

TOWN OF ARCADIA
ANNUAL FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2017 AND
FOR THE YEAR THEN ENDED

TOWN OF ARCADIA
ANNUAL FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2017
WITH SUPPLEMENTAL INFORMATION SCHEDULES

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AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2017
WITH SUPPLEMENTAL INFORMATION SCHEDULES

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MANAGEMENT DISCUSSION AND ANALYSIS

DECEMBER 2017

This section of the Town of Arcadia, Louisiana's (Town) annual financial report presents our discussion and analysis of the Town's financial performance during the calendar year ended December 31, 2017. Please read it in conjunction with the Town's financial statements, which follow this section.

Financial Highlights

The following exhibits some of the more important highlights from the government-wide financial statements for the year ended December 31, 2017.

1. The Town's total net position from governmental activities decreased \$586,025 from the beginning of the fiscal year as a result of operations during the year.
2. During the year ended December 31, 2017, the Town's total expenses were \$2,783,614 greater than the \$863,045 recognized as revenue from fees, fines, and charges for services, made up of mostly water and sewer charges. However, if revenues, such as taxes, licenses and State grants are considered, the Town's expenses exceeded the revenues by \$131,064.
3. The cost of operating programs of the Town was \$3,646,659, which represents an increase in costs of operations from the prior year of \$107,285 or a 3.0% increase.
4. The total revenues of the Town were \$3,515,595, which represents a decrease in revenues from the prior year of \$101,389 or a 2.8% decrease. This decrease is related to decrease in water system revenue.
5. The governmental funds reported unrestricted fund balance of \$192,099.

Overview of the Financial Statements

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

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

Government-Wide Financial Statements

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

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

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

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

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

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

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

Fund Financial Statements

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

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

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

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

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

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

Major Funds

- General Fund
- Special Revenue Fund - Sales Tax Fund

Non-major Funds

- Special Revenue Funds
 - Parks and Recreation Fund
 - Street Fund
 - Economic Development Fund
 - Industrial Inducement Fund
 - LMA Fund
- Debt Service Fund
 - 2002 Sales Tax Refunding Bonds

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

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

The Town has two enterprise funds (Water and Sewer Fund), which are considered a major proprietary fund for presentation purposes.

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

Notes to the Financial Statements

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

Other Information

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

Financial Analysis of Governmental-Wide Activities

Net Position

The Town's combined net position (governmental and business-type activities) decreased during 2017 by \$140,155 or 0.11% from the \$12,995,486 at December 31, 2016, as shown in the following table:

	<u>2017</u>	<u>2016</u>
Assets		
Current and other assets	2,268,294	2,771,038
Capital assets (net)	<u>12,278,173</u>	<u>11,348,204</u>
Total assets	14,546,467	14,119,242
Deferred outflows of resources	276,077	361,151
Liabilities		
Other liabilities	817,175	201,417
Long-term liabilities	<u>976,606</u>	<u>1,150,155</u>
Total liabilities	1,793,781	1,351,572
Deferred inflows of resources	173,432	133,335
Net position		
Net investment in capital assets	12,278,173	11,348,204
Restricted	170,186	162,945
Unrestricted	<u>406,972</u>	<u>1,484,337</u>
Total net position	<u>12,855,331</u>	<u>12,995,486</u>

Changes in Net Position

The following condensed government-wide statement of activity illustrates the major changes in operations for the Town as compared to 2016:

	<u>2017</u>	<u>2016</u>
Revenue		
Governmental	1,901,141	2,577,791
Business-type	<u>1,614,454</u>	<u>1,039,193</u>
Total revenue	3,515,595	3,616,984
Expenses		
Governmental	2,487,166	2,461,856
Business-type	<u>1,159,493</u>	<u>1,077,518</u>
Total expenses	<u>3,646,659</u>	<u>3,539,374</u>
(Decrease) increase in net position	<u>(131,064)</u>	<u>77,610</u>

Net position of the Town's governmental activities decreased \$586,025 (or \$591,023, as restated). Net position of the Town's business-type activities increased \$454,961 (or increased \$450,868, as restated).

Financial Analysis of Individual Funds

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

Governmental Fund

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

At December 31, 2017, the Town's governmental funds reported an ending fund balance of \$302,471, a decrease of \$992,062 compared to the calendar year 2016. The general fund is the chief operating fund of the Town.

Proprietary Fund

The Town's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail. The Town's proprietary funds (Water and Sewer Fund and Mall Fund) reported operating expenses of \$1,159,493, which was \$317,308 more than operating revenues of \$842,185, for the year ended December 31, 2017. This was an increase in excess operating expenses of \$173,615 compared to 2016. The proprietary fund reported an increase of \$450,868 in net position in the calendar year 2017 compared to an increase of \$58,439 in the calendar year 2016.

Budgetary Highlights

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

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

Capital Asset Administration

The Town's investment in capital assets for its governmental and business-type activities at December 31, 2017 totaled \$21,861,980, less accumulated depreciation of \$9,583,807, leaving a \$12,278,173 balance in net capital assets. The investment in capital assets consists of land, buildings, equipment, and water, and sewer improvements. The total increase in the Town's investment in capital assets for the year ended December 31, 2017 totaled \$1,426,521.

Contacting the Town's Financial Management

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

HEARD, McELROY, & VESTAL

LLC

CERTIFIED PUBLIC ACCOUNTANTS

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

June 30, 2018

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

Independent Auditor's Report

Report on the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Arcadia as of December 31, 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 *Management's Discussion and Analysis* on pages i-v and *Budgetary Comparison Information* on pages 34-36, Schedule of Town's proportionate share of net pension liability on page 37, and Schedule of Town's contributions on page 38 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the *Governmental Accounting Standards Board* who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report, dated June 30, 2018, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters.

The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Heard, McElroy & Vestal, LLC

Shreveport, Louisiana

BASIC FINANCIAL STATEMENTS

Government-Wide Financial Statements

**TOWN OF ARCADIA
STATEMENT OF NET POSITION
DECEMBER 31, 2017**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 862,149	93,865	\$ 956,014
Investments, at fair value	389,974	269,357	659,331
Receivables	448,895	141,754	590,649
Internal balances	(742,176)	742,176	-
Inventory	-	23,428	23,428
Prepaid expenses	38,872	-	38,872
Capital assets, net of depreciation	7,021,083	5,257,090	12,278,173
Total assets	<u>8,018,797</u>	<u>6,527,670</u>	<u>14,546,467</u>
Deferred pension outflow	203,617	72,460	276,077
Total assets and deferred outflows	<u>\$ 8,222,414</u>	<u>\$ 6,600,130</u>	<u>\$ 14,822,544</u>
LIABILITIES			
Accounts payable	623,743	23,246	646,989
Deposits	-	98,686	98,686
Unearned revenue	71,500	-	71,500
Net pension liability	758,330	218,276	976,606
Total liabilities	<u>1,453,573</u>	<u>340,208</u>	<u>1,793,781</u>
Deferred pension inflow	162,233	11,199	173,432
Total liabilities and deferred inflows	<u>1,615,806</u>	<u>351,407</u>	<u>1,967,213</u>
NET POSITION			
Net investment in capital assets	7,021,083	5,257,090	12,278,173
Restricted	71,500	98,686	170,186
Unrestricted	(485,975)	892,947	406,972
Total net position	<u>\$ 6,606,608</u>	<u>\$ 6,248,723</u>	<u>\$ 12,855,331</u>

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

TOWN OF ARCADIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary Government:							
Governmental activities:							
General government	\$ 813,394	\$ -	\$ -	\$ -	\$ (813,394)	-	\$ (813,394)
Public safety	649,765	20,860	-	-	(628,905)	-	(628,905)
Public works	412,420	-	-	-	(412,420)	-	(412,420)
Depreciation - unallocated	329,673	-	-	-	(329,673)	-	(329,673)
Cultural and recreation	125,281	-	-	-	(125,281)	-	(125,281)
Economic development	148,798	-	-	-	(148,798)	-	(148,798)
Transportation	7,835	-	-	-	(7,835)	-	(7,835)
Total governmental activities	<u>2,487,166</u>	<u>20,860</u>	<u>-</u>	<u>-</u>	<u>(2,466,306)</u>	<u>-</u>	<u>(2,466,306)</u>
Business-type activities:							
Water system	1,057,745	831,073	-	111,606	-	(115,066)	(115,066)
Mall	101,748	11,112	-	-	-	(90,636)	(90,636)
Total business-type activities	<u>1,159,493</u>	<u>842,185</u>	<u>-</u>	<u>111,606</u>	<u>-</u>	<u>(205,702)</u>	<u>(205,702)</u>
Total primary government	<u>3,646,659</u>	<u>863,045</u>	<u>-</u>	<u>111,606</u>	<u>(2,466,306)</u>	<u>(205,702)</u>	<u>(2,672,008)</u>
General revenues:							
Taxes					2,207,285	-	2,207,285
Licenses and permits					83,489	-	83,489
Intergovernmental					132,802	-	132,802
Use of money and property					74,640	-	74,640
Investment earnings					-	18,841	18,841
Other					23,887	-	23,887
Transfers in (out)					(641,822)	641,822	-
Total general revenues and transfers					<u>1,880,281</u>	<u>660,663</u>	<u>2,540,944</u>
Change in net position					<u>(586,025)</u>	<u>454,961</u>	<u>(131,064)</u>
Net position - beginning					7,197,631	5,797,855	12,995,486
Prior period adjustment					(4,998)	(4,093)	(9,091)
Net position restated - beginning					<u>7,192,633</u>	<u>5,793,762</u>	<u>12,986,395</u>
Net position - ending					<u>\$ 6,606,608</u>	<u>\$ 6,248,723</u>	<u>\$ 12,855,331</u>

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

Fund Financial Statements

Governmental Funds

**TOWN OF ARCADIA
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2017**

	<u>GENERAL</u>	<u>SALES TAX</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
ASSETS				
Cash and cash equivalents	\$ 65,211	\$ 253,068	\$ 543,870	\$ 862,149
Investments, at fair value	-	199,322	190,652	389,974
Receivables	103,956	344,939	-	448,895
Due from other funds	411,072	1,161,414	471,576	2,044,062
Prepaid items	24,225	-	14,647	38,872
	<u>604,464</u>	<u>1,958,743</u>	<u>1,220,745</u>	<u>3,783,952</u>
Total assets	<u>\$ 604,464</u>	<u>\$ 1,958,743</u>	<u>\$ 1,220,745</u>	<u>\$ 3,783,952</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	63,706	\$ 3,953	\$ 556,084	\$ 623,743
Unearned revenue	71,500	-	-	71,500
Due to other funds	1,253,296	278,212	1,254,730	2,786,238
Total liabilities	<u>1,388,502</u>	<u>282,165</u>	<u>1,810,814</u>	<u>3,481,481</u>
Fund balances:				
Nonspendable	24,225	-	14,647	38,872
Restricted:				
Capital projects	71,500	-	-	71,500
Unrestricted:				
Assigned	-	1,676,578	(604,716)	1,071,862
Unassigned (deficit)	(879,763)	-	-	(879,763)
Total fund balances (deficit)	<u>(784,038)</u>	<u>1,676,578</u>	<u>(590,069)</u>	<u>302,471</u>
Total liabilities and fund balances	<u>\$ 604,464</u>	<u>\$ 1,958,743</u>	<u>\$ 1,220,745</u>	<u>\$ 3,783,952</u>

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

**TOWN OF ARCADIA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2017**

Fund balances - total governmental funds		\$	302,471
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>			
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.</p>			
Governmental capital assets			10,098,201
Less accumulated depreciation			(3,077,118)
			7,021,083
<p>Subsequent retirement payments are reported as expenditures in the governmental funds. In the government-wide statements, the payments represent deferred outflow of resources.</p>			
			41,384
<p>Long-term pension obligations are not payable from current resources and, therefore, are not reported in the governmental funds.</p>			
			(758,330)
Net position of governmental activities			\$ 6,606,608

TOWN OF ARCADIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>GENERAL</u>	<u>SALES TAX</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
Revenues:				
Taxes				
Ad valorem	\$ 196,204	\$ -	\$ -	\$ 196,204
Sales and use	-	1,949,584	-	1,949,584
Other taxes, penalties and interest	61,497	-	-	61,497
Licenses and permits	83,489	-	-	83,489
Intergovernmental				
Federal	-	-	-	-
State	32,802	-	100,000	132,802
Fines	20,860	-	-	20,860
Interest	78	1,007	26,501	27,586
Use of money and property	41,967	5,087	-	47,054
Miscellaneous	6,939	-	16,948	23,887
	<u>443,836</u>	<u>1,955,678</u>	<u>143,449</u>	<u>2,542,963</u>
Expenditures:				
General government	798,973	29,243	-	828,216
Public safety	733,506	-	-	733,506
Public works	-	-	392,734	392,734
Culture and recreation	-	-	88,738	88,738
Economic development	136,909	-	11,889	148,798
Transportation	7,835	-	-	7,835
Capital outlay	39,631	-	648,747	688,378
	<u>1,716,854</u>	<u>29,243</u>	<u>1,142,108</u>	<u>2,888,205</u>
Excess (deficiency) of revenue over expenditures	<u>(1,273,018)</u>	<u>1,926,435</u>	<u>(998,659)</u>	<u>(345,242)</u>
Other financing sources (uses):				
Operating transfers in	1,326,442	384,068	845,822	2,556,332
Operating transfers out	-	(2,345,514)	(852,640)	(3,198,154)
	<u>1,326,442</u>	<u>(1,961,446)</u>	<u>(6,818)</u>	<u>(641,822)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	53,424	(35,011)	(1,005,477)	(987,064)
Fund balances, beginning of year, restated	<u>(837,462)</u>	<u>1,711,589</u>	<u>415,408</u>	<u>1,289,535</u>
Fund balances, end of year	<u>\$ (784,038)</u>	<u>\$ 1,676,578</u>	<u>\$ (590,069)</u>	<u>\$ 302,471</u>

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

TOWN OF ARCADIA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

Net change in fund balances - total governmental funds	\$	(987,064)
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital outlay	\$	669,604
Depreciation expense		(329,673)
		339,931
<p>Governmental funds report retirement expenses as payment is remitted to the retirement systems. However, in the government-wide statement of activities, retirement is reported based on the allocations stated in the various system reports.</p>		
		61,108
Change in net position of governmental activities	\$	(586,025)

Proprietary Funds

**TOWN OF ARCADIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2017**

ASSETS	Utility Fund	Mall Fund	Total
Current assets:			
Cash and cash equivalents	\$ 47,362	\$ 46,503	\$ 93,865
Investments	170,671	-	170,671
Receivables	141,754	-	141,754
Due from other funds	914,314	-	914,314
Inventory	23,428	-	23,428
Total current assets	1,297,529	46,503	1,344,032
Noncurrent assets:			
Restricted:			
Investments	98,686	-	98,686
Capital assets (net of accumulated depreciation)	4,601,114	655,976	5,257,090
Total noncurrent assets	4,699,800	655,976	5,355,776
Deferred outflow of resources:			
Deferred pension outflow	72,460	-	72,460
Total assets and deferred outflows	\$ 6,069,789	\$ 702,479	\$ 6,772,268
LIABILITIES			
Current liabilities:			
Accounts payable	131	23,115	23,246
Due to other funds	172,138	-	172,138
Total current liabilities	172,269	23,115	195,384
Current liabilities payable from restricted assets:			
Customer deposits	98,686	-	98,686
Non-current liabilities:			
Net pension liability	218,276	-	218,276
Deferred inflows of resources:			
Deferred pension inflow	11,199	-	11,199
Total liabilities and deferred inflows	\$ 500,430	\$ 23,115	\$ 523,545
NET POSITION			
Net investment in capital assets	4,601,114	655,976	5,257,090
Restricted	98,686	-	98,686
Unrestricted	869,559	23,388	892,947
Total net position	\$ 5,569,359	\$ 679,364	\$ 6,248,723

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

TOWN OF ARCADIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Utility Fund</u>	<u>Mall Fund</u>	<u>Total</u>
Operating Revenues:			
Water charges	\$ 690,773	\$ -	\$ 690,773
Sewer charges	140,300	-	140,300
Rental income	-	11,112	11,112
	<u>831,073</u>	<u>11,112</u>	<u>842,185</u>
Total operating revenues			
Operating expenses:			
General and administrative	234,406	-	234,406
Water department	509,265	-	509,265
Sewer department	99,422	-	99,422
Mall expenses	-	90,048	90,048
Depreciation	214,652	11,700	226,352
Total operating expenses	<u>1,057,745</u>	<u>101,748</u>	<u>1,159,493</u>
Operating income (loss)	<u>(226,672)</u>	<u>(90,636)</u>	<u>(317,308)</u>
Nonoperating revenues (expenses):			
Grants	111,606	-	111,606
Transfers	(128,178)	770,000	641,822
Investment earnings	18,841	-	18,841
Total nonoperating revenues (expenses)	<u>2,269</u>	<u>770,000</u>	<u>772,269</u>
Change in net position	(224,403)	679,364	454,961
Net position, beginning of year	<u>5,797,855</u>	<u>-</u>	<u>5,797,855</u>
Prior period restatement	(4,093)	-	(4,093)
Net position, beginning of year - restated	<u>5,793,762</u>	<u>-</u>	<u>5,793,762</u>
Net position, end of year	<u>\$ 5,569,359</u>	<u>\$ 679,364</u>	<u>\$ 6,248,723</u>

TOWN OF ARCADIA
STATEMENT OF CASH FLOWS - PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Utility Fund</u>	<u>Mall Fund</u>	<u>Total</u>
Cash flows from operating activities:			
Cash received from customers	\$ 838,314	\$ 11,112	\$ 849,426
Cash paid to suppliers	(516,221)	(66,933)	(583,154)
Cash paid to employees	(332,536)	-	(332,536)
Other operating cash payments	24,390	-	24,390
Net cash (used) by operating activities	13,947	(55,821)	(41,874)
Cash flows from noncapital financing activities:			
Non-operating transfers (net)	(128,178)	770,000	641,822
Net cash provided by noncapital financing activities	(128,178)	770,000	641,822
Cash flows from capital and related financing activities:			
Cash received from grants	69,002	-	69,002
Capital expenditures paid in cash	(148,714)	(667,676)	(816,390)
Net cash (used) by capital and related financing activities	(79,712)	(667,676)	(747,388)
Cash flows from investing activities:			
Interest received	10,396	-	10,396
Investments sold	10,584	-	10,584
Net cash (used) by investing activities	20,980	-	20,980
Net decrease in cash and cash equivalents	(172,963)	46,503	(126,460)
Cash and cash equivalents: beginning of year	220,325	-	220,325
Cash and cash equivalents: end of year	\$ 47,362	\$ 46,503	\$ 93,865
Reconciliation of operating loss to net cash (used) by operations:			
Operating (loss)	\$ (226,672)	\$ (90,636)	\$ (317,308)
Adjustments to reconcile operating (loss) to net cash (used)			
by operating activities:			
Depreciation	214,652	11,700	226,352
Increase in accounts receivable	-	-	0
Decrease in due from other funds	36,619	-	36,619
(Decrease) increase in accounts payable	(14,301)	23,115	8,814
Decrease in due to other funds	(2,843)	-	(2,843)
Increase in customer deposits	7,241	-	7,241
Net change in deferred outflow/inflow	(749)	-	(749)
Total adjustments to operating income	240,619	34,815	275,434
Net cash (used) by operating activities	\$ 13,947	\$ (55,821)	\$ (41,874)

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

Notes to the Financial Statements

TOWN OF ARCADIA

NOTES TO THE FINANCIAL STATEMENTS

AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2017

INTRODUCTION

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Government-Wide and Fund Financial Statements

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

The Town reports the following governmental funds:

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

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

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

The Town reports the following proprietary funds:

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The content and certain titles of the GWFS were changed upon the adoption by the town in 2012 of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement provides reporting guidance for deferred outflows of resources and deferred inflows of resources, and adds them, when applicable, as elements of the GWFS, because they are distinct from assets and liabilities. In addition, because these additional elements may affect the residual amount of all of the elements presented in a statement of financial position, GASB 63 renames that measure as net position rather than net assets. The Town had deferred outflows of resources and deferred inflows of resources related to pensions at December 31, 2017.

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

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

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

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

C. Deposits and Investments

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

D. Receivables and Payables

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

E. Inventories

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

F. Restricted Assets

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

G. Capital Assets

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

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

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

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

H. Compensated Absences

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

I. Long-Term Obligations

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

J. Fund Equity

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

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. There are no material reservations or designations for the year ended December 31, 2017.

K. Estimates

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

L. Risk Management

The Town is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and injuries to employees. To handle such risk of loss, the Town maintains commercial insurance policies covering its vehicles, professional liability and surety bond coverage. No claims were paid on any of the policies which exceeded the policies' coverage amounts. There were no significant reductions in insurance coverage during the year ended December 31, 2017.

M. Sales Tax

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

BUDGET INFORMATION. The Town adopted budgets for the year ended December 31, 2017 for the General fund and Special Revenue funds on a basis consistent with generally accepted accounting principles (GAAP). The Town follows the following procedures in establishing the budgetary data reflected in the financial statements. During the December meeting, the Town clerk submits to the board of aldermen a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and expenses and the means of financing them. During the December meeting, the budget is legally enacted through passage of an ordinance. The public is invited to attend all meetings. The Town clerk is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures or expenses of any fund must be approved by the board of aldermen. Appropriations lapse at the end of the year. The budgets were amended during the fiscal year.

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

3. CASH AND CASH EQUIVALENTS

At December 31, 2017, the Town has cash and cash equivalents (book balances) totaling \$956,014 as follows:

Demand deposits	103,753
Interest-bearing demand deposits	<u>852,261</u>
Total	<u><u>956,014</u></u>

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times

3. CASH AND CASH EQUIVALENTS (Continued)

At December 31, 2017, the Town has \$1,056,741 in deposits (collected bank balances). These deposits are secured from risk by \$293,857 of federal deposit insurance and \$762,884 of pledged securities held by the custodial bank in the name of the fiscal agent bank. (GASB Category 3).

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

4. INVESTMENTS

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

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

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

	<u>Category</u>			<u>Carrying Amount</u>			<u>Total Carrying Amount</u>
	<u>1</u>	<u>2</u>	<u>3</u>	<u>Fair Value</u>	<u>Amortized Cost</u>	<u>Cost</u>	
Type of investment							
FNMA Mortgage notes	-	758,017	-	758,017	-	-	758,017
Total investments	-	758,017	-	758,017	-	-	758,017

5. RECEIVABLES

The receivables of \$590,649 at December 31, 2017, are as follows:

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Water and Sewer Fund</u>	<u>Total</u>
Taxes:				
Ad valorem	87,885	-	-	87,885
Sales and use	-	344,939	-	344,939
Other taxes, penalties, and interests	16,071	-	-	16,071
Grants	-	-	42,604	42,604
Accounts	-	-	99,150	99,150
Total	103,956	344,939	141,754	590,649

6. RESTRICTED ASSETS

Restricted assets of business-type activities were applicable to the following at December 31, 2017:

	<u>Enterprise fund</u> <u>Customer Deposits</u>
Investments	98,686
Total	<u>98,686</u>

7. AD VALOREM TAXES

For the year ended December 31, 2017, taxes of \$196,204 were levied on property with assessed valuations totaling \$38,321,060 and were dedicated as follows:

General corporate purposes 5.120 mills

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

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Assessed Valuation</u>	<u>% of Total Assessed Valuation</u>	<u>Ad Valorem Tax Revenue for Town</u>
Arcadia Gas Storage, LLC	Natural Gas Storage	8,039,690	21.0%	41,163
Haynes International, Inc.	Tubular Production	4,756,500	12.4%	24,353
House of Raeford Farms	Poultry Productions	<u>3,749,770</u>	<u>9.8%</u>	<u>19,199</u>
Total		<u>16,545,960</u>	<u>43.2%</u>	<u>84,715</u>

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

8. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of December 31, 2017 is as follows:

	<u>Due from</u>	<u>Due to</u>
General fund	411,072	1,253,296
Special revenue funds		
Sales tax	1,161,414	278,212
Street	20,121	972,048
Industrial inducement	327,099	275,634
Parks and Recreation	124,356	7,048
Water and sewer fund	<u>914,314</u>	<u>172,138</u>
Total	<u>2,958,376</u>	<u>2,958,376</u>

9. CAPITAL ASSETS

Capital assets and depreciation activity as of and for the year ended December 31, 2017, for the primary government is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Governmental activities:</u>				
Capital assets, not being depreciated:				
Land	475,375	-	-	475,375
Total capital assets, not being depreciated	<u>475,375</u>	<u>-</u>	<u>-</u>	<u>475,375</u>
Capital assets being depreciated:				
Buildings	4,517,582	-	-	4,517,582
Vehicles	288,698	53,722	43,284	299,136
Improvements	3,252,800	598,932	-	3,851,732
Equipment	937,426	16,950	-	954,376
Total capital assets being depreciated	8,996,506	669,604	43,284	9,622,826
Less accumulated depreciation	<u>2,790,729</u>	<u>329,673</u>	<u>43,284</u>	<u>3,077,118</u>
Total capital assets being depreciated, net	<u>6,205,777</u>	<u>339,931</u>	<u>-</u>	<u>6,545,708</u>
<u>Business-type activities:</u>				
Capital assets, not being depreciated:				
Land	268,628	-	-	268,628
Total capital assets, not being depreciated	<u>268,628</u>	<u>-</u>	<u>-</u>	<u>268,628</u>
Capital assets being depreciated:				
Water wells	1,111,601	105,705	-	1,217,306
Pumping plant	105,235	-	-	105,235
Purification plant	111,489	-	-	111,489
Storage reservoir tanks	194,176	-	-	194,176
Water distribution system	2,693,663	-	-	2,693,663
General equipment	308,034	107,037	-	415,071
Office equipment	19,130	-	-	19,130
Improvements	7,800	98,786	-	106,586
Sewer system	5,946,278	-	-	5,946,278
Buildings	-	504,862	-	504,862
Vehicles	197,544	-	16,189	181,355
Total capital assets being depreciated	10,694,950	816,390	16,189	11,495,151
Less-accumulated depreciation	<u>6,296,526</u>	<u>226,352</u>	<u>16,189</u>	<u>6,506,689</u>
Total capital assets being depreciated, net	<u>4,398,424</u>	<u>590,038</u>	<u>-</u>	<u>4,988,462</u>

9. CAPITAL ASSETS (Continued)

Depreciation expense of \$299,388 and \$30,285 for the year ended December 31, 2017 was charged to general government and public safety, respectively.

10. RETIREMENT

1. PENSION AND RETIREMENT PLANS

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

Cost-Sharing Multiple-Employer Retirement Systems

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

Municipal Police Employees' Retirement System

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

Membership Prior to January 1, 2013

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

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

10. RETIREMENT (Continued)

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

Membership Commencing January 1, 2013

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

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

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

Cost of Living Adjustments

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

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

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

Deferred Retirement Option Plan

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

10. RETIREMENT (Continued)

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

Initial Benefit Option Plan

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

Contributions

Plan members are required by state statute to contribute 10% of their annual covered salary and the Town of Arcadia is required to contribute at an actuarially determined rate. The current rate for the year ended December 31, 2017 was 30.75% of annual covered payroll. The contribution requirements of plan members and the Town are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Town of Arcadia, Louisiana's contributions to the System, for the year ending December 31, 2017 was \$42,115.

The System also receives insurance premium tax monies as additional employer contributions. The tax is considered support from a non-contributing entity and appropriated by the legislature each year based on an actuarial study. Non-employer contributions during the measurement period of \$8,097 are recognized as revenue and are excluded from pension expense.

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

At December 31, 2017, the Town reported a liability of \$370,283 for its proportionate share of the net pension liability of the System. 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 0.042413% which was a decrease of 0.019604% from its proportion measured as of June 30, 2016.

10. RETIREMENT (Continued)

For the year ended December 31, 2017, the Town recognized pension expense of \$33,504 representing its proportionate share of the System's net expense, including amortization of deferred amounts.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 2,425	\$ 2,846
Changes in assumptions	26,348	-
Net difference between projected and actual earnings on pension plan investments	16,210	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	9,741	139,479
Employer contributions subsequent to the measurement date	<u>20,076</u>	<u>-</u>
Total	<u>\$ 74,800</u>	<u>\$ 142,325</u>

The Town reported a total of \$20,076 as deferred outflow of resources related to pension contributions made subsequent to the measurement period of December 31, 2017 which will be recognized as a reduction in net pension liability in the year ended December 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:

Year Ended June 30:	
2018	25,685
2019	29,080
2020	24,150
2021	<u>8,686</u>
	<u>\$ 87,601</u>

Actuarial Methods and Assumptions

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 Cost
Investment Rate of Return	7.325%, net of investment expense
Expected Remaining Service lives	4 years
Inflation Rate	2.75%

10. RETIREMENT (Continued)

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

The forecasted long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and an adjustment for the effect of rebalancing/diversification. The resulting forecasted long-term rate of return is 8.19% for the year ended June 30, 2017.

Best estimates of 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:

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

The discount rate used to measure the total 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.

The mortality rate assumption used was set based upon an experience study performed by the prior actuary on plan data for the period July 1, 2009 through June 30, 2014 and review of similar law enforcement mortality. The data was then assigned credibility weighting and combined with a

10. RETIREMENT (Continued)

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 set back of standard tables. The result of the procedure indicated that the tables used would produce liability values approximating the appropriate generational mortality tables.

SENSITIVITY TO CHANGES IN DISCOUNT RATE

The following presents the Town’s proportionate share of the net pension liability calculated using the discount rate of 7.325%, as well as what the Town’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.325%) or one percentage point higher (8.325%) than the current rate:

	<u>Changes in Discount Rate</u>		
	1% Decrease	Current Discount Rate	1% Increase
	<u>6.325%</u>	<u>7.325%</u>	<u>8.325%</u>
Town’s proportionate share of the net	\$ 511,582	\$ 370,283	\$ 251,744

Municipal Employees’ Retirement System of Louisiana

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

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

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

Eligibility Requirements:

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

Retirement Benefits:

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

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

10. RETIREMENT (Continued)

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

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

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

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

Survivor Benefits:

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

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

DROP Benefits:

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

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

10. RETIREMENT (Continued)

Disability Benefits:

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

Cost of Living Increases:

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

Deferred Benefits:

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

CONTRIBUTIONS

Plan members are required by state statute to contribute 5.0% of their annual covered salary and the Town of Arcadia is required to contribute at an actuarially determined rate. The current rate for the year ended December 31, 2017 was 11.0% of annual covered payroll. The contribution requirements of plan members and the Town are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Town of Arcadia, Louisiana's contributions to the System, for the year ending December 31, 2017 was \$63,034.

In accordance with state statute, the System receives ad valorem taxes and state revenue sharing funds. These additional sources of income are used as employer contributions and are considered support from non-employer contributing entities, but are not considered special funding situations. Non-employer contributions of \$17,447 during the measurement period are recognized as revenue and are excluded from pension expense.

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

At December 31, 2017, the Town reported a liability of \$606,323 for its proportionate share of the net pension liability of the System. The net pension liability was measured as of June 30, 2017 and

10. RETIREMENT (Continued)

the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At December 31, 2017, the Town's proportion was 0.700763% which was an increase of 0.01446% from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017, the Town recognized pension expense of \$117,202 representing its proportionate share of the System's net expense, including amortization of deferred amounts.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 3,176	\$ 13,163
Changes of assumptions	26,697	-
Net difference between projected and actual earnings on pension plan investments	127,749	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	9,498	17,944
Employer contributions subsequent to the measurement date	<u>34,157</u>	<u>-</u>
Total	<u>\$ 201,277</u>	<u>\$ 31,107</u>

The Town reported a total of \$35,157 as deferred outflow of resources related to pension contributions made subsequent to the measurement period of December 31, 2017 which will be recognized as a reduction in net pension liability in the year ended December 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:

Year Ended June 30:

2018	\$ 53,243
2019	46,719
2020	30,304
2021	<u>5,744</u>
	<u>\$ 136,013</u>

10. RETIREMENT (Continued)

Actuarial Methods and Assumptions

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

Valuation Date	June 30, 2017
Actuarial Cost Method	Entry Age Normal Actuarial Assumptions:
Investment Rate of Return	7.4%, net of investment expense
Projected Salary Increases	5.0% (2.875% Inflation, 2.125% Merit)
Mortality Rates	RP-2000 Employee Table for active members RP-2000 Healthy Annuitant Table for healthy annuitants RP-2000 Disabled Lives Mortality Tables for disabled annuitants
Expected Remaining Service Lives	4 years
Inflation Rate	2.775%
Cost of Living Adjustments	The present value of future retirement benefits is based on benefits currently being paid by the System and includes previously granted cost of living increases. The present values do not include provisions for potential future increases not yet authorized by the Board of Trustees.

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.775% and an adjustment for the effect of rebalancing/diversification. The resulting expected long-term rates of return is 4.5% for the year ended June 30, 2017.

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:

10. RETIREMENT (Continued)

<u>Asset Class</u>	<u>Long-Term Expected Portfolio Target Asset Allocation</u>	<u>Real Rate Return</u>
Public Equity	50%	2.3%
Public Fixed Income	35%	1.6%
Alternatives	<u>15%</u>	<u>0.7%</u>
Totals	100%	4.6%
Inflation		<u>2.6%</u>
Expected Arithmetic Nominal Return		<u>7.2%</u>

The discount rate used to measure the total pension liability was 7.40%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made at the actuarially determined rates approved by PERSAC taking into consideration the recommendation of the System's actuary. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

SENSITIVITY TO CHANGES IN DISCOUNT RATE

The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.40%, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.40%) or one percentage point higher (8.40%) than the current rate:

	<u>Changes in Discount Rate</u>		
	1% Decrease	Current Discount Rate	1% Increase
	<u>6.4%</u>	<u>7.4%</u>	<u>8.4%</u>
Town's proportionate share of the net pension liability	\$784,514	\$606,323	\$454,262

11. CONTINGENT LIABILITIES

As of December 31, 2017, the Town was involved in the following matters: 1) Dennie Ashley vs. Town of Arcadia and Louisiana Municipal Risk Management Agency Self-Insurance Fund, 2) Rosie Hampton vs. Town of Arcadia and LA Department of Transportation and Development, and 3) Gap Farms LLC vs. Town of Arcadia, et al. These matters are covered under the Town's general liability policy and are being defended by Louisiana Risk Management, Inc., the Town's liability insurer. It is believed the Town's liability, if any, does not exceed the coverage afforded under the liability policy, thus, no reserves have been recorded for potential loss.

12. ON BEHALF PAYMENTS FOR SALARIES

The Town recognizes as general fund revenues and expenses supplemental pay made by the State of Louisiana to the Town's police employees. For the year ended December 31, 2017, the State made contributions of \$25,500.

Required Supplemental Information

**TOWN OF ARCADIA
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2017
(unaudited)**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS</u>	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>(NEGATIVE)</u>
Revenues:				
Taxes				
Ad valorem	\$ 170,000	\$ 170,000	\$ 196,204	\$ 26,204
Other taxes, penalties and interest	110,000	65,000	61,497	(3,503)
Licenses and permits	108,000	108,000	83,489	(24,511)
Intergovernmental	163,500	80,500	32,802	(47,698)
Fines	30,000	30,000	20,860	(9,140)
Use of money and property	60,000	45,000	42,045	(2,955)
Miscellaneous	120	120	6,939	6,819
	<u>641,620</u>	<u>498,620</u>	<u>443,836</u>	<u>(54,784)</u>
Expenditures:				
Current:				
General government	592,640	686,355	798,973	(112,618)
Public safety	695,780	734,248	733,506	742
Economic development	127,670	127,670	136,909	(9,239)
Transportation	136,000	71,000	7,835	63,165
Capital outlay	28,000	28,000	39,631	(11,631)
	<u>1,580,090</u>	<u>1,647,273</u>	<u>1,716,854</u>	<u>(69,581)</u>
Excess (deficiency) of revenue over expenditures	<u>(938,470)</u>	<u>(1,148,653)</u>	<u>(1,273,018)</u>	<u>(124,365)</u>
Other financing sources (uses):				
Operating transfers (net)	<u>250</u>	<u>350,000</u>	<u>1,326,442</u>	<u>976,442</u>
Total other financing sources (uses)	<u>250</u>	<u>350,000</u>	<u>1,326,442</u>	<u>976,442</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(938,220)	(798,653)	53,424	852,077
Fund balances, beginning of year	<u>(837,462)</u>	<u>(837,462)</u>	<u>(837,462)</u>	<u>-</u>
Fund balances, end of year	<u>\$ (1,775,682)</u>	<u>\$ (1,636,115)</u>	<u>\$ (784,038)</u>	<u>\$ 852,077</u>

**TOWN OF ARCADIA
SPECIAL REVENUE FUND TYPES
SALES TAX FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2017
(unaudited)**

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
Revenues:				
Taxes	\$ 2,780,000	\$ 2,619,832	\$ 1,949,584	\$ (670,248)
Interest and other revenue	-	-	6,094	6,094
Total revenues	<u>2,780,000</u>	<u>2,619,832</u>	<u>1,955,678</u>	<u>(664,154)</u>
Expenditures:				
General government	<u>35,250</u>	<u>39,298</u>	<u>29,243</u>	<u>10,055</u>
Total expenditures	<u>35,250</u>	<u>39,298</u>	<u>29,243</u>	<u>10,055</u>
Excess (deficiency) of revenue over expenditures	<u>2,744,750</u>	<u>2,580,534</u>	<u>1,926,435</u>	<u>(654,099)</u>
Other financing sources (uses):				
Operating transfers (net)	<u>(2,744,750)</u>	<u>(2,580,534)</u>	<u>(1,961,446)</u>	<u>619,088</u>
Total other financing sources (uses)	<u>(2,744,750)</u>	<u>(2,580,534)</u>	<u>(1,961,446)</u>	<u>619,088</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	-	-	(35,011)	(35,011)
Fund balances, beginning of year	<u>1,711,589</u>	<u>1,711,589</u>	<u>1,711,589</u>	<u>-</u>
Fund balances, end of year	<u>\$ 1,711,589</u>	<u>\$ 1,711,589</u>	<u>\$ 1,676,578</u>	<u>\$ (35,011)</u>

TOWN OF ARCADIA

NOTES TO BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED DECEMBER 31, 2017

Budget Variances - Major Funds

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

The General Fund shows a deficit in ending fund balance at December 31, 2017. This is a product of the "due to" account balances.

During 2017, total actual revenues were less than budgeted revenues by 5% or more in the Sales Tax Fund. Lower amounts of sales tax were collected than anticipated during the year.

TOWN OF ARCADIA

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

FOR THE YEARS ENDED DECEMBER 31, 2015 THROUGH DECEMBER 31, 2017

	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>Municipal Police Employees' Retirement System:</u>			
Employer's Proportion of the Net Pension Liability	0.042413%	0.062017%	0.069372%
Employer's Proportionate Share of the Net Pension Liability	370,283	581,274	543,457
Employer's Covered-Employee Payroll	134,701	122,770	165,159
Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	274.89%	473.47%	329.05%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.08%	66.04%	70.73%
<u>Municipal Employees' Retirement System:</u>			
Employer's Proportion of the Net Pension Liability	0.700763%	0.686303%	0.753400%
Employer's Proportionate Share of the Net Pension Liability	606,323	568,881	512,046
Employer's Covered-Employee Payroll	520,309	512,390	501,057
Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	116.53%	111.03%	102.19%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	63.49%	63.34%	68.71%

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

See accompanying independent auditor's report.

TOWN OF ARCADIA

SCHEDULE OF TOWN'S CONTRIBUTIONS

FOR THE YEARS ENDED DECEMBER 31, 2015 THROUGH DECEMBER 31, 2017

	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>Municipal Police Employees' Retirement System:</u>			
Contractually Required Contribution	42,115	41,189	56,309
Contributions in Relation to the Contractually Required Contribution	<u>42,115</u>	<u>41,189</u>	<u>56,309</u>
Contribution Deficiency (Excess)	-	-	-
Employer's Covered-Employee Payroll	134,701	122,770	165,159
Contributions as a Percentage of Covered Employee Payroll	31.27%	33.55%	34.09%
<u>Municipal Employees' Retirement System:</u>			
Contractually Required Contribution	63,034	51,343	47,600
Contributions in Relation to the Contractually Required Contribution	<u>63,034</u>	<u>51,343</u>	<u>47,600</u>
Contribution Deficiency (Excess)	-	-	-
Employer's Covered-Employee Payroll	520,309	512,390	501,057
Contributions as a Percentage of Covered Employee Payroll	12.11%	10.00%	9.50%

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

See accompanying independent auditor's report.

Supplementary Information

**TOWN OF ARCADIA
COMBINING BALANCE SHEET, NON-MAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2017**

	<u>STREET</u>	<u>INDUSTRIAL INDUCEMENT</u>	<u>ECONOMIC DEVELOPMENT</u>	<u>PARKS AND RECREATION</u>	<u>LMA</u>	<u>DEBT SERVICE</u>	<u>TOTAL OTHER GOVERNMENTAL FUNDS</u>
ASSETS							
Cash and cash equivalents	396,522	125,730	-	20,182	1,436	-	543,870
Investments	-	190,652	-	-	-	-	190,652
Receivables	-	-	-	-	-	-	-
Due from other funds	20,121	327,099	-	124,356	-	-	471,576
Prepays	14,647	-	-	-	-	-	14,647
Total assets	<u>431,290</u>	<u>643,481</u>	<u>-</u>	<u>144,538</u>	<u>1,436</u>	<u>-</u>	<u>1,220,745</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	553,324	2,760	-	-	-	-	556,084
Due to other funds	972,048	275,634	-	7,048	-	-	1,254,730
Total liabilities	<u>1,525,372</u>	<u>278,394</u>	<u>-</u>	<u>7,048</u>	<u>-</u>	<u>-</u>	<u>1,810,814</u>
Fund balances:							
Nonspendable	14,647	-	-	-	-	-	14,647
Unrestricted:							
Assigned	(1,108,729)	365,087	-	137,490	1,436	-	(604,716)
Unassigned	-	-	-	-	-	-	-
Total fund balances	<u>(1,094,082)</u>	<u>365,087</u>	<u>-</u>	<u>137,490</u>	<u>1,436</u>	<u>-</u>	<u>(590,069)</u>
Total liabilities and fund balances	<u>431,290</u>	<u>643,481</u>	<u>-</u>	<u>144,538</u>	<u>1,436</u>	<u>-</u>	<u>1,220,745</u>

TOWN OF ARCADIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>STREET</u>	<u>INDUSTRIAL INDUCEMENT</u>	<u>ECONOMIC DEVELOPMENT</u>	<u>PARKS AND RECREATION</u>	<u>LMA</u>	<u>DEBT SERVICE</u>	<u>TOTAL OTHER GOVERNMENTAL FUNDS</u>
Revenues:							
Interest	\$ 41	\$ 26,434	\$ -	\$ 26	\$ -	\$ -	\$ 26,501
Intergovernmental	100,000	-	-	-	-	-	100,000
Miscellaneous	8,570	6,578	-	-	1,800	-	16,948
Total revenues	<u>108,611</u>	<u>33,012</u>	<u>-</u>	<u>26</u>	<u>1,800</u>	<u>-</u>	<u>143,449</u>
Expenditures:							
Economic development	-	9,765	-	-	2,124	-	11,889
Public works	392,734	-	-	-	-	-	392,734
Culture and recreation	-	-	-	88,738	-	-	88,738
Capital outlay	631,797	-	-	16,950	-	-	648,747
Total expenditures	<u>1,024,531</u>	<u>9,765</u>	<u>-</u>	<u>105,688</u>	<u>2,124</u>	<u>-</u>	<u>1,142,108</u>
Excess (deficiency) of revenue over expenditures	<u>(915,920)</u>	<u>23,247</u>	<u>-</u>	<u>(105,662)</u>	<u>(324)</u>	<u>-</u>	<u>(998,659)</u>
Other financing sources (uses):							
Sales of assets	-	-	-	-	-	-	-
Operating transfers in	692,194	76,814	-	76,814	-	-	845,822
Operating transfers out	-	(750,000)	(23,404)	-	-	(79,236)	(852,640)
Total other financing sources (uses)	<u>692,194</u>	<u>(673,186)</u>	<u>(23,404)</u>	<u>76,814</u>	<u>-</u>	<u>(79,236)</u>	<u>(6,818)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>(223,726)</u>	<u>(649,939)</u>	<u>(23,404)</u>	<u>(28,848)</u>	<u>(324)</u>	<u>(79,236)</u>	<u>(1,005,477)</u>
Fund balances, beginning of year, restated	<u>(870,356)</u>	<u>1,015,026</u>	<u>23,404</u>	<u>166,338</u>	<u>1,760</u>	<u>79,236</u>	<u>415,408</u>
Fund balances, end of year	<u>\$ (1,094,082)</u>	<u>\$ 365,087</u>	<u>\$ -</u>	<u>\$ 137,490</u>	<u>\$ 1,436</u>	<u>\$ -</u>	<u>\$ (590,069)</u>

TOWN OF ARCADIA
SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS
TO AGENCY HEAD
FOR THE YEAR ENDED DECEMBER 31, 2017

Agency Head: Honorable Eugene Smith

Salary	61,953
Benefits-insurance	4,057
Conference travel	1,773

TOWN OF ARCADIA

SCHEDULE OF COMPENSATION AND BENEFITS PAID ELECTED OFFICIALS

FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Compensation</u>	<u>Benefits</u>
Honorable Eugene Smith, Mayor	61,953	5,830
Victor Rogers, Police Chief	60,899	6,345
Mattie Lou Harris, Mayor Protem	8,400	-
Deandre Alexander, Board Member	7,800	-
Gary Carlisle, Board Member	7,800	713
Billy Roy Cook, Board Member	7,800	-
Patricia Hampton, Board Member	5,200	-
Melanie Monroe, Board Member	1,463	-

Other Reports

HEARD, McELROY, & VESTAL

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CERTIFIED PUBLIC ACCOUNTANTS

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

June 30, 2018

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

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

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Arcadia, Louisiana as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Town of Arcadia, Louisiana's basic financial statements, and have issued our report thereon dated June 30, 2018.

Internal Control over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2017-1 to be a material weakness.

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A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2017-2, 2017-3 and 2017-4 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2017-2.

The Town's Response to Findings

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

Purpose of this Report

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

Heard, McElroy & Vestal, LLC

Shreveport, Louisiana

TOWN OF ARCADIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2017

A. Summary of Audit Results

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

B. Findings – Financial Statement Audit

2017-1: Accounting Staff:

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

2017-2: Budget Variance:

The Town had an unfavorable variance of more than 5% in its General Fund and Sales Tax Funds during the year. The Budget Act requires that the budget be amended when the variances exceed 5%. Also, the fund budget was not balanced, as budgeted expenditures exceeded budgeted revenues.

B. Findings – Financial Statement Audit (Continued)

2017-3: Internal Control over Accounts Payable:

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

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

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

2017-4: Internal Control over Grant Accounts:

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

TOWN OF ARCADIA
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2017

2016-1: Accounting Staff:

Status: Unresolved – repeated as 2017-1.

2016-2: Budget Variance:

Status: Unresolved – repeated as 2017-2.

2016-3: Internal Control over Accounts Payable:

Status: Unresolved – repeated as 2017-3.

2016-4: Internal Control over Due to / Due from and Transfer General Ledger Accounts:

Status: Resolved.

TOWN OF ARCADIA

MANAGEMENT'S CORRECTIVE ACTION PLAN FOR CURRENT YEAR FINDINGS

FOR THE YEAR ENDED DECEMBER 31, 2017

2017-1: The Town has hired an outside CPA to propose certain year-end adjustments and to assist in the preparation of the Town's annual financial statements. This will provide the Town with the proper tools needed for the preparation of the annual financial statements in accordance with generally accepted accounting principles.

2017-2: The above noted CPA will assist the Town in monitoring the budget on a quarterly basis and will recommend amendments before the Town Council when the budgets' variances exceed 5% as required by the Budget Act.

2017-3: Internal Control over Accounts Payable:

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

2017-4: Internal Control over Grant Accounts:

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

TOWN OF ARCADIA, LOUISIANA

**STATEWIDE AGREED-UPON
PROCEDURES REPORT**

YEAR ENDED DECEMBER 31, 2017

HEARD, McELROY, & VESTAL

LLC

CERTIFIED PUBLIC ACCOUNTANTS

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

June 30, 2018

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

Louisiana Legislative Auditor
Baton Rouge, Louisiana

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

We have performed the procedures enumerated below, which were agreed to by the Town of Arcadia (Town) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2017 through December 31, 2017. The Town's management is responsible for those C/C areas identified in the SAUPs.

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

The procedures and associated findings are as follows:

Written Policies and Procedures

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

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Town of Arcadia, Louisiana
Statewide Agreed-Upon Procedures Report

The entity has adequate written policies or procedures over the purchasing process except for a process to handle how vendors are added to the vendor list.

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

The entity has adequate written procedures covering disbursements.

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

The entity has adequate written procedures covering receipts.

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

The entity has adequate written procedures covering payroll and personnel.

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

The entity has adequate written procedures covering contracting.

- g) Credit Cards (and debit cards, fuel cards, and 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.

The entity has adequate written procedures covering credit cards.

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

The entity has adequate written procedures covering travel and expense reimbursements.

- 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.

The entity does not have written policies or procedures concerning ethics.

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

The entity does not have written policies or procedures concerning debt service.

Town of Arcadia, Louisiana
Statewide Agreed-Upon Procedures Report

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
The entity's Town Council met monthly with a quorum.
 - 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).
 - 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.
The entity's minutes from each council meeting do not refer to budget-to-actual financial statement comparisons. Consequently, deficit spending was not considered during council meetings.
 - 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.
At least one meeting's 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.
A list of bank accounts was obtained from management.
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). For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal period and report whether:

Town of Arcadia, Louisiana
Statewide Agreed-Upon Procedures Report

- a) Bank reconciliations have been prepared;

Bank reconciliations were prepared for all six accounts selected for each month in the fiscal year with the exception of two accounts which each had one month's reconciliation missing.

- 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

The Town's third-party CPA reviews bank reconciliations each month; however, these reviews are not documented.

- 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.

The Town's third-party CPA reviews outstanding items greater than six months on each reconciliation; however, these reviews are not documented.

Collections

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

A listing of cash collection locations was obtained.

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). 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 entity carries adequate business insurance coverage. There are separate employees for collecting cash, preparing deposits, taking the deposits to the bank, and recording of the transactions in Quickbooks. The individual who enters transactions into Quickbooks reconciles the cash accounts at month-end. A third-party CPA reviews all reconciliations and associated detail each month. Cash drawers are not assigned to just one employee.

Town of Arcadia, Louisiana
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- 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 Town Clerk reconciles cash collections to the general ledger in Quickbooks each month via the reconciliation of cash accounts. The Town Clerk is not directly responsible for cash collections; additionally, a third-party CPA reviews all reconciliations and associated detail each month.

- 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.

Of the 36 cash collections selected for testing, 4 collections were deposited outside of one business day after collection. All other collections were deposited within one day of collection.

- 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.

Cash collections selected for testing were completely supported by documentation without exception.

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.

While no written documentation exists, the entity has a third-party CPA review cash collections to agree to receipts journal.

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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.

A listing of disbursements made during the year was obtained.

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.

Purchases are not initiated using a requisition/purchase order system, despite approved entity policy.

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

Because the entity does not employ a purchase order system, approval should be evidenced on the invoice, check, or other post-purchase, pre-payment support. Out of the 25 disbursements selected, 18 did not have proper approval evidenced. Although documentation of review is largely missing, the Mayor reviews all invoices prior to checks being cut. Checks require dual signatures from the Mayor and a Councilperson.

- 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.

Because the entity does not employ a purchase order system, no approved purchase orders are present. Out of the 25 disbursements selected, 18 did not have proper approval evidenced on the invoice. No receiving reports were present.

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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.

No entity documentation is present regarding whether the person responsible for processing payments is prohibited from adding vendors to the entity's purchasing/disbursement system.

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.

No entity documentation is present; however, one individual, the Mayor, with signatory authority also may initiate purchases, with joint approval at point of payment.

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.

The supply of unused checks is kept in a cabinet. Only one office employee has access to these blank checks. This employee does not have signatory authority.

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.

The entity does not use a signature stamp or signature machine.

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.

A listing of all credit cards active within the entity was obtained.

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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.

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.

No approval is evidenced on the individual monthly statements or combined statements; however, checks written to pay the monthly combined statements are jointly signed by individuals with proper authority.

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

No financing charges or late fees were assessed on the selected amounts.

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)
- Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.
- Other documentation that may be required by written policy (e.g., purchase order, written authorization.)

The entity could not produce original itemized receipts for the selected transactions; however, of the 10 credit cards randomly selected for testing, 9 are solely used for the purchase of gasoline for public-use vehicles. Consequently, the monthly statements for these fuel transactions are as detailed as a receipt, including card number, vehicle number, odometer readout, time of transaction, and amount, price, and type of gasoline purchased. The detail within these monthly statements are considered sufficient documentation of the purpose of the selected transactions. For the 1 credit card selected that is not solely used for the purchase of gasoline, multiple original receipts were missing. Additionally, no business purpose was detailed for the transactions on this card. Despite policy, no purchase orders were obtained for the purchases on the 1 applicable card.

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- 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.

Despite policy, no purchase orders were obtained for the purchases on the 1 applicable card. No credit cards selected had transactions that were subject to 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.

The business purpose of each applicable transaction was not detailed by the entity.

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.

A listing of all travel and related expense reimbursements, by person, during the fiscal year was obtained.

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.

The entity has adequate written policies related to travel and expense reimbursement. As for per diem and mileage rates, the entity uses the rates outlined in the Louisiana Travel Guide. All reimbursement rates implemented by this guide are less than 2017 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

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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.

Per policy, travel expense is to be approved in writing by the Mayor in advance of the trip. There is no documentation of the Mayor's approval for the selected reimbursements; additionally, a mileage reimbursement selected for testing was reimbursed at a rate higher than the approved rate.

- 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.]
- Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).
- Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance).

No exceptions were 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 were noted.

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

Out of the 3 travel reimbursements reviewed, 2 reimbursements did not have documentation of review and approval.

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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.

A listing of all contracts in effect during the year was obtained.

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.

A formal written contract supports the service arrangement and amount paid for each vendor selected.

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

No contract selected was subject to the Louisiana Public Bid Law or Procurement Code; and no documentation of quote solicitation as a best practice was presented.

- 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 amendments noted on contracts selected for testing.

- 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.

The invoice and related payment of each selected contract complied with its terms.

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- 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).

Not applicable.

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.

A listing of all employees and their related compensation was obtained.

Randomly select five employees/officials, obtain their personnel files, and:

- 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.

Compensation paid to each selected employee was made in accordance with the terms and conditions of his contract or pay rate structure.

- 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.

Pay rate or salary changes applicable to each selected employee were approved in writing and in accordance with written policy.

- 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.)

All applicable employees documented their leave and daily attendance.

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

Timesheets, including attendance and leave records, are documented and reviewed by Town Clerk; however, this review is not documented as approved.

- 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.

The entity did maintained written leave records for all applicable employees tested except one.

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.

A listing of individuals terminated during the fiscal year was obtained. No termination payouts were required or paid.

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.

All employee and employer portions for payroll taxes and contributions, and related required reporting forms, were submitted to the applicable agencies by the required deadlines.

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.

Ethics policy is not present; additionally, three of the five selected employees did not have documentation of required ethics training on file.

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

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allegations, whether management investigated allegations received, and whether the allegations were addressed in accordance with policy.

Management represented that no alleged ethics violations were reported to the entity during the fiscal year.

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.

The Town does not carry debt; therefore, procedure 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.

The Town does not carry debt; therefore, procedure not applicable.

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.

The Town does not carry debt; therefore, procedure not applicable.

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 represented that two ethics violations have been brought before the State Ethics Board and are in the process of being reviewed. No misappropriations of public funds or assets were reported.

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.

No notice is posted on the premises or website concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

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

Exceptions detailed above.

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

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

Heard, McElroy & Vestal, LLC

Shreveport, Louisiana