

TOWN OF LAKE ARTHUR, LOUISIANA

Financial Report

Year Ended July 31, 2017

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INDEPENDENT AUDITOR'S REPORT

The Honorable Sherry Crochet, Mayor,
and Members of the Board of Alderman
Town of Lake Arthur, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Lake Arthur, Louisiana, as of and for the year ended July 31, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Lake Arthur, Louisiana, as of July 31, 2017, 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 budgetary comparison information, the schedules of employer's share of net pension liabilities, and the schedules of employer contributions on pages 52 through 59 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Lake Arthur, Louisiana's basic financial statements. The other supplementary information on pages 64 through 65 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated February 15, 2018 on our consideration of the Town of Lake Arthur, Louisiana'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 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 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 of Lake Arthur, Louisiana's internal control over financial reporting and compliance.

Kolder, Slaven & Company, LLC
Certified Public Accountants

Abbeville, Louisiana
February 15, 2018

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BASIC FINANCIAL STATEMENTS

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

TOWN OF LAKE ARTHUR, LOUISIANA

Statement of Net Position
July 31, 2017

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash and interest-bearing deposits	\$ 2,162,445	\$ 1,189,350	\$ 3,351,795
Receivables, net	121,747	50,981	172,728
Internal balances	173,464	(173,464)	-
Prepaid expenses	-	3,732	3,732
Restricted assets:			
Cash and interest-bearing deposits	34,920	78,831	113,751
Capital assets:			
Non-depreciable	911,358	9,604	920,962
Depreciable, net	<u>4,566,172</u>	<u>1,910,642</u>	<u>6,476,814</u>
Total assets	<u>7,970,106</u>	<u>3,069,676</u>	<u>11,039,782</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources - pensions	<u>173,781</u>	<u>20,266</u>	<u>194,047</u>
LIABILITIES			
Accounts and other payables	47,800	14,274	62,074
Customer deposits payable	-	78,831	78,831
Long-term liabilities:			
Due within one year	40,651	14,349	55,000
Due in more than one year	375,039	77,961	453,000
Net pension liability	<u>458,780</u>	<u>76,091</u>	<u>534,871</u>
Total liabilities	<u>922,270</u>	<u>261,506</u>	<u>1,183,776</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources - pensions	<u>19,843</u>	<u>2,025</u>	<u>21,868</u>
NET POSITION			
Net investment in capital assets	5,061,840	1,827,936	6,889,776
Restricted for:			
Debt service	161,518	-	161,518
Street and drainage	401,038	-	401,038
Unrestricted	<u>1,577,378</u>	<u>998,475</u>	<u>2,575,853</u>
Total net position	<u>\$ 7,201,774</u>	<u>\$ 2,826,411</u>	<u>\$ 10,028,185</u>

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

TOWN OF LAKE ARTHUR, LOUISIANA

Statement of Activities
For the Year Ended July 31, 2017

Activities	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position		Total
		Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
Governmental activities:							
General government	\$ 357,875	\$ 96,373	\$ -	\$ -	\$ (261,502)	\$ -	\$ (261,502)
Public works	852,382	243,310	82,860	-	(526,212)	-	(526,212)
Public safety	736,787	32,310	59,257	-	(645,220)	-	(645,220)
Health and welfare	32,636	284,264	-	-	251,628	-	251,628
Parks and recreation	213,532	83,289	28,306	-	(101,937)	-	(101,937)
Economic development	9,836	-	-	-	(9,836)	-	(9,836)
Sewer	-	-	-	86,775	86,775	-	86,775
Community center	42,983	-	-	-	(42,983)	-	(42,983)
Interest on long-term debt	17,927	-	-	-	(17,927)	-	(17,927)
Total governmental activities	<u>2,263,958</u>	<u>739,546</u>	<u>170,423</u>	<u>86,775</u>	<u>(1,267,214)</u>	<u>-</u>	<u>(1,267,214)</u>
Business-type activities:							
Sewer	369,175	287,990	-	-	-	(81,185)	(81,185)
Water	248,430	118,427	13,407	-	-	(116,596)	(116,596)
Interest on long-term debt	1,189	-	-	-	-	(1,189)	(1,189)
Total business-type activities	<u>618,794</u>	<u>406,417</u>	<u>13,407</u>	<u>-</u>	<u>-</u>	<u>(198,970)</u>	<u>(198,970)</u>
Total	<u>\$ 2,882,752</u>	<u>\$ 1,145,963</u>	<u>\$ 183,830</u>	<u>\$ 86,775</u>	<u>(1,267,214)</u>	<u>(198,970)</u>	<u>(1,466,184)</u>

(continued)

TOWN OF LAKE ARTHUR, LOUISIANA

Statement of Activities (Continued)
For the Year Ended July 31, 2017

General revenues:			
Taxes -			
Property taxes, levied for general purposes	81,668	-	81,668
Property taxes, levied for special purposes	129,713	-	129,713
Property taxes, levied for bond retirement	15,430	-	15,430
Sales and use taxes, levied for general purposes	780,557	56,950	837,507
Franchise taxes	118,777	-	118,777
Grants and contributions not restricted to specific programs -			
State sources	16,953	-	16,953
Interest and investment earnings	3,258	1,339	4,597
Miscellaneous	83,919	31,740	115,659
Nonemployer pension contribution	12,044	2,189	14,233
Gain (loss) on disposal of capital assets	(3,507)	(29,181)	(32,688)
Transfers	(103,552)	103,552	-
Total general revenues and transfers	<u>1,135,260</u>	<u>166,589</u>	<u>1,301,849</u>
Change in net position	(131,954)	(32,381)	(164,335)
Net position, beginning	<u>7,333,728</u>	<u>2,858,792</u>	<u>10,192,520</u>
Net position, ending	<u>\$ 7,201,774</u>	<u>\$ 2,826,411</u>	<u>\$ 10,028,185</u>

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

FUND FINANCIAL STATEMENTS (FFS)

TOWN OF LAKE ARTHUR, LOUISIANA

Balance Sheet
Governmental Funds
July 31, 2017

	<u>General</u>	<u>Street and Alley</u>	<u>Other Governmental Funds</u>	<u>Total</u>
ASSETS				
Cash and interest-bearing deposits	\$ 1,552,462	\$ 345,366	\$ 264,617	\$ 2,162,445
Receivables:				
Accounts	24,892	-	-	24,892
Taxes receivable	44,990	23,996	900	69,886
Other receivables	26,969	-	-	26,969
Due from other funds	540,072	-	-	540,072
Restricted assets:				
Cash and interest-bearing deposits	34,920	-	-	34,920
Total assets	<u>\$ 2,224,305</u>	<u>\$ 369,362</u>	<u>\$ 265,517</u>	<u>\$ 2,859,184</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 15,901	\$ 4,073	\$ 3,290	\$ 23,264
Salaries payable	17,086	-	-	17,086
Due to other funds	301,648	54,184	10,776	366,608
Other liabilities	7,450	-	-	7,450
Total liabilities	<u>342,085</u>	<u>58,257</u>	<u>14,066</u>	<u>414,408</u>
Fund balances:				
Restricted	-	311,105	251,451	562,556
Unassigned	1,882,220	-	-	1,882,220
Total fund balances	<u>1,882,220</u>	<u>311,105</u>	<u>251,451</u>	<u>2,444,776</u>
Total liabilities and fund balances	<u>\$ 2,224,305</u>	<u>\$ 369,362</u>	<u>\$ 265,517</u>	<u>\$ 2,859,184</u>

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

TOWN OF LAKE ARTHUR, LOUISIANA

Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
July 31, 2017

Total fund balances for governmental funds		\$ 2,444,776
Capital assets net		5,477,530
Long-term liabilities:		
Bonds payable	(415,690)	
Net pension liability	(458,780)	
Deferred outflows of resources related to net pension liability	173,781	
Deferred inflows of resources related to net pension liability	<u>(19,843)</u>	<u>(720,532)</u>
Total net position of governmental activities		<u>\$ 7,201,774</u>

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

TOWN OF LAKE ARTHUR, LOUISIANA

Statement of Revenues, Expenditures, and Changes in Fund Balances-
Governmental Funds

For the Year Ended July 31, 2017

	General	Street and Alley	Other Governmental Funds	Total
Revenues:				
Taxes	\$ 726,385	\$ 321,141	\$ 78,619	\$ 1,126,145
Licenses and permits	96,373	-	-	96,373
Intergovernmental	161,996	284,264	112,155	558,415
Charges for services	327,864	-	-	327,864
Fines and forfeits	31,045	-	-	31,045
Interest income	2,634	346	278	3,258
Miscellaneous	69,378	3,205	11,336	83,919
Total revenues	<u>1,415,675</u>	<u>608,956</u>	<u>202,388</u>	<u>2,227,019</u>
Expenditures:				
Current -				
General government	314,420	-	-	314,420
Public safety	652,990	-	-	652,990
Public works	169,063	425,513	113,817	708,393
Health and welfare	18,612	-	-	18,612
Parks and recreation	133,331	-	-	133,331
Economic development	9,836	-	-	9,836
Community center	42,983	-	-	42,983
Capital outlay	239,613	2,749	2,749	245,111
Debt service -				
Principal retirement	15,130	-	25,000	40,130
Interest and fiscal charges	1,265	-	16,662	17,927
Total expenditures	<u>1,597,243</u>	<u>428,262</u>	<u>158,228</u>	<u>2,183,733</u>
(Deficiency) excess of revenues over expenditures	<u>(181,568)</u>	<u>180,694</u>	<u>44,160</u>	<u>43,286</u>
Other financing sources (uses):				
Transfers in	1,744	-	-	1,744
Transfers out	-	-	(105,296)	(105,296)
Total other financing sources (uses)	<u>1,744</u>	<u>-</u>	<u>(105,296)</u>	<u>(103,552)</u>
Net change in fund balances	(179,824)	180,694	(61,136)	(60,266)
Fund balances, beginning	<u>2,062,044</u>	<u>130,411</u>	<u>312,587</u>	<u>2,505,042</u>
Fund balances, ending	<u>\$ 1,882,220</u>	<u>\$ 311,105</u>	<u>\$ 251,451</u>	<u>\$ 2,444,776</u>

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

TOWN OF LAKE ARTHUR, LOUISIANA

Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended July 31, 2017

Net change in fund balances of governmental funds		\$ (60,266)
Capital assets:		
Capital outlay	\$ 245,111	
Depreciation expense	<u>(312,528)</u>	(67,417)
Long-term debt:		
Principal payments		40,130
Transactions involving capital assets:		
Loss on disposal		(3,507)
Effect of the change in net pension liability and the related deferred outflows/inflows of resources:		
Increase in pension expense	(52,938)	
Nonemployer pension contribution revenue recognized	<u>12,044</u>	<u>(40,894)</u>
Change in net position of governmental activities		<u>\$ (131,954)</u>

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

TOWN OF LAKE ARTHUR, LOUISIANA

Statement of Net Position

Proprietary Funds

July 31, 2017

ASSETS

Current assets:	
Cash and interest-bearing deposits	\$ 1,189,350
Receivables:	
Accounts, net	45,511
Accrued interest receivable	371
Taxes receivable	5,099
Due from other funds	301,648
Prepaid insurance	<u>3,732</u>
Total current assets	<u>1,545,711</u>
Noncurrent assets:	
Restricted assets -	
Cash and interest-bearing deposits	78,831
Capital assets, net of accumulated depreciation	<u>1,920,246</u>
Total noncurrent assets	<u>1,999,077</u>
Total assets	<u>3,544,788</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows of resources - pensions	<u>20,266</u>
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LIABILITIES

Current liabilities:	
Accounts payable	14,274
Due to other funds	475,112
Payable from restricted assets -	
Revenue bonds	<u>14,349</u>
Total current liabilities	<u>503,735</u>
Noncurrent liabilities:	
Customers' deposits payable	78,831
Revenue bonds	77,961
Net pension liability	<u>76,091</u>
Total noncurrent liabilities	<u>232,883</u>
Total liabilities	<u>736,618</u>

DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources - pensions	<u>2,025</u>
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NET POSITION

Net investment in capital assets	1,827,936
Unrestricted	<u>998,475</u>
Total net position	<u>\$ 2,826,411</u>

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

TOWN OF LAKE ARTHUR, LOUISIANA

Statement of Revenues, Expenses, and Changes in Fund Net Position
 Proprietary Funds
 Year Ended July 31, 2017

Operating revenues:	
Charges for services	<u>\$ 406,417</u>
Operating expenses:	
Salaries and related benefits	145,925
Repairs and maintenance	51,752
Materials and supplies	90,567
Telephone and utilities	59,984
General insurance	6,407
Professional fees	13,858
Other services and charges	15,695
Depreciation expense	<u>233,417</u>
Total operating expenses	<u>617,605</u>
Operating loss	<u>(211,188)</u>
Nonoperating revenues (expenses):	
Interest income	1,339
Sales tax	56,950
Interest expense	(1,189)
Nonemployer pension contribution	2,189
Loss on sale of assets	(29,181)
Lease revenue	<u>31,740</u>
Total nonoperating revenues (expenses)	<u>61,848</u>
Loss before contributions and transfers	(149,340)
Capital contributions	13,407
Transfers in	105,296
Transfers out	<u>(1,744)</u>
Change in net position	(32,381)
Net position, beginning	<u>2,858,792</u>
Net position, ending	<u>\$ 2,826,411</u>

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

TOWN OF LAKE ARTHUR, LOUISIANA

Statement of Cash Flows
Proprietary Funds
For the Year Ended July 31, 2017

Cash flows from operating activities:	
Receipts from customers	\$ 405,352
Payments to suppliers	(275,372)
Payments to employees	<u>(108,231)</u>
Net cash provided by operating activities	<u>21,749</u>
Cash flows from noncapital financing activities:	
Sales tax revenue	51,851
Lease revenue	31,740
Cash received from other funds	39,774
Cash paid to other funds	(103,083)
Meter deposits, net of refunds	1,296
Transfers from other funds	105,296
Transfers to other funds	<u>(1,744)</u>
Net cash provided by noncapital financing activities	<u>125,130</u>
Cash flows from capital and related financing activities:	
Capital contribution	13,407
Principal paid on bonds and notes	(13,869)
Interest and fiscal charges paid on bonds	(2,063)
Acquisition of capital assets	<u>(67,290)</u>
Net cash used by capital and related financing activities	<u>(69,815)</u>
Cash flows from investing activities:	
Proceeds of interest-bearing deposits with maturity in excess of ninety days	317,805
Purchase of interest-bearing deposits with maturity in excess of ninety days	(346,257)
Interest on investments	<u>1,339</u>
Net cash used by investing activities	<u>(27,113)</u>
Net increase in cash and cash equivalents	49,951
Cash and cash equivalents, beginning of period	<u>871,973</u>
Cash and cash equivalents, end of period	<u>\$ 921,924</u>

(continued)

TOWN OF LAKE ARTHUR, LOUISIANA

Statement of Cash Flows (continued)
 Proprietary Funds
 For the Year Ended July 31, 2017

Reconciliation of operating income to net cash provided	
by operating activities:	
Operating loss	\$ (211,188)
Adjustments to reconcile operating loss to net cash	
provided by operating activities:	
Provision for net pension liability	30,150
Depreciation	233,417
Loss on disposal of assets	(29,181)
(Increase) decrease in current assets:	
Accounts receivable, net	(1,065)
Increase (decrease) in current liabilities:	
Accounts payable	<u>(384)</u>
Net cash provided by operating activities	<u>\$ 21,749</u>
Reconciliation of cash and cash equivalents per statement	
of cash flows to the statement of net position:	
Cash and cash equivalents, beginning of period -	
Cash and interest-bearing deposits - unrestricted	\$ 1,109,346
Cash and interest-bearing deposits - restricted	80,432
Less: Interest-bearing deposits with maturities in excess of 90 days	<u>(317,805)</u>
Total cash and cash equivalents	<u>871,973</u>
Cash and cash equivalents, end of period -	
Cash and interest-bearing deposits - unrestricted	1,189,350
Cash and interest-bearing deposits - restricted	78,831
Less: Interest-bearing deposits with maturities in excess of 90 days	<u>(346,257)</u>
Total cash and cash equivalents	<u>921,924</u>
Net increase	<u>\$ 49,951</u>

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

TOWN OF LAKE ARTHUR, LOUISIANA

Notes to Basic Financial Statements

(1) Summary of Significant Accounting Policies

The accompanying financial statements of the Town of Lake Arthur (the Town) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this note.

A. Financial Reporting Entity

The Town of Lake Arthur was incorporated in 1904 under the provisions of the Lawrason Act. The Town operates under a Mayor-Board of Alderman form of government and provides the following services as authorized by its charter: public safety, police, fire, civil defense, highways and streets, sanitation, culture – recreation, public improvements, planning and zoning, and general administrative services.

A financial reporting entity consists of (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Section 2100 of the 2011 Governmental Accounting Standards Board (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*, "Defining the Financial Reporting Entity" establishes criteria for determining which entities should be considered a component unit and, as such, part of the reporting entity for financial reporting purposes. The basic criteria are as follows:

1. A potential component unit must have separate corporate powers that distinguish it as being legally separate from the primary government. These include the right to incur its own debt, levy its own taxes and charges, expropriate property in its own name, sue and be sued in its own name without recourse to a State or local government, and the right to buy, sell, lease, and mortgage property in its own name.
2. The primary government must be financially accountable for a potential component unit. Financial accountability may exist as a result of the primary government appointing a voting majority of the potential component unit's governing body; their ability to impose their will on the potential component unit by significantly influencing the programs, projects, activities, or level of services performed or provided by the potential component unit; or the existence of a financial benefit or burden. In addition, financial accountability may also exist as a result of a potential component unit being fiscally dependent on the primary government.

TOWN OF LAKE ARTHUR, LOUISIANA

Notes to Basic Financial Statements

In some instances, the potential component unit should be included in the reporting entity (even when the criteria in No. 2 above are not met), if exclusion would render the reporting entity's financial statements incomplete or misleading.

Based on the foregoing criteria, the Town has no component units.

B. Basis of Presentation

Government-Wide Financial Statements (GWFS)

The statement of net position and statement of activities displays information about the Town of Lake Arthur, the reporting government, as a whole. They include all funds of the reporting entity. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

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

Fund Financial Statements

The accounts of the Town are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a separate set of self-balancing accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. Fund financial statements report detailed information about the Town.

The various funds of the Town are classified into two categories: governmental and proprietary. The emphasis on fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. A fund is considered major if it is the primary operating fund of the Town or meets the following criteria:

1. Total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and

TOWN OF LAKE ARTHUR, LOUISIANA

Notes to Basic Financial Statements

2. Total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total of all governmental and enterprise funds combined.

The major funds of the Town are described below:

Governmental Funds –

General Fund

The General fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the general fund.

Street and Alley Fund

The Street and Alley fund is used to account for the expenditures in connection with the maintenance and upkeep of the Town's streets. Revenues are derived from sales tax, ad valorem taxes, and landfill revenue.

Enterprise Fund –

Utility Fund

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

C. Measurement Focus/Basis of Accounting

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

TOWN OF LAKE ARTHUR, LOUISIANA

Notes to Basic Financial Statements

Measurement Focus

In the government-wide statement of net position and the statement of activities, both governmental and business-type activities are presented using the economic resources measurement focus as defined in item 2 below.

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

1. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
2. The proprietary fund utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.

Basis of Accounting

In the government-wide statement of net position and statement of activities, both governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities and deferred inflows of resources resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

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 (including capital outlay) generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Ad valorem taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied by the Town on November 1 and are due December 31. Taxes are generally collected in December of the current year and January and February

TOWN OF LAKE ARTHUR, LOUISIANA

Notes to Basic Financial Statements

of the subsequent year. Property tax revenues are recognized when levied to the extent that they result in current receivables.

The proprietary fund utilizes the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset is used.

Program revenues

Program revenues included in the statement of activities are derived directly from the program itself or from parties outside the Town's taxpayers or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the Town's general revenues.

Allocation of indirect expenses

The Town reports all direct expenses by function in the statement of activities. Direct expenses are those that are clearly identifiable with a function. Indirect expenses of other functions are not allocated to those functions but are reported separately in the statement of activities. Depreciation expense is specifically identified by function and is included in the direct expense of each function. Interest on general long-term debt is considered an indirect expense and is reported separately on the statement of activities.

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Equity

Cash and interest-bearing deposits

For purposes of the statements of net position, cash and interest-bearing deposits include all demand accounts, saving accounts, and certificates of deposits of the Town. For the purpose of the proprietary fund statement of cash flows, "cash and cash equivalents" include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less when purchased. See Note (2) for additional disclosures.

Interfund receivables and payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds." Short-term interfund loans are reported as "interfund receivables and payables." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the statement of net position.

TOWN OF LAKE ARTHUR, LOUISIANA

Notes to Basic Financial Statements

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Major receivable balances for the governmental activities include ad valorem and sales and use taxes. Business-type activities report customer's utility service receivables as their major receivables. Uncollectible utility service receivables are recognized as bad debts through the establishment of an allowance account at the time information becomes available which would indicate the uncollectibility of the particular receivable. The allowance for uncollectibles for customers' utility receivables was \$0 at July 31, 2017.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are capitalized at historical cost or estimated cost if historical is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The Town maintains a 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. Prior to July 1, 2001, governmental funds' infrastructure assets were not capitalized; therefore, the Town did not have a complete listing of infrastructure. The Town had opted not to do a detailed analysis of existing infrastructure, and as of July 1, 2001 has begun accumulating infrastructure information prospectively.

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

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

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

Compensated Absences

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

TOWN OF LAKE ARTHUR, LOUISIANA

Notes to Basic Financial Statements

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

Restricted Assets

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

Long-term debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of general obligation bonds payable and certificates of indebtedness payable.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary fund long-term debt is the same in the fund statements as it is in the government-wide statements.

Deferred Outflows of Resources and Deferred Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period and thus, will not be recognized as an outflow of resources (expenses/expenditure) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period and thus, will not be recognized as an inflow of resources (revenue) until that time.

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Notes to Basic Financial Statements

Equity Classification

In the government-wide statements, equity is classified as net position and displayed in three components:

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

In the fund statements, governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements.

Fund balances of the governmental funds are classified as follows:

Nonspendable – amounts that cannot be spent because they are either not in a spendable form (such as inventories and prepaid amounts) or are legally or contractually required to be maintained intact.

Restricted – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – amounts that can be spent only for specific purposes determined by a formal action of the council members. The council is the highest level of decision making authority for the Town. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by council members.

Assigned – amounts the government intends to use for specific purposes that do not meet the criteria to be classified as restricted or committed. Only council members or the Town's finance committee may assign amounts for specific purposes.

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Notes to Basic Financial Statements

Unassigned – all other amounts not included in other spendable classifications.

As of July 31, 2017, fund balances are composed of the following:

	General Fund	Street and Alley	Other Governmental Funds
Restricted:			
Debt service	\$ -	\$ -	\$ 161,518
Sidewalk maintenance	-	-	33,639
Drainage maintenance	-	-	56,294
Other purposes	-	311,105	-
Unassigned	<u>1,882,220</u>	<u>-</u>	<u>-</u>
 Total fund balances	 <u>\$ 1,882,220</u>	 <u>\$ 311,105</u>	 <u>\$ 251,451</u>

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Town considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Town considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless Board of Alderman members or the finance committee has provided otherwise in its commitment or assignment actions.

E. Revenues, Expenditures, and Expenses

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:

- Governmental Funds - By Character
- Proprietary Fund - By Operating and Nonoperating

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

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Notes to Basic Financial Statements

Interfund Transfers

Permanent reallocations of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

F. Revenue Restrictions

The Town has various restrictions placed over certain revenue sources from state or local requirements. The primary restricted revenue sources include:

<u>Revenue Source</u>	<u>Legal Restrictions of Use</u>
Ad valorem taxes	See Note 3
Sales tax	See Note 4
Water and sewer revenue	Debt service and utility operations

The Town uses unrestricted resources only when restricted resources are fully depleted.

G. Capitalization of Interest Expense

It is the policy of the Town to capitalize material amounts of interest resulting from borrowings in the course of the construction of capital assets. At July 31, 2017, there was no capitalized interest expense. Interest expense at July 31, 2017 was \$19,116.

H. Use of Estimates

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

(2) Cash and Interest-Bearing Deposits

Under state law, the Town may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. The Town may invest in certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana.

Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, the Town's deposits may not be recovered or will not be able to recover the collateral securities that are in the possession of an outside party. These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances)

TOWN OF LAKE ARTHUR, LOUISIANA

Notes to Basic Financial Statements

must be secured by federal deposit insurance or the pledge of securities owned by the pledging financial institution. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the financial institution. These securities are held in the name of the pledging financial institution in a holding or custodial bank that is mutually acceptable to both parties. The Town does not have a policy for custodial credit risk. Deposit balances (bank balances), are secured as follows:

Bank balances	<u>\$ 3,513,510</u>
The Town's deposits are secured as follows:	
Federal deposit insurance	560,011
Uninsured and collateral held by the pledging bank, not in the Town's name	<u>2,953,499</u>
Total	<u>\$ 3,513,510</u>

(3) Ad valorem taxes

For the year ended July 31, 2017, taxes were levied on property with net assessed valuations totaling \$9,740,313 and were dedicated as follows:

General corporate purposes	8.03 mills
Drainage maintenance	5.51 mills
Street and alley maintenance	5.51 mills
Debt service	1.60 mills
Recreation	<u>2.84 mills</u>
Total	<u>23.49 mills</u>

(4) Dedication of Proceeds and Flow of Funds – Sales and Use Tax Levies

Proceeds of the one percent sales and use tax levied by the Town on November 9, 1982 are dedicated for use to pay a portion of the cost of the general governmental expenses of the Town.

Proceeds of a one percent sales and use tax levied by the Town on October 6, 1999 are dedicated for constructing, acquiring, extending, improving, operating, and/or maintaining streets and sidewalks, waterworks facilities and drainage facilities, or for any one or more of said purposes.

Proceeds of a one-half percent sales and use tax levied by the Town on June 4, 2003 are dedicated and to be used as follows:

1. One-third for maintaining, operating and improving recreational facilities and public parks in the Town;
2. One-third for maintaining and improving the fire department, including the acquisition of fire trucks and other equipment therefor;

TOWN OF LAKE ARTHUR, LOUISIANA

Notes to Basic Financial Statements

3. One-third for maintaining and improving the police department, including the acquisition of equipment therefor.

Proceeds are accounted for in the Sales Tax Fund and allocated to the respective funds based on the following allocation:

General Fund	60.0%
Streets	32.0%
Water	6.8%
Sidewalks	0.8%
Drainage	0.4%
Total	<u>100.0%</u>

(5) Receivables

Receivables consist of the following:

	<u>Accounts</u>	<u>Taxes</u>	<u>Interest</u>	<u>Other</u>	<u>Total</u>
Governmental activities:					
General Fund	\$ 24,892	\$ 44,990	\$ -	\$ 26,969	\$ 96,851
Street and Alley Fund	-	23,996	-	-	23,996
Other governmental funds	-	900	-	-	900
Business-type activities:					
Utility Fund	<u>45,511</u>	<u>5,099</u>	<u>371</u>	<u>-</u>	<u>50,981</u>
Totals	<u>\$ 70,403</u>	<u>\$ 74,985</u>	<u>\$ 371</u>	<u>\$ 26,969</u>	<u>\$ 172,728</u>

The aging of the Accounts Receivable is as follows:

Current	\$ 36,435
31 - 60 days	11,918
60 - 90 days	823
Over 90 days	<u>21,227</u>
Total	<u>\$ 70,403</u>

TOWN OF LAKE ARTHUR, LOUISIANA

Notes to Basic Financial Statements

(6) Restricted Assets

Restricted assets were applicable to the following:

	<u>Governmental Activities</u>	<u>Business Type Activities</u>
Customers' deposits	\$ -	\$ 78,831
Bond sinking fund account	<u>34,920</u>	<u>-</u>
Total restricted assets	<u>\$ 34,920</u>	<u>\$ 78,831</u>

(7) Capital Assets

Capital asset activities was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 911,358	\$ -	\$ -	\$ 911,358
Capital assets being depreciated:				
Infrastructure	4,455,876	125,152	-	4,581,028
Buildings	1,182,010	126,416	-	1,308,426
Furniture and equipment	647,821	11,285	112,804	546,302
Vehicles	<u>1,420,033</u>	<u>-</u>	<u>15,075</u>	<u>1,404,958</u>
Total capital assets being depreciated	<u>7,705,740</u>	<u>262,853</u>	<u>127,879</u>	<u>7,840,714</u>
Less accumulated depreciation				
Infrastructure	997,560	183,364	-	1,180,924
Buildings	533,107	42,604	-	575,711
Furniture and equipment	543,062	18,301	91,555	469,808
Vehicles	<u>994,915</u>	<u>68,259</u>	<u>15,075</u>	<u>1,048,099</u>
Total accumulated depreciation	<u>3,068,644</u>	<u>312,528</u>	<u>106,630</u>	<u>3,274,542</u>
Total capital assets being depreciated, net	<u>4,637,096</u>	<u>(49,675)</u>	<u>21,249</u>	<u>4,566,172</u>
Governmental activities, capital assets, net	<u>\$ 5,548,454</u>	<u>\$ (49,675)</u>	<u>\$ 21,249</u>	<u>\$ 5,477,530</u>

TOWN OF LAKE ARTHUR, LOUISIANA

Notes to Basic Financial Statements

	Beginning Balance	Additions	Deletions	Ending Balance
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 9,604	\$ -	\$ -	\$ 9,604
Construction in progress	64,184	-	64,184	-
Total capital assets not being depreciated	<u>73,788</u>	<u>-</u>	<u>64,184</u>	<u>9,604</u>
Capital assets being depreciated:				
Sewer system	5,143,537	160,656	1,152,074	4,152,119
Water system	1,668,080	-	-	1,668,080
Vehicles	73,546	-	20,035	53,511
Furniture and equipment	191,686	-	8,848	182,838
Total capital assets being depreciated	<u>7,076,849</u>	<u>160,656</u>	<u>1,180,957</u>	<u>6,056,548</u>
Less accumulated depreciation				
Sewer system	3,958,283	163,171	1,122,893	2,998,561
Water system	904,405	46,215	-	950,620
Vehicles	61,955	8,850	20,035	50,770
Furniture and equipment	139,620	15,183	8,848	145,955
Total accumulated depreciation	<u>5,064,263</u>	<u>233,419</u>	<u>1,151,776</u>	<u>4,145,906</u>
Total capital assets being depreciated, net	<u>2,012,586</u>	<u>(72,763)</u>	<u>29,181</u>	<u>1,910,642</u>
Business-type activities, capital assets, net	<u>\$2,086,374</u>	<u>\$ (72,763)</u>	<u>\$ 93,365</u>	<u>\$1,920,246</u>

Depreciation expense was charged to governmental activities as follows:

General government	\$ 38,577
Public safety	41,500
Public works	9,008
Health and Welfare	143,989
Recreation	<u>79,454</u>
Total depreciation expense	<u>\$312,528</u>

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

Water	\$ 64,768
Sewer	<u>168,651</u>
Total depreciation expense	<u>\$233,419</u>

TOWN OF LAKE ARTHUR, LOUISIANA

Notes to Basic Financial Statements

(8) Accounts, Salaries, and Other Payables

Accounts, salaries, and other payables consisted of the following:

	<u>Accounts</u>	<u>Payroll Liabilities</u>	<u>Other</u>	<u>Total</u>
Governmental activities:				
General Fund	\$ 15,901	\$ 17,086	\$ 7,450	\$ 40,437
Street and Alley Fund	4,073	-	-	4,073
Other governmental funds	3,290	-	-	3,290
Business-type activities:				
Utility Fund	<u>14,274</u>	<u>-</u>	<u>-</u>	<u>14,274</u>
Totals	<u>\$ 37,538</u>	<u>\$ 17,086</u>	<u>\$ 7,450</u>	<u>\$ 62,074</u>

(9) Changes in Long-Term Debt

The following is a summary of long-term debt for the year ended:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Bonds payable -					
General Obligation					
Bonds, Series 2007	\$ 340,000	\$ -	\$ 25,000	\$ 315,000	\$ 25,000
Certificates of Indebtedness, Series 2012	<u>115,820</u>	<u>-</u>	<u>15,130</u>	<u>100,690</u>	<u>15,651</u>
Total governmental activities	<u>\$ 455,820</u>	<u>\$ -</u>	<u>\$ 40,130</u>	<u>\$ 415,690</u>	<u>\$ 40,651</u>
Business-type activities:					
Certificates of Indebtedness, Series 2012	<u>\$ 106,180</u>	<u>\$ -</u>	<u>\$ 13,870</u>	<u>\$ 92,310</u>	<u>\$ 14,349</u>

TOWN OF LAKE ARTHUR, LOUISIANA

Notes to Basic Financial Statements

Long-term debt at year end is comprised of the following individual issues:

\$500,000 General Obligation Bonds, Series 2007, for the purpose of constructing and improving public buildings and acquiring land, furnishings and equipment therefor, due in annual installments of \$15,000 to \$40,000 through March 1, 2027; at an interest rate ranging from .10% to 5.00% (to be retired from the proceeds of ad valorem taxes)	\$ 315,000
\$305,000 Certificate of Indebtedness, Series 2012, for the purpose of providing funds for acquiring a fire truck, acquiring and constructing improvements and replacements to waterworks system, due in annual installments of \$27,000 to \$35,000 through September 1, 2022; at interest rates of .35% to 3.50% (to be retired from a pledge and dedication of the excess annual revenues)	<u>193,000</u>
Total	<u>\$ 508,000</u>

The bonds are due as follows:

Year Ending June 30,	Governmental Activities		Business-type Activities		Total
	Principal payments	Interest payments	Principal payments	Interest payments	
2018	40,651	15,897	14,349	1,892	72,789
2019	40,651	14,673	14,349	1,705	71,378
2020	46,173	13,283	14,827	1,451	75,734
2021	47,217	11,633	15,783	1,104	75,737
2022	47,738	9,810	16,262	627	74,437
2023-2027	<u>193,260</u>	<u>23,045</u>	<u>16,740</u>	<u>627</u>	<u>233,672</u>
	<u>\$ 415,690</u>	<u>\$ 88,341</u>	<u>\$ 92,310</u>	<u>\$ 7,406</u>	<u>\$ 603,747</u>

Bond Covenants:

The various bond indentures identified above contain significant limitations and restrictions on annual debt service requirements, maintenance of and flow of monies through various restricted accounts, minimum amounts to be maintained in various sinking funds, and minimum revenue bond coverage. The Town is in compliance with all such significant limitations and restrictions for the year ended.

TOWN OF LAKE ARTHUR, LOUISIANA

Notes to Basic Financial Statements

(10) Employee Retirement

Substantially all Town employees are covered under the Municipal Employees' Retirement System of Louisiana except police, who are covered under the Municipal Police Employees' Retirement System, respectively. Details concerning these plans follow:

A. Municipal Employees' Retirement System of Louisiana

Plan description: The Municipal Employees' Retirement System of Louisiana (the System) is a cost-sharing multiple-employer public employee retirement system (PERS) as established by Act 356 of 1954 regular session of the Legislature of the State of Louisiana. The System is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. Employees of the Town are members of Plan B.

The Municipal Employees' Retirement System of Louisiana issues a stand-alone report on their financial statements. Access to the report can be found on the Louisiana Legislative Auditor's website, www.lla.la.gov.

The following is a description of the plan and its benefits and is provided for general information purposes only. Participants should refer to the appropriate statutes for more complete information.

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 Town 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) years of creditable service.
2. Age 60 with a minimum of ten (10) or more 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.

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

1. Seven (7) years or more of service, at age sixty-seven or thereafter.
2. Ten (10) years or more of service, at age sixty-two or thereafter.

TOWN OF LAKE ARTHUR, LOUISIANA

Notes to Basic Financial Statements

3. Thirty (30) years or more of service, at age fifty-five or thereafter.
4. Twenty-five (25) years of service credit at any age, exclusive of military service and unused sick leave.

The monthly amount of the retirement allowance for any member of Plan B and Plan B Tier 2 shall consist of an amount equal to two percent of the member's final compensation multiplied by his years of creditable service. Final average compensation is the average monthly earnings during the highest sixty consecutive months, or joined months if service was interrupted. 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 normal retirement, the plan provides for benefits for the surviving spouse as outlined in the statutes.

1. Surviving spouse who is married no less than twelve (12) months immediately preceding death of member, shall be paid a monthly benefit equal to thirty percent of the member's final compensation, payable when the surviving spouse attains the age of sixty years or becomes disabled and payable for as long as the surviving spouse lives, or
2. A monthly benefit equal to the actuarial equivalent of the benefit described above, but not less than fifteen percent of the member's final compensation, payable upon the death of the member and payable for as long as the surviving spouse lives. Selecting this benefit precludes the survivor from eligibility for the thirty percent benefit payable when the surviving spouse attains the age of sixty years.

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.

Any member of Plan B who had not withdrawn their accumulated contributions and had at least twenty years of service credit at time of death, surviving spouse shall receive benefits for as long as he/she lives as outlined in the statutes.

Deferred Retirement Option Plan (DROP) Benefits: In lieu of terminating employment and accepting a service retirement allowance, any member of Plan 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

TOWN OF LAKE ARTHUR, LOUISIANA

Notes to Basic Financial Statements

which made them eligible to become members of MERS 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.

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: Plan B provides for deferred benefits for members who terminate before being eligible for retirement. Once a member reaches the appropriate age for retirement, benefits become payable. Benefits are based on statutes in effect at time of withdrawal.

Contributions: Contributions for all members are established by statute. Member contributions are at 5% of earnable compensation for Plan B. The contributions are deducted from the member's salary and remitted by the participating municipality.

According to state statute, contributions for all employers are actuarially determined each year. For the year ended June 30, 2017, the employer contribution rate was 11.00% of member's earnings for Plan B.

TOWN OF LAKE ARTHUR, LOUISIANA

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According to state statute, the System also receives one-fourth (1/4) of 1% ad valorem taxes within the respective parish and state revenue sharing funds. These additional sources of income are used as additional employer contributions and are considered support from non-employer contributing entities.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: At July 31, 2017, the Town reported a liability of \$367,360 for its proportionate share of the net pension liability, of which \$291,269 and \$76,091 was reported in the governmental activities and business-type activities, respectively. The net pension liability was measured as of June 30, 2017 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, 2017, the Town's proportion was .424578%, which was a decrease of .004078% from its proportion measured as of June 30, 2016.

For the year ended July 31, 2017, the Town recognized pension expense of \$74,024 minus employer's amortization of change in proportionate share and differences between employer contributions and proportionate share of contributions, \$798.

At July 31, 2017, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Difference between expected and actual experience	\$ 1,525	\$ 6,323	\$ 399	\$ 1,652
Change in assumption	12,825	-	3,350	-
Change in proportion and differences between the employer's contributions and the employer's proportionate share of contributions	(680)	1,430	(178)	373
Net differences between projected and actual earnings on plan investments	61,368	-	16,032	-
Contributions subsequent to the measurement date	<u>2,540</u>	<u>-</u>	<u>663</u>	<u>-</u>
Total	<u>\$ 77,578</u>	<u>\$ 7,753</u>	<u>\$ 20,266</u>	<u>\$ 2,025</u>

Deferred outflows of resources of \$3,203 related to pensions resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended July 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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Year Ended June 30:	
2018	\$ 33,654
2019	31,423
2020	16,306
2021	3,480
	<u>\$ 84,863</u>

Actuarial Methods and Assumptions: The net pension liability was measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service, less the amount of the pension plan's fiduciary net position.

A summary of the actuarial methods and assumptions used in determining the total pension liability as of June 30, 2017 are as follows:

Valuation Date	June 30, 2017
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Investment Rate of Return	7.40%
Salary Increases, including inflation and merit increases	5.0%
Inflation rate	2.775%
Annuitant and beneficiary mortality	RP-2000 Healthy Annuitant Sex Distinct Mortality Table set forward 2 years for males and 1 year for females projected to 2028 using scale AA.
Employee mortality	RP-2000 Employees Sex Distinct Table set back 2 years for both males and females.
Disabled lives mortality	RP-2000 Disabled Lives Mortality Tables set back 5 years for males and 3 years for females
Expected Remaining Service Lives	4 years for Plan B

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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 and an adjustment for the effect of rebalancing/diversification.

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, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Portfolio Rate Rate of Return</u>
Public equity	50%	2.30%
Public fixed income	35%	1.60%
Alternatives	<u>15%</u>	<u>0.70%</u>
Totals	100%	4.60%
Inflation		<u>2.60%</u>
Expected Arithmetic Nominal Return		<u>7.20%</u>

The discount rate used to measure the total pension liability was 7.4%. 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, which are calculated in accordance with relevant statutes and approved by the Board of Trustees and the Public Retirement Systems' Actuarial Committee. Based on those assumptions, 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 the Discount Rate: The following presents the net pension liability of the System calculated using the discount rate of 7.40%, as well as what the System's net pension liability would be if it were calculated using a discount rate that is one percentage point lower, or one percentage point higher than the current rate as of June 30, 2017:

	1% Decrease	Current Discount Rate 7.50%	1% Increase
Net Pension Liability	\$ 475,321	\$ 367,360	\$ 275,228

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B. Municipal Police Employees' Retirement System of Louisiana

Plan Description: The Municipal Police Employees' Retirement System (the System) is the administrator of a cost-sharing multiple-employer plan. Membership in the System is mandatory for any full-time police officer employed by a municipality of the State of Louisiana and engaged in law enforcement, empowered to make arrests, providing he or she does not have to pay social security and providing he or she meets the statutory criteria. The System provides retirement benefits for municipal police officers. The projections of benefit payments in the calculation of the total pension liability includes all benefits to be provided to current active and inactive employees through the System in accordance with benefit terms and any additional legal agreements to provide benefits that are in force at the measurement date.

The Municipal Police Employees' Retirement System of Louisiana issues a stand-alone report on their financial statements. Access to the audit report can be found on the System's website: www.lampers.org or on the Louisiana Legislative Auditor's website, www.lla.state.la.us.

Benefit provisions are authorized within Act 189 of 1973 and amended by LRS 11:2211-11:2233. The following is a brief description of the plan and its benefits and is provided for general information purposes only. Participants should refer to the appropriate statutes for more complete information.

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.

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.

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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 the deceased member had less than ten years of service, the 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 (COLA) 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 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

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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.

Employer Contributions: Contributions for all members are actuarially determined as required by state law but cannot be less than 9% of the employees' earnable compensation excluding overtime but including state supplemental pay.

For the year ended July 31, 2017, total contributions due for employers and employees were 41.75%. The employer and employee contribution rates for all members hired prior to January 1, 2013 and Hazardous Duty members hired after January 1, 2013 were 31.75% and 10%, respectively. The employer and employee contribution rates for all Non-Hazardous Duty members hired after January 1, 2013 were 33.75% and 8%, respectively. The employer and employee contribution rates for all members whose earnable compensation is less than or equal to the poverty guidelines issued by the United States Department of Health and Human Services were 34.25% and 7.5%, respectively.

Non-employer contributions: 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 are recognized as revenue during the year ended July 31, 2017 and excluded from pension expense.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: At July 31, 2017, the Town reported a liability of \$167,511 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017 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, 2017,

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Notes to Basic Financial Statements

the Town's proportion was 0.019187%, which was a decrease of 0.001889% from its proportion measured as of June 30, 2016.

For the year ended July 31, 2017, the Town recognized pension expense of \$59,802 less employer's amortization of change in proportionate share and differences between employer contributions and proportionate share of contributions, \$159.

At July 31, 2017, the Town reported deferred outflows of resources and deferred inflows of resources related to the System from the following sources:

	<u>Governmental Activities</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 1,097	\$ 1,288
Change in assumptions	11,919	-
Change in proportion and differences between the employer's contributions and the employer's proportionate share of contributions	74,763	10,802
Net differences between projected and actual earnings on plan investments	7,333	-
Contributions subsequent to the measurement date	<u>1,091</u>	<u>-</u>
Total	<u>\$ 96,203</u>	<u>\$ 12,090</u>

Deferred outflows of resources of \$1,091 related to the System resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended July 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (benefit) as follows:

Year Ended <u>June 30:</u>	
2018	\$ 42,696
2019	41,884
2020	2,376
2021	<u>(3,934)</u>
	<u>\$ 83,022</u>

Contributions – Proportionate Share - Differences between contributions remitted to the System and the employer's proportionate share are recognized in pension expense (benefit) using the straight-line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with a pension through the pension plan.

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Actuarial Methods and Assumptions: The net pension liability was measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service, less the amount of the pension plan's fiduciary net position.

A summary of the actuarial methods and assumptions used in determining MPERS total pension liability as of June 30, 2017 are as follows:

Valuation Date	June 30, 2017
Actuarial Cost Method	Entry Age Normal Cost
Investment Rate of Return	7.325%, net of investment income
Projected Salary Increases	Vary from 9.75% in the first 2 years of service, 4.75% in years 3-23 and 4.25% after 23 years
Inflation Rate	2.70%
Expected Remaining Service Lives	4 years
Mortality	RP-2000 Combined Healthy with Blue Collar Adjustment Sex Distinct Tables projected to 2029 by Scale AA (setback 1 year for females) for healthy annuitants and beneficiaries. RP-2000 Disabled Lives Table set back 5 years for males and set back 3 years for females for disabled annuitants. RP-2000 Employee Table set back 4 years for males and 3 years for females for active members.
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.

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

The best estimates of the arithmetic nominal rates of return for each major asset class included in the System's target allocation as of June 30, 2017 are summarized in the following table:

Asset Class	Long-Term Target Asset Allocation	Expected Portfolio Real Rate of Return
Fixed income	21%	0.52%
Equity	53%	3.66%
Alternatives	20%	1.10%
Other	<u>6%</u>	<u>0.16%</u>
Totals	100%	5.44%
Inflation		<u>2.75%</u>
Expected Nominal Return		<u>8.19%</u>

Discount Rate: The discount rate used to measure net pension liability was 7.325%. 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.

Sensitivity to Changes in the Discount Rate: The following presents net pension liability of the participating employer calculated using the discount rate of 7.325%, as well as what the employer's net pension liability would be if it were calculated using a discount rate that is one percentage point lower, or one percentage point higher than the current rate.

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	1% Decrease <u>6.325%</u>	Current Discount Rate <u>7.325%</u>	1% Increase <u>8.325%</u>
Net Pension Liability	\$ 231,432	\$ 167,511	\$ 113,885

(11) Litigation and Claims

At July 31, 2017, there is no pending litigation against the Town of Lake Arthur.

(12) Risk Managements

The Town is exposed to risks of loss in the areas of health care, general and auto liability, property hazards and workers' compensation. All of these risks are handled by purchasing commercial insurance coverage. There have been no significant reductions in the insurance coverage during the year.

(13) Compensation, Benefits, and Other Payments to Mayor

A detail of compensation, benefits, and other payments paid to Mayor Sherry Crochet from June 1, 2017 through July 31, 2017 is as follows:

<u>Purpose</u>	<u>Amount</u>
Salary	<u>\$ 2,400</u>

A detail of compensation, benefits, and other payments paid to Mayor Robert Bertrand from August 1, 2016 through May 31, 2017 is as follows:

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 15,000
Benefits- retirement	1,650
Conference travel	<u>523</u>
Total	<u>\$ 17,173</u>

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(14) Compensation of Town Officials

A detail of compensation paid to the Town Council is as follows:

David Hanks	\$ 5,600
Ricky Monceaux	5,600
Robert Palermo	5,800
Samson Lejeune	600
Sherry Crochet	5,000
Auldon Robinson	<u>3,200</u>
Total	<u>\$ 25,800</u>

(15) Interfund Transactions

Interfund receivables and payables consist of the following:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 540,072	\$ 301,648
Street and alley maintenance	-	54,184
Other Governmental Funds	-	10,776
Enterprise funds	<u>301,648</u>	<u>475,112</u>
Total	<u>\$ 841,720</u>	<u>\$ 841,720</u>

The amounts due to General Fund from various other funds are for reimbursements owed for expenditures paid for those funds. Interfund transfers consisted of the following:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 1,744	\$ -
Other governmental funds	-	105,296
Enterprise fund	<u>105,296</u>	<u>1,744</u>
Total	<u>\$ 107,040</u>	<u>\$ 107,040</u>

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

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(16) On-behalf Payments

The Town has recognized \$35,700 as revenue and expenditure for on-behalf salary payments made by the State of Louisiana.

(17) Landfill Joint Venture

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

Locality	Number of Households	Percentages
Jennings	4,161	42.1196%
Welsh	1,167	11.8129%
Lake Arthur	1,212	12.2684%
Parish (excluding Jennings, Welsh, Lake Arthur and Elton)	3,339	33.7991%
Totals	9,879	100.0000%

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

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

Condensed financial information for the Jefferson Davis Parish Sanitary Landfill as of December 31, 2016 (the latest available audited financial statements) is available in a separately issued financial report which can be obtained at www.lla.la.gov.

As of December 31, 2016, the Commission had no long-term debt outstanding.

The Landfill Commission as owner of a sanitary landfill is subject to recent Environmental Protection Agency (EPA) regulations that require monitoring the landfill site for 30 years following closure of the site in addition to other closure requirements. These regulations also mandate that landfill owners provide financial assurances that they will have the resources available to satisfy the post closure standards. These guarantees can be third-party trusts, surety bonds, letters of credit, insurance, or state sponsored plans. According to the Commission's contract with the site operator, "...the contractor shall be responsible for closure in accordance

TOWN OF LAKE ARTHUR, LOUISIANA

Notes to Basic Financial Statements

with the permit". Additionally, "...the contractor's post closure care, maintenance and monitoring responsibility shall be three (3) years, or as required by law..." In the event the operator is, for whatever reason, unwilling or unable to fulfill this requirement, the responsibility for closure and post closure monitoring will revert back to the Commission.

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

During the year ended December 31, 2016, the Commission voted to make a distribution to the four local government bodies that participate in the Landfill Commission and funded its construction and early operations. The distributions were made in the same proportions as the original investments by the governments. For the Town of Lake Arthur, the distribution amounted to \$284,264 which is recorded as "landfill revenues" in the Street and Alley Fund in the fiscal year ended July 31, 2017.

**REQUIRED
SUPPLEMENTARY INFORMATION**

TOWN OF LAKE ARTHUR, LOUISIANA
General Fund

Budgetary Comparison Schedule
For the Year Ended July 31, 2017

	Budget		Actual	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues:				
Taxes	\$ 730,766	\$ 730,766	\$ 726,385	\$ (4,381)
Licenses and permits	75,250	75,250	96,373	21,123
Intergovernmental	76,500	76,500	161,996	85,496
Charges for services	291,460	291,460	327,864	36,404
Fines and forfeitures	29,000	29,000	31,045	2,045
Interest	1,500	1,500	2,634	1,134
Miscellaneous	52,840	52,840	69,378	16,538
Total revenues	<u>1,257,316</u>	<u>1,257,316</u>	<u>1,415,675</u>	<u>158,359</u>
Expenditures:				
Current -				
General government	299,920	299,920	314,420	(14,500)
Public safety	571,672	571,672	652,990	(81,318)
Public works	136,980	136,980	169,063	(32,083)
Health and welfare	20,867	20,867	18,612	2,255
Parks and recreation	125,559	125,559	133,331	(7,772)
Economic development	11,500	11,500	9,836	1,664
Community center	31,095	31,095	42,983	(11,888)
Capital outlay	119,200	119,200	239,613	(120,413)
Debt service -				
Principal retirement	29,000	29,000	15,130	13,870
Interest and fiscal charges	4,282	4,282	1,265	3,017
Total expenditures	<u>1,350,075</u>	<u>1,350,075</u>	<u>1,597,243</u>	<u>(247,168)</u>
Deficiency of revenues over expenditures	(92,759)	(92,759)	(181,568)	(88,809)
Other financing sources:				
Transfers in	<u>15,969</u>	<u>15,969</u>	<u>1,744</u>	<u>(14,225)</u>
Net change in fund balance	(76,790)	(76,790)	(179,824)	(103,034)
Fund balance, beginning	<u>2,062,044</u>	<u>2,062,044</u>	<u>2,062,044</u>	<u>-</u>
Fund balance, ending	<u>\$ 1,985,254</u>	<u>\$ 1,985,254</u>	<u>\$ 1,882,220</u>	<u>\$ (103,034)</u>

TOWN OF LAKE ARTHUR, LOUISIANA
Street and Alley Fund

Budgetary Comparison Schedule
For the Year Ended July 31, 2017

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Sales tax	\$ 314,620	\$ 314,620	\$ 321,141	\$ 6,521
Intergovernmental	150,000	150,000	284,264	134,264
Interest income	100	100	346	246
Miscellaneous	<u>5,000</u>	<u>5,000</u>	<u>3,205</u>	<u>(1,795)</u>
Total revenues	<u>469,720</u>	<u>469,720</u>	<u>608,956</u>	<u>139,236</u>
Expenditures:				
Current -				
Public works	464,333	464,333	425,513	38,820
Capital outlay	<u>-</u>	<u>-</u>	<u>2,749</u>	<u>(2,749)</u>
Total expenditures	<u>464,333</u>	<u>464,333</u>	<u>428,262</u>	<u>36,071</u>
Excess of revenues over expenditures	5,387	5,387	180,694	175,307
Fund balance, beginning	<u>130,411</u>	<u>130,411</u>	<u>130,411</u>	<u>-</u>
Fund balance, ending	<u>\$ 135,798</u>	<u>\$ 135,798</u>	<u>\$ 311,105</u>	<u>\$ 175,307</u>

TOWN OF LAKE ARTHUR, LOUISIANA

Notes to Budgetary Comparison Schedules

(1) Budgets and Budgetary Accounting

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

- a. The Town Clerk prepares a proposed budget for the fiscal year and submits it to the Mayor and Board of Alderman no later than fifteen days prior to the beginning of each fiscal year.
- b. A summary of the proposed budget is published and the public is notified that the proposed budget is available for public inspection. At the same time, a public hearing is called.
- c. A public hearing is held on the proposed budget at least ten days after publication of the call for the hearing.
- d. After the holding of the public hearing and completion of all action necessary to finalize and implement the budget, the budget is adopted through passage of a resolution prior to the commencement of the fiscal year for which the budget is being adopted.
- e. Budgetary amendments involving the transfer of funds from one department, program or function to another or involving increases in expenditures resulting from revenues exceeding amounts estimated require the approval of the Board of Alderman.
- f. All budgetary appropriations lapse at the end of each fiscal year.
- g. Budgets for all funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted or as finally amended by the Board of Alderman.

The General Fund reported excess expenditures over appropriations.

TOWN OF LAKE ARTHUR, LOUISIANA

Schedule of Employer's Share of Net Pension Liability
Municipal Employees' Retirement System - Plan B
For the Year Ended July 31, 2017

* Year ended June 30,	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
2015	0.425868%	\$ 289,440	\$ 295,501	97.9%	68.71%
2016	0.428656%	\$ 355,317	\$ 317,823	111.8%	63.34%
2017	0.424578%	\$ 367,360	\$ 314,976	116.6%	62.49%

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

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

TOWN OF LAKE ARTHUR, LOUISIANA

Schedule of Employer Contributions
Municipal Employees' Retirement System - Plan B
For the Year Ended July 31, 2017

Year ended June 30,	Contractually Required Contribution	Contributions in Relation to Contractual Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Employee Payroll	Contributions as a % of Covered Employee Payroll
2015	\$ 28,697	\$ 28,697	\$ -	\$ 302,072	9.50%
2016	\$ 30,340	\$ 30,340	\$ -	\$ 318,795	9.52%
2017	\$ 35,147	\$ 35,147	\$ -	\$ 309,411	11.36%

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

TOWN OF LAKE ARTHUR, LOUISIANA

Schedule of Employer's Share of Net Pension Liability
Municipal Police Employees' Retirement System
For the Year Ended July 31, 2017

* Year ended June 30,	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
2015	0.001892%	\$ 14,822	\$ 5,060	292.9%	70.73%
2016	0.021076%	\$ 197,541	\$ 56,986	346.6%	66.04%
2017	0.019187%	\$ 167,511	\$ 57,277	292.5%	70.08%

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

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

TOWN OF LAKE ARTHUR, LOUISIANA

Schedule of Employer Contributions
Municipal Police Employees' Retirement System
For the Year Ended July 31, 2017

Year ended June 30,	Contractually Required Contribution	Contributions in Relation to Contractual Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Employee Payroll	Contributions as a % of Covered Employee Payroll
2015	\$ 3,470	\$ 3,470	\$ -	\$ 11,419	30.39%
2016	\$ 16,396	\$ 16,396	\$ -	\$ 55,230	29.69%
2017	\$ 18,626	\$ 18,626	\$ -	\$ 56,223	33.13%

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

TOWN OF LAKE ARTHUR, LOUISIANA

Notes to Retirement System Schedules

(1) Retirement Systems

A. Municipal Employees' Retirement System

- 1) Changes of benefit terms – There were no changes of benefit terms for the year ended July 31, 2017.
- 2) Changes of assumptions – Changes of assumptions for the year ended July 31, 2017 were as follows for valuation date June 30, 2017:
 - a) Investment rate of return used was 7.40% per annum, a decrease from 7.50% in 2016.
 - b) Inflation rate used was 2.775% per annum, a decrease from 2.875% in 2016.

B. Municipal Police Employees' Retirement System

- 1) Changes of benefit terms – There were no changes of benefit terms for the year ended July 31, 2017.
- 2) Changes of assumptions – Changes of assumptions for the year ended July 31, 2017 were as follows for valuation date June 30, 2017:
 - a) Investment rate of return used was 7.325% per annum, a decrease from 7.50% in 2016.
 - b) Inflation rate used was 2.70% per annum, a decrease from 2.875% in 2016.

OTHER SUPPLEMENTARY INFORMATION

OTHER FINANCIAL INFORMATION

NONMAJOR GOVERNMENTAL FUNDS

NONMAJOR SPECIAL REVENUE FUNDS

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

Sidewalk Maintenance -

To account for monies received from sales taxes to defray costs of sidewalk repairs and replacement.

Drainage Maintenance -

To account for monies received from sales taxes allocated to maintenance of drainage.

NONMAJOR CAPITAL PROJECTS FUND

LCDBG Fund -

To account for Sewer Rehabilitation Project improvements within the City. Improvements are funded by LCDBG grant.

NONMAJOR DEBT SERVICE FUNDS

To account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Combined Bond Fund -

To accumulate monies for the General Obligation Bonds, Series 2007 issued in the amount of \$500,000 and. Debt service is financed by specifically dedicated ad valorem tax levies.

TOWN OF LAKE ARTHUR, LOUISIANA

Nonmajor Governmental Funds
 Combining Balance Sheet
 July 31, 2017

	Special Revenue		Capital Projects	Debt Service	
	Sidewalk Maintenance	Drainage Maintenance	LCDBG Fund	Combined Bond Fund	Totals
ASSETS					
Cash and interest -bearing deposits	\$ 33,039	\$ 70,060	\$ -	\$ 161,518	\$ 264,617
Taxes receivable	600	300	-	-	900
Total assets	<u>\$ 33,639</u>	<u>\$ 70,360</u>	<u>\$ -</u>	<u>\$ 161,518</u>	<u>\$ 265,517</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ 3,290	\$ -	\$ -	\$ 3,290
Due to other funds	-	10,776	-	-	10,776
Total liabilities	-	14,066	-	-	14,066
Fund balances:					
Restricted	33,639	56,294	-	161,518	251,451
Total liabilities and fund balances	<u>\$ 33,639</u>	<u>\$ 70,360</u>	<u>\$ -</u>	<u>\$ 161,518</u>	<u>\$ 265,517</u>

TOWN OF LAKE ARTHUR, LOUISIANA

Nonmajor Governmental Funds
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Year Ended July 31, 2017

	Special Revenue		Capital Projects	Debt Service	Totals
	Sidewalk Maintenance	Drainage Maintenance	LCDBG Fund	Combined Bond Fund	
Revenues:					
Taxes	\$ 6,701	\$ 56,488	\$ -	\$ 15,430	\$ 78,619
Intergovernmental	-	25,380	86,775	-	112,155
Interest income	-	54	-	224	278
Miscellaneous	-	11,336	-	-	11,336
Total revenues	<u>6,701</u>	<u>93,258</u>	<u>86,775</u>	<u>15,654</u>	<u>202,388</u>
Expenditures:					
Public works	3,500	110,317	-	-	113,817
Public safety					
Capital outlay	-	2,749	-	-	2,749
Debt service -					
Principal retirement	-	-	-	25,000	25,000
Interest and fiscal charges	-	-	-	16,662	16,662
Total expenditures	<u>3,500</u>	<u>113,066</u>	<u>-</u>	<u>41,662</u>	<u>158,228</u>
Excess (deficiency) of revenues over expenditures	3,201	(19,808)	86,775	(26,008)	44,160
Other financing uses:					
Transfers out	-	-	(86,775)	(18,521)	(105,296)
Net change in fund balances	3,201	(19,808)	-	(44,529)	(61,136)
Fund balances, beginning	<u>30,438</u>	<u>76,102</u>	<u>-</u>	<u>206,047</u>	<u>312,587</u>
Fund balances, ending	<u>\$ 33,639</u>	<u>\$ 56,294</u>	<u>\$ -</u>	<u>\$ 161,518</u>	<u>\$ 251,451</u>

INTERNAL CONTROL, COMPLIANCE

AND

OTHER MATTERS

KOLDER, SLAVEN & COMPANY, LLC

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Honorable Sherry Crochet, Mayor
and Members of the Board of Alderman
Town of Lake Arthur, Louisiana

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 Lake Arthur, Louisiana, as of and for the year ended July 31, 2017, and the related notes to the financial statements, which collectively comprise Town of Lake Arthur, Louisiana's basic financial statements and have issued our report thereon dated February 15, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Town of Lake Arthur, Louisiana's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of Lake Arthur, Louisiana's internal control. Accordingly, we do not express an opinion on the effectiveness of Town of Lake Arthur, Louisiana'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 current and prior year audit findings and management's corrective action plan, 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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We

consider the deficiency described in the accompanying schedule of current and prior year audit findings and management's corrective action plan as item 2017-001 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of current and prior year audit findings and management's corrective action plan as item 2017-002 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Lake Arthur, Louisiana's financial statements are free of 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of current and prior year audit findings and management's corrective action plan as items 2017-003 through 2017-006.

Town of Lake Arthur, Louisiana's Response to Findings

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

Purpose of this Report

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

Kolder, Slaven & Company, LLC
Certified Public Accountants

Abbeville, Louisiana
February 15, 2018

TOWN OF LAKE ARTHUR, LOUISIANA

Schedule of Current and Prior Year Audit Findings
And Management's Corrective Action Plan
Year Ended July 31, 2017

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

A. Internal Control Over Financial Reporting

2017-001 Inadequate Segregation of Accounting Functions

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

CRITERIA: AU-C §315.04, *Understanding the Entity and its Environment and Assessing the Risks of Material Misstatement*, defines internal control as follows:

“Internal control is a process, affected by those charged with governance, management, and other personnel, designed to provide reasonable assurance about the achievement of objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.”

Additionally, Statements on Standards for Attestation Engagements (SSAE) AT§501.07 states:

“An entity's internal control over financial reporting includes those policies and procedures that pertain to an entity's ability to record, process, summarize, and report financial data consistent with the assertions embodied in either annual financial statements or interim financial statements, or both.”

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

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

TOWN OF LAKE ARTHUR, LOUISIANA

Schedule of Current and Prior Year Audit Findings
And Management's Corrective Action Plan (Continued)
Year Ended July 31, 2017

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

MANAGEMENT'S CORRECTIVE ACTION PLAN: The Town has provided as much segregation as possible with the resources available.

2017-002 Application of Generally Accepted Accounting Principles (GAAP)

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

CRITERIA: AU-C §265.A37 identifies the following as a deficiency in the design of (internal) controls:

“... in an entity that prepares financial statements in accordance with generally accepted accounting principles, the person responsible for the accounting and reporting function lacks the skills and knowledge to apply generally accepted accounting principles in recording the entity's financial transactions or preparing its financial statements.”

CAUSE: The cause of the condition is the result of a failure to design or implement policies and procedures necessary to achieve adequate internal control.

EFFECT: Financial statements and related supporting transactions may reflect a material departure from generally accepted accounting principles.

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

MANAGEMENT'S CORRECTIVE ACTION PLAN: Mrs. Sherry Crochet, Mayor has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in

TOWN OF LAKE ARTHUR, LOUISIANA

Schedule of Current and Prior Year Audit Findings
And Management's Corrective Action Plan (Continued)
Year Ended July 31, 2017

accordance with GAAP, and determined that it is in the best interests of the Town to outsource this task to its independent auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their contents and presentation.

B. Compliance

2017-003 Budget noncompliance

CONDITION: Expenditures of the General Fund exceeded budgeted expenditures by more than 5%.

CRITERIA: LSA-RS 39:1311 et seq. Budgetary Authority and Control, provides for the following:

"A. The adopted budget and any duly authorized adopted amendments shall form the framework from which the chief executive or administrative officers and members of the governing authority of the political subdivision shall monitor revenues and control expenditures.

The chief executive or administrative officer for a political subdivision subject to public participation shall advise the governing authority or independently elected official in writing when:

(1) Total revenue and other sources plus projected revenue and other sources for the remainder of the year, within a fund, are failing to meet total budgeted revenues and other sources by five percent.

(2) Total actual expenditures and other uses plus projected expenditures and other uses for the remainder of the year, within a fund, are exceeding the total budgeted expenditures and other uses by five percent or more.

(3) Actual beginning fund balance, within a fund, fails to meet estimated beginning fund balance by five percent or more and fund balance is being used to fund current year expenditures."

CAUSE: The condition is a result of failure to properly monitor the expenditures of the Town.

TOWN OF LAKE ARTHUR, LOUISIANA

Schedule of Current and Prior Year Audit Findings
And Management's Corrective Action Plan (Continued)
Year Ended July 31, 2017

EFFECT: The Town may not prevent and/or detect compliance violations due to over expenditure of the appropriated budget, and/or errors or irregularities on a timely basis.

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

MANAGEMENT'S CORRECTIVE ACTION PLAN: Management of the Town of Lake Arthur will make available for each board member a copy of the monthly income statement for the period ending the month prior to the board meeting. The mayor and board members will review expenses and remaining budget every six months to ensure the Town is working within the approved yearly budget.

2017-004 Budget – Public participation

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

CRITERIA: LSA-RS 39:1307(B) states that "Upon completion of the proposed budget and, if applicable, its submission to the governing authority, the political subdivision shall cause to be published a notice stating that the proposed budget is available for public inspection. The notice shall also state that a public hearing on the proposed budget shall be held with the date, time, and place of the hearing specified in the notice. The notice shall be published at least ten days prior to the date of the first public hearing" and where applicable, shall be in the official journal of the political subdivision.

CAUSE: The Town did not publish a notice of when a public hearing on the budget would take place.

EFFECT: Members of the public were not provided information regarding public hearing on adoption of the budget in a timely manner.

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

MANAGEMENT'S CORRECTIVE ACTION PLAN: Management of the Town will publish a public hearing notice at least ten days

TOWN OF LAKE ARTHUR, LOUISIANA

Schedule of Current and Prior Year Audit Findings
And Management's Corrective Action Plan (Continued)
Year Ended July 31, 2017

prior to the date of the first public notice stating the proposed budget is available for public inspection with the date, time, and place of the hearing specified in the notice.

2017-005 Purchase of immovable property

CONDITION: The Town purchased a building and land in November 2016 without appraisal.

CRITERIA: R.S. 33:4712.10 states "no political subdivision shall purchase immovable property with a value greater than three thousand dollars unless prior to such purchase the property has been appraised by a qualified appraiser."

CAUSE: An appraisal was not obtained prior to the Town purchasing the property.

EFFECT: Without an appraisal the Town might have paid more than the value of the property.

RECOMMENATION: The Town needs to make sure there are procedures in place to ensure that an appraisal is obtained prior to purchasing immovable property.

MANAGEMENT'S CORRECTIVE ACTION PLAN: The Town purchased a building and land in November 2016 without appraisal during the last administration. However, the value of the property exceeded the purchasing price negotiated at the time of purchase. The Town will ensure that an appraisal is obtained prior to purchasing immovable property in any future endeavors.

2017-006 Late report issuance

CONDITION: The Town failed to submit its annual audited financial statements to the Legislative Auditors Office by the statutory due date due to GASB 68 Retirement Plan Reports not being available for timely reporting of pension plan disclosures prior to the statutory due date, January 31, 2018.

CRITERIA: LSA-RS 24:514 requires audited financial statements to be filed with the Louisiana Legislative Auditor's office within six months after the fiscal year end of government entities.

TOWN OF LAKE ARTHUR, LOUISIANA

Schedule of Current and Prior Year Audit Findings
And Management's Corrective Action Plan (Continued)
Year Ended July 31, 2017

CAUSE: The Town is required to report on pensions in accordance with GASB 68, *Accounting and Financial Reporting for Pensions*. However, the June 30, 2017 Employer Plan Reports for the Municipal Employees' Retirement System and the Municipal Police Employees' Retirement System were not available prior to the statutory due date of the Town's audit report.

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

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

MANAGEMENT'S CORRECTIVE ACTION PLAN: Extension of time to submit the Town's audited financial statements was obtained due to the cause noted above. The Town will make its best effort to submit its audit in a timely manner in the future.

Part II: Prior Year Findings:

A. Internal Control Over Financial Reporting

2016-001 Segregation of Duties

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

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

CURRENT STATUS: Unresolved. See item 2017-001.

2016-002 Financial Reporting

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

RECOMMENDATION: In our judgment, due to the lack of resources available to management to correct this material weakness

TOWN OF LAKE ARTHUR, LOUISIANA

Schedule of Current and Prior Year Audit Findings
And Management's Corrective Action Plan (Continued)
Year Ended July 31, 2017

in financial reporting, we recommend management mitigate this weakness by having a heightened awareness of all transactions being reported.

CURRENT STATUS: Unresolved. See item 2017-002.

B. Compliance

2016-003 Late Filing of Audited Financial Statements

CONDITION: The July 31, 2016 audited financial statements were not filed with the Legislative Auditor's office within six months after the fiscal year ended as required by LSA-RS 24:514; however, the audited financial statements were filed by the extended due date of February 28, 2017.

CURRENT STATUS: Unresolved. See item 2017-006.

TOWN OF LAKE ARTHUR

Lake Arthur, Louisiana

Agreed-Upon Procedures Report

Year Ended July 31, 2017

KOLDER, SLAVEN & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Honorable Sherry Crochet,
and Members of the Board of Alderman,
Town of Lake Arthur, and the
Louisiana Legislative Auditor

We have performed the procedures enumerated below, which were agreed to by the management of the Town of Lake Arthur (Town) and the Legislative Auditor, State of Louisiana, solely to assist the users in evaluating management's assertions about the Town's compliance with certain laws, regulations and best practices during the year ended July 31, 2017. Management of the Town is responsible for its financial records and compliance with applicable laws and regulations. This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, 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.

Written Policies and Procedures

1. Obtain the entity's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the entity does not have any written policies and procedures), as applicable:

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

Written policies and procedures were obtained and do not address the functions noted above.

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.

Written policies and procedures were obtained; however, they do not address the following: (2) how vendors are added to the vendor list.

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

Written policies and procedures were obtained and address the functions noted above.

- d) **Receipts**, including receiving, recording, and preparing deposits.

Written policies and procedures were obtained and do not address the functions noted above.

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

Written policies and procedures were obtained; however, they do not address the following: (1) payroll processing.

- 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.

Written policies and procedures were obtained and do not address the functions noted above.

- 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, and (5) monitoring card usage.

Written policies and procedures were obtained and do not address the functions noted above.

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

Written policies and procedures were obtained and address the functions noted above.

- 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. Note: Ethics requirements are not applicable to nonprofits.

Written policies and procedures were obtained and do not address the functions noted above.

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

Written policies and procedures were obtained and do not address the functions noted above.

Board (or Finance Committee, if applicable)

- 2. Obtain and review the board/committee minutes for the fiscal period, and:

- a) Report whether the managing board met (with a quorum) at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document.

Obtained and reviewed minutes of the managing board for the fiscal period noting that the board met monthly.

- b) Report whether the minutes referenced or included monthly budget-to-actual comparisons on the General Fund and any additional funds identified as major funds in the entity's prior audit (GAAP-basis).

Minutes made no reference to monthly budget-to-actual comparisons.

- If the budget-to-actual comparisons show that management was deficit spending during the fiscal period, report whether there is a formal/written plan to eliminate the deficit spending for those entities with a fund balance deficit. If there is a formal/written plan, report whether the meeting minutes for at least one board meeting during the fiscal period reflect that the board is monitoring the plan.

Minutes made no reference to monthly budget-to-actual comparisons; therefore, unable to test this item.

- c) Report whether the minutes referenced or included non-budgetary financial information (e.g. approval of contracts and disbursements) for at least one meeting during the fiscal period.

For at least one meeting during the fiscal period, the minutes referenced non-budgetary financial information.

Bank Reconciliations

3. Obtain a listing of client bank accounts from management and management's representation that the listing is complete.

Obtained listing of client bank accounts from management and management's representation that listing is complete.

4. Using the listing provided by management, select all of the entity's bank accounts (if five accounts or less) or one-third of the bank accounts on a three year rotating basis (if more than 5 accounts). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity fund accounts may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal period and report whether:

- a) Bank reconciliations have been prepared;

Obtained bank statements and reconciliations for all months in the fiscal period noting that reconciliations have been prepared for all months.

- b) Bank reconciliations include evidence that a member of management or a board member (with no involvement in the transactions associated with the bank account) has reviewed each bank reconciliation; and

Bank reconciliations do not include evidence that a member of management has reviewed the reconciliations.

- c) If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 6 months as of the end of the fiscal period.

Not applicable.

Collections

5. Obtain a listing of cash/check/money order (cash) collection locations and management's representation that the listing is complete.

Obtained listing of cash collection locations and management's representation that listing is complete.

6. Using the listing provided by management, select all of the entity's cash collection locations (if five locations or less) or one-third of the collection locations on a three year rotating basis (if more than 5 locations). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity funds may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* For each cash collection location selected:

- a) Obtain existing written documentation (e.g. insurance policy, policy manual, job description) and report whether each person responsible for collecting cash is (1) bonded, (2) not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account (report if there are compensating controls performed by an outside party), and (3) not required to share the same cash register or drawer with another employee.

The person responsible for collecting cash, also deposits cash in the bank.

The person responsible for collecting cash, also records the deposit.

The person responsible for collecting cash, also reconciles the bank account.

The person responsible for collecting cash, also shares the same cash drawer with another employee.

- b) Obtain existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and report whether the entity has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, by a person who is not responsible for cash collections in the cash collection location selected.

The person responsible for collecting cash, also reconciles cash collections to the general ledger.

- c) Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:

- Using entity collection documentation, deposit slips, and bank statements, trace daily collections to the deposit date on the corresponding bank statement and report whether the deposits were made within one day of collection. If deposits were not made within one day of collection, report the number of days from receipt to deposit for each day at each collection location.

1 collection was deposited 5 days after receipt.

4 collections were deposited 4 days after receipt.

- Using sequentially numbered receipts, system reports, or other related collection documentation, verify that daily cash collections are completely supported by documentation and report any exceptions.

Collection documentation was obtained and address the functions noted above.

7. Obtain existing written documentation (e.g. policy manual, written procedure) and report whether the entity has a process specifically defined (identified as such by the entity) to determine completeness of all collections, including electronic transfers, for each revenue source and 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) by a person who is not responsible for collections.

Written policies and procedures were obtained and do not address the functions noted above.

Disbursements – General (excluding credit card/debit card/fuel card/P-Card purchases or payments)

8. Obtain a listing of entity disbursements from management or, alternately, obtain the general ledger and sort/filter for entity disbursements. Obtain management's representation that the listing or general ledger population is complete.

Obtained a listing of disbursements and management's representation that the listing is complete.

9. Using the disbursement population from #8 above, randomly select 25 disbursements (or randomly select disbursements constituting at least one-third of the dollar disbursement population if the entity had less than 25 transactions during the fiscal period), excluding credit card/debit card/fuel card/P-card purchases or payments. Obtain supporting documentation (e.g. purchase requisitions, system screens/logs) for each transaction and report whether the supporting documentation for each transaction demonstrated that:

- a) Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.

No exceptions noted.

- b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.

No exceptions noted.

- c) Payments for purchases were not processed without (1) an approved requisition and/or purchase order, or electronic equivalent; a receiving report showing receipt of goods purchased, or electronic equivalent; and an approved invoice.

No exceptions noted.

10. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the person responsible for processing payments is prohibited from adding vendors to the entity's purchasing/disbursement system.

Written policies and procedures were obtained and do not address the functions noted above.

11. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases.

Written policies and procedures were obtained and do not address the functions noted above.

12. Inquire of management and observe whether the supply of unused checks is maintained in a locked location, with access restricted to those persons that do not have signatory authority, and report any exceptions. Alternately, if the checks are electronically printed on blank check stock, review entity documentation (electronic system control documentation) and report whether the persons with signatory authority have system access to print checks.

No exceptions noted.

13. If a signature stamp or signature machine is used, inquire of the signer whether his or her signature is maintained under his or her control or is used only with the knowledge and consent of the signer. Inquire of the signer whether signed checks are likewise maintained under the control of the signer or authorized user until mailed. Report any exceptions.

No exceptions noted.

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

14. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards), 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.

Listing of active credit cards, bank debit cards, fuel cards and name of person who maintain possession of cards and management's representation that the listing is complete was obtained.

15. Using the listing prepared by management, randomly select 10 cards (or at least one-third of the cards if the entity has less than 10 cards) that were used during the fiscal period, rotating cards each year. If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner.

Listing was obtained and randomly selected 10 cards.

Obtain the monthly statements, or combined statements if multiple cards are on one statement, for the selected cards. Select the monthly statement or combined statement with the largest dollar activity for each card (for a debit card, select the monthly bank statement with the largest dollar amount of debit card purchases) and:

- a) Report whether there is evidence that the monthly statement or combined statement and supporting documentation 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.]]

There was evidence that the monthly statements were reviewed and approved, by someone other than the authorized card holder.

- b) Report whether finance charges and/or late fees were assessed on the selected statements.

There were no finance charges and/or late fees assessed.

16. Using the monthly statements or combined statements selected under #15 above, obtain supporting documentation for all transactions for each of the 10 cards selected (i.e. each of the 10 cards should have one month of transactions subject to testing).

- a) For each transaction, report whether the transaction is supported by:

- An original itemized receipt (i.e., identifies precisely what was purchased).

4 transactions did not have all original itemized receipts attached.

- Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.

6 transactions did not have documentation of business/public purpose.

- Other documentation that may be required by written policy (e.g., purchase order, written authorization.)

The Town does not have written policies pertaining to the credit card usage, therefore, we were unable to compare the documentation provided to the documentation required by policy.

- b) For each transaction, compare the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the entity's written purchasing/disbursement policies and the Louisiana Public Bid Law (i.e. transaction is a large or recurring purchase requiring the solicitation of bids or quotes) and report any exceptions.

The Town does not have written policies and procedures pertaining to credit cards, therefore we were unable to compare the documentation provided to the documentation required by written policy. No exceptions were noted regarding the Louisiana Public Bid Law.

- c) For each transaction, compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. cash advances or non-business purchases, regardless whether they are reimbursed). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

6 transactions did not document the business/public purpose and, therefore, we were unable to compare the transaction with Article 7, Section 14 of the Louisiana Constitution. Of the remaining transactions tested, no exceptions were noted.

Travel and Expense Reimbursement

17. Obtain from management a listing of all travel and related expense reimbursements, by person, during the fiscal period or, alternately, obtain the general ledger and sort/filter for travel reimbursements. Obtain management's representation that the listing or general ledger is complete.

Obtained listing of travel and related expense reimbursements by person and management's representation that the listing is complete.

18. Obtain the entity's written policies related to travel and expense reimbursements. Compare the amounts in the policies to the per diem and mileage rates established by the U.S. General Services Administration (www.gsa.gov) and report any amounts that exceed GSA rates.

Policies were obtained. No amounts listed exceed GSA rates.

19. Using the listing or general ledger from #17 above, select the three persons who incurred the most travel costs during the fiscal period. Obtain the expense reimbursement reports or prepaid expense documentation of each selected person, including the supporting documentation, and choose the largest travel expense for each person to review in detail. For each of the three travel expenses selected:

- a) Compare expense documentation to written policies and report whether each expense was reimbursed or prepaid in accordance with written policy (e.g., rates established for meals, mileage, lodging). If the entity does not have written policies, compare to the GSA rates (#18 above) and report each reimbursement that exceeded those rates.

No exceptions noted.

- b) Report whether each expense is supported by:

- An original itemized receipt that identifies precisely what was purchased. [Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) does not require a receipt.]

No exceptions noted.

- Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).

No exceptions noted.

- Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance).

No exceptions noted.

- c) Compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. hotel stays that extend beyond conference periods or payment for the travel expenses of a spouse). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

No exceptions noted.

- d) Report whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

All expenses and related documentation tested was not reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Contracts

20. Obtain a listing of all contracts in effect during the fiscal period or, alternately, obtain the general ledger and sort/filter for contract payments. Obtain management's representation that the listing or general ledger is complete.

Obtained a listing of all contracts in effect and management's representation that the listing is complete.

21. Using the listing above, select the five contract "vendors" that were paid the most money during the fiscal period (excluding purchases on state contract and excluding payments to the practitioner). Obtain the related contracts and paid invoices and:

- a) Report whether there is a formal/written contract that supports the services arrangement and the amount paid.

No exceptions noted.

- b) Compare each contract's detail to the Louisiana Public Bid Law or Procurement Code. Report whether each contract is subject to the Louisiana Public Bid Law or Procurement Code and:

- If yes, obtain/compare supporting contract documentation to legal requirements and report whether the entity complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder).

No noncompliance noted.

- If no, obtain supporting contract documentation and report whether the entity solicited quotes as a best practice.

Not applicable.

- c) Report whether the contract was amended. If so, report the scope and dollar amount of the amendment and whether the original contract terms contemplated or provided for such an amendment.

No amended contracts noted.

- d) Select the largest payment from each of the five contracts, obtain the supporting invoice, compare the invoice to the contract terms, and report whether the invoice and related payment complied with the terms and conditions of the contract.

No noncompliance noted.

- e) Obtain/review contract documentation and board minutes and report whether there is documentation of board approval, if required by policy or law (e.g. Lawrason Act or Home Rule Charter).

No exceptions noted.

Payroll and Personnel

- 22. Obtain a listing of employees (and elected officials, if applicable) with their related salaries, and obtain management's representation that the listing is complete. Randomly select five employees/officials, obtain their personnel files, and:

Obtained a listing of employees with their related salaries and management's representation that the listing is complete.

- a) Review compensation paid to each employee during the fiscal period and report whether payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure.

No exceptions noted.

- b) Review changes made to hourly pay rates/salaries during the fiscal period and report whether those changes were approved in writing and in accordance with written policy.

No exceptions noted.

- 23. Obtain attendance and leave records and randomly select one pay period in which leave has been taken by at least one employee. Within that pay period, randomly select 25 employees/officials (or randomly select one-third of employees/officials if the entity had less than 25 employees during the fiscal period), and:

- a) Report whether 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.)

No exceptions noted.

- b) Report whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials.

No exceptions noted.

- c) Report whether there is written documentation that the entity maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees/officials that earn leave.

No exceptions noted.

24. Obtain from management a list of those employees/officials that terminated during the fiscal period and management's representation that the list is complete. If applicable, select the two largest termination payments (e.g., vacation, sick, compensatory time) made during the fiscal period and obtain the personnel files for the two employees/officials. Report whether the termination payments were made in strict accordance with policy and/or contract and approved by management.

No exceptions noted.

25. Obtain supporting documentation (e.g. cancelled checks, EFT documentation) relating to payroll taxes and retirement contributions during the fiscal period. Report whether the employee and employer portions of payroll taxes and retirement contributions, as well as the required reporting forms, were submitted to the applicable agencies by the required deadlines.

No exceptions noted.

Ethics (excluding nonprofits)

26. Using the five randomly selected employees/officials from procedure #22 under "Payroll and Personnel" above, obtain ethics compliance documentation from management and report whether the entity maintained documentation to demonstrate that required ethics training was completed.

No exceptions noted.

27. Inquire of management whether any alleged ethics violations were reported to the entity during the fiscal period. If applicable, review documentation that demonstrates whether management investigated alleged ethics violations, the corrective actions taken, and whether management's actions complied with the entity's ethics policy. Report whether management received allegations, whether management investigated allegations received, and whether the allegations were addressed in accordance with policy.

Management asserted that they have received no allegations during the fiscal period.

Debt Service (excluding nonprofits)

28. If debt was issued during the fiscal period, obtain supporting documentation from the entity, and report whether State Bond Commission approval was obtained.

Not applicable.

29. If the entity had outstanding debt during the fiscal period, obtain supporting documentation from the entity and report whether the entity made scheduled debt service payments and maintained debt reserves, as required by debt covenants.

All scheduled debt service payments were made and debt reserves were maintained as required by debt covenants.

30. If the entity had tax millages relating to debt service, obtain supporting documentation and report whether millage collections exceed debt service payments by more than 10% during the fiscal period. Also, report any millages that continue to be received for debt that has been paid off.

No exceptions noted.

Other

31. Inquire of management whether the entity had any misappropriations of public funds or assets. If so, obtain/review supporting documentation and report whether the entity reported the misappropriation to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

Management has asserted that the entity did not have any misappropriations of public funds or assets.

32. Observe and report whether the entity has posted on its premises and website, the notice required by R.S. 24:523.1. This notice (available for download or print at www.la.gov/hotline) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.

Required notices were posted on the entity's premises and website.

33. If the practitioner observes or otherwise identifies any exceptions regarding management's representations in the procedures above, report the nature of each exception.

No exceptions noted.

Management's Response

Management of the Town of Lake Arthur, Louisiana concurs with the exceptions and are working to address the deficiencies identified.

We were not engaged to perform, and did not perform, an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on management's assertions. 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.

This report is intended solely for the use of management of the Town and the Legislative Auditor, State of Louisiana, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Kolder, Slaven & Company, LLC

Abbeville, Louisiana
January 25, 2018