501,057	9.50%
<u>MPERS</u>					
2019	85,173	85,173	-	262,914	32.40%
2018	50,100	50,100	-	148,441	33.75%
2017	42,115	42,115	-	134,701	31.27%
2016	41,189	41,189	-	122,770	33.55%
2015	56,309	56,309	-	165,159	34.09%

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

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

Supplementary Information

**TOWN OF ARCADIA
COMBINING BALANCE SHEET, NON-MAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2019**

	<u>STREET</u>	<u>INDUSTRIAL INDUCEMENT</u>	<u>PARKS AND RECREATION</u>	<u>LMA</u>	<u>TOTAL OTHER GOVERNMENTAL FUNDS</u>
ASSETS					
Cash and cash equivalents	6,053	11,010	14,625	2,352	34,040
Investments	-	8,012	-	-	8,012
Due from other funds	52,597	327,098	175,613	-	555,308
Prepays	7,255	-	3,491	-	10,746
Total assets	<u>65,905</u>	<u>346,120</u>	<u>193,729</u>	<u>2,352</u>	<u>608,106</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	12,139	2,015	3,982	-	18,136
Due to other funds	1,087,272	279,191	43,094	-	1,409,557
Total liabilities	<u>1,099,411</u>	<u>281,206</u>	<u>47,076</u>	<u>-</u>	<u>1,427,693</u>
Fund balances:					
Nonspendable	7,255	-	3,491	-	10,746
Unrestricted:					
Assigned (deficit)	(1,040,761)	64,914	143,162	2,352	(830,333)
Total fund balances	<u>(1,033,506)</u>	<u>64,914</u>	<u>146,653</u>	<u>2,352</u>	<u>(819,587)</u>
Total liabilities and fund balances	<u>65,905</u>	<u>346,120</u>	<u>193,729</u>	<u>2,352</u>	<u>608,106</u>

TOWN OF ARCADIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>STREET</u>	<u>INDUSTRIAL INDUCEMENT</u>	<u>PARKS AND RECREATION</u>	<u>LMA</u>	<u>TOTAL OTHER GOVERNMENTAL FUNDS</u>
Revenues:					
Interest	\$ 6	\$ 509	\$ 4	\$ -	\$ 519
Miscellaneous	4,285	15,323	4,638	-	24,246
Total revenues	4,291	15,832	4,642	-	24,765
Expenditures:					
Economic development	-	35,724	207	-	35,931
Public works	586,387	-	-	-	586,387
Culture and recreation	-	-	51,663	-	51,663
Capital outlay	87,397	-	-	-	87,397
Total expenditures	673,784	35,724	51,870	-	761,378
Excess (deficiency) of revenue over expenditures	(669,493)	(19,892)	(47,228)	-	(736,613)
Other financing sources (uses):					
Operating transfers in	667,306	68,445	79,905	-	815,656
Operating transfers out	(59,080)	(63,756)	-	-	(122,836)
Total other financing sources (uses)	608,226	4,689	79,905	-	692,820
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(61,267)	(15,203)	32,677	-	(43,793)
Fund balances, beginning of year	(972,239)	80,117	113,976	2,352	(775,794)
Fund balances, end of year	\$ (1,033,506)	\$ 64,914	\$ 146,653	\$ 2,352	\$ (819,587)

TOWN OF ARCADIA
SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS
TO AGENCY HEAD
FOR THE YEAR ENDED DECEMBER 31, 2019

Agency Head: Honorable O'Landis Millican

Salary	64,063
Benefits-insurance	20,532

TOWN OF ARCADIA

SCHEDULE OF COMPENSATION AND BENEFITS PAID ELECTED OFFICIALS

FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Compensation</u>	<u>Benefits</u>
Honorable O'Landis Millican, Mayor	64,063	20,532
Victor Rogers, Police Chief	69,715	7,400
Charles Butler, Mayor Protem	8,400	-
Joseph Pruitt, Board Member	7,800	346
Lydia Harris, Board Member	7,800	94
Patsy Roberson, Board Member	7,800	48
Melanie Monroe, Board Member	7,800	1,582

Other Reports

HEARD, McELROY, & VESTAL

LLC

CERTIFIED PUBLIC ACCOUNTANTS

333 TEXAS STREET, SUITE 1525
SHREVEPORT, LOUISIANA 71101
318-429-1525 PHONE • 318-429-2070 FAX

January 29, 2021

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

Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Arcadia, Louisiana as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Town of Arcadia, Louisiana's basic financial statements, and have issued our report thereon dated January 29, 2021.

Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2019-1, 2019-3, and 2019-4, to be material weaknesses.

HMV

A PROFESSIONAL SERVICES FIRM
SHREVEPORT • MONROE

hmv@hmvcpa.com E-MAIL
www.hmvcpa.com WEB ADDRESS

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2019-2, 2019-5, and 2019-6 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2019-2.

The Town's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

HEARD, McELROY & VESTAL, L.L.C.

Shreveport, Louisiana

TOWN OF ARCADIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2019

A. Summary of Audit Results

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

B. Findings – Financial Statement Audit

2019-1: Accounting Staff:

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

2019-2: Budget Variance and Non-Compliance:

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

The Town did not formally adopt a budget for the Sales Tax special revenue fund.

The Town did not approve 2019 budgets until March 12, 2019. Policy requires the budget to be legally enacted by December 15 of the preceding year.

B. Findings – Financial Statement Audit (Continued)

2019-3: Internal Control over Accounts Payable/Disbursements:

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

- a) Certain old items from prior years were included in the accounts payable aging reconciliation for certain Funds.
- b) Certain instances in which invoices were not properly accrued for at year-end were present.
- c) Certain invoices were not recorded in a timely manner when received.
- d) Several invoices could not be located.
- e) General organization of supporting documentation is lacking. Support was not able to be provided in a timely manner.

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

2019-4: Account Receivable/Receipts:

General organization of supporting documentation is lacking. Support was not able to be provided in a timely manner.

2019-5: Internal Control over Credit Card Statements:

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

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

2019-6: Internal Control over Travel-Related Expenses:

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

TOWN OF ARCADIA
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2019

2018-1: Accounting Staff:

Status: Unresolved – repeated as 2019-1.

2018-2: Budget Variance:

Status: Unresolved – repeated as 2019-2.

2018-3: Internal Control over Accounts Payable:

Status: Unresolved – repeated as 2019-3.

2018-4: Internal Control over Grant Accounts:

Status: Resolved.

2018-5: Internal Control over Credit Card Statements:

Status: Unresolved – repeated as 2019-5.

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

Status: Unresolved – repeated as 2019-6.

TOWN OF ARCADIA

MANAGEMENT'S CORRECTIVE ACTION PLAN FOR CURRENT YEAR FINDINGS

FOR THE YEAR ENDED DECEMBER 31, 2019

2020-1: The Town has hired an outside CPA to propose certain year-end adjustments and to assist in the preparation of the Town's annual financial statements. This will provide the Town with the proper tools needed for the preparation of the annual financial statements in accordance with generally accepted accounting principles.

2020-2: The above noted CPA will assist the Town in monitoring the budget on a quarterly basis and will recommend amendments before the Town Council when the budgets' variances exceed 5% as required by the Budget Act. The Town will set into place procedures to ensure all required budgets are legally enacted prior to the due date.

2020-3: Internal Control over Accounts Payable/Disbursements:

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

2020-4: Internal Control over Accounts Receivable/Receipts:

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

2020-5: Internal Control over Credit Card Statements:

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

2020-6: Internal Control over Travel-Related Expenses:

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

TOWN OF ARCADIA, LOUISIANA
STATEWIDE AGREED-UPON
PROCEDURES REPORT
YEAR ENDED DECEMBER 31, 2019

HEARD, McELROY, & VESTAL

LLC

CERTIFIED PUBLIC ACCOUNTANTS

333 TEXAS STREET, SUITE 1525
SHREVEPORT, LOUISIANA 71101
318-429-1525 PHONE • 318-429-2070 FAX

January 29, 2021

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

Louisiana Legislative Auditor
Baton Rouge, Louisiana

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

We have performed the procedures enumerated below, which were agreed to by Town of Arcadia (the Town) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 01, 2019 through December 31, 2019. The Town's management is responsible for those C/C areas identified in the SAUPs.

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

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):

- a) **Budgeting**, including preparing, adopting, monitoring, and amending the budget

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

HMV

A PROFESSIONAL SERVICES FIRM
SHREVEPORT • MONROE

hmv@hmvcpa.com E-MAIL
www.hmvcpa.com WEB ADDRESS

- b) **Purchasing**, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.

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

Management's Response: Vendors are added to the vendor list by mayor approval. We will add this to our policy for 2020.

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

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

- d) **Receipts/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).

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

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

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

- f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process

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

- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases)

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

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

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

- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.

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

Management's Response: The town has a verbal ethics policy with yearly ethics training for all council members, employees and volunteers within the town. This is handled by the town attorney.

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

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

Management's Response: The town does not have debt and will work on a policy for 2020.

- 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.

Exception: The entity does not have a written policy regarding disaster recovery/business continuity.

Management's Response: The town will work towards a policy for 2020.

Board or Finance Committee

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

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

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

- b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons of the general fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds. *Alternately, for those entities reporting on the non-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*

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

Management's Response: Each council member receives a budget versus actual at monthly meetings. The mayor goes over the budget versus actual with the council at each meeting. In 2020, this step has been added to our meeting agendas.

- 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.

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

Management's Response: The CPA will work with town management and auditors in 2020 to develop a plan regarding the negative fund balance.

Bank Reconciliations

3. Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for selected each account, and observe that:

A list of bank accounts was obtained from management.

- a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);

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

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

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

Management's Response: Outside CPA reviews monthly bank reconciliations.

- c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

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

Management's Response: Outside CPA will work with town to correct items.

Collections

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

A listing of deposit locations was obtained.

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

A listing of collection locations was obtained.

- a) Employees that are responsible for cash collections do not share cash drawers/registers.
The entity does not receive cash; however, employees do not share money drawers.
- b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.

Exception: The same individual who collects payments is not responsible for preparing and making deposits. This was true for January through September 2019. However, in October of 2019, layoffs occurred that limited only one employee to collect payments and make the deposits. This has continued through the end of 2019.

Management's Response: Water payment clerk took up collections and accounts payable clerk made the deposits and mayor's assistant did deposits through 2019 when possible.

- c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.

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

- d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.

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

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

The entity carries adequate business insurance coverage.

7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under “Bank Reconciliations” above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:
 - a) Observe that receipts are sequentially pre-numbered.
Exception: The entity does not issue pre-numbered receipts.
Management’s Response: The Town will order a numbered receipt book.
 - b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
Exception: The entity does not issue pre-numbered receipts.
Management’s Response: The Town will order a numbered receipt book.
 - c) Trace the deposit slip total to the actual deposit per the bank statement.
The deposit slips were traced to the bank statements without exception.
 - d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).
Exception: The entity does not issue pre-numbered receipts.
Management’s Response: The Town will order a numbered receipt book.
 - e) Trace the actual deposit per the bank statement to the general ledger.
Exception: For one deposit, HMTV was unable to trace it directly to the general ledger as one separate line item, per the Town’s procedures.
Management’s Response: The Town will work diligently to make sure all deposits are entered timely.

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

8. Obtain a listing of locations that process payments for the fiscal period and management’s representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).
A listing of locations was obtained from management.
9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire

of employees about their job duties), and observe that job duties are properly segregated such that:

- a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.

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

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

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

- c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.

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

Management's Response: Town will go thru the vendors list with mayor and clerk. Town will update list and procedure for vendors.

- d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

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

10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:

- a) Observe that the disbursement matched the related original invoice/billing statement.

All selections' disbursements matched the related original invoice/billing statement.

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

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

Management's Response: Town will work diligently to segregate duties regarding disbursements.

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.

A listing of all cards was obtained from management.

12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:

- a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]]

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

Management's Response: Town no longer has credit card. Town uses reimbursements if necessary.

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

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

Management's Response: Town no longer has credit card. Town uses reimbursements if necessary.

13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only).

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

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

Management's Response: Town no longer has credit card. Town uses reimbursements if necessary.

- b) Written documentation of the business/public purpose

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

Management's Response: Town no longer has credit card. Town uses reimbursements if necessary.

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

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

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

14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:

- a) If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).

All transactions reimbursed per diem agree to the applicable rates.

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

All selections reimbursed using actual costs were supported by an original, itemized receipt identifying precisely what was purchased/reimbursed.

- 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).

All selections were supported by documentation of the business/public purpose.

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

Exception: Four of the selections did not have documentation of approval.

Management's Response: Mayor will approve all reimbursements in the future.

Payroll and Personnel

15. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

A listing was obtained from management.

All selected employees' pay for fiscal period selected agreed with authorized salaries/pay rates maintained in personnel files.

16. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #15 above, obtain attendance records and leave documentation for the pay period, and:

- a) Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected

official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)

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

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

Exception: For two of the employees selected, no supervisor approval over the employees' attendance and leave records was observed.

Management's Response: Town is working towards getting approval for all payroll items before paychecks are paid.

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

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

17. Obtain a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees/officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations, agree the hours to the employee/officials' cumulative leave records, and agree the pay rates to the employee/officials' authorized pay rates in the employee/officials' personnel files.

Two employees were terminated in the year-ending 12/31/2019.

For both terminated employees, HMV obtained the related documentation of the hours and pay rates used in management's termination payment calculations and agreed the hours to the employees' cumulative leave records.

Exception: For one of the selected employees, no authorization support for the employee's pay rate/salary was provided.

Management's Response: Town will include support in the future.

18. Obtain management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

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

Ethics

19. Using the 5 randomly selected employees/officials from procedure #15 under "Payroll and Personnel" above, obtain ethics documentation from management, and:

- a) Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.

All employees selected had documentation of his/her completion of the one hour of ethics training during the fiscal period.

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

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

Management's Response: Town will have employees review the policy and add documentation to their employee file.

Contracts, Debt Service, & Other Categories

No exceptions noted in prior year, not tested in current year.

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

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

Shreveport, Louisiana

HEARD, McELROY & VESTAL, L.L.C.