

**Town of Arcadia  
Arcadia, Louisiana**

**Annual Financial Statements  
As of December 31, 2010 and for the Year Then Ended**

Town of Arcadia  
Annual Financial Statements  
As of and for the Year Ended December 31, 2010  
With Supplemental Information Schedules

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Town of Arcadia, Louisiana  
Management's Discussion and Analysis (Unaudited)

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, 2010. 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, 2010.

1. The Town's total net assets from governmental activities increased \$928,319 from the beginning of the fiscal year as a result of operations during the year;
2. During the year ended December 31, 2010, the Town's total expenses were \$2,542,898 greater than the \$1,858,726 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 revenue exceeded the expenses by \$1,534,204;
3. The cost of operating programs of the Town was \$4,401,624, which represents an increase in costs of operations over the prior year of \$285,624 or a 1% increase;
4. The total revenues of the Town were \$5,935,828, which represents an increase in revenues over the prior year of \$1,620,061 or a 37% increase;
5. The general fund reported unrestricted net assets of \$1,127,310;

**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.

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 Assets. This government-side statement of position presents information that includes all of the Town's assets and liabilities, with the difference reported as net assets. An increase or decrease in net assets 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 assets 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 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.

The government-wide financial statements are presented on pages 7 and 8.

#### **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 statements 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 statement.

The Town has eight (8) governmental funds, of which two are major funds and are present in separate columns and six 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
  - Industrial Development Fund
  - Parks and Recreation Fund
  - Street Fund
  - Industrial Inducement Fund
- Capital Projects Fund
- Debt Service Fund
  - 2002 Sales Tax Refunding Bonds

The fund financial statements are presented on pages 9 through 12.

*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 one enterprise fund (Water & Sewer Fund), which is considered a major proprietary fund for presentation purposes.

The proprietary fund financial statements are presented on pages 13 through 15.

**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 16 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 29 and 30 in this report.

**Financial Analysis of Governmental-Wide Activities**

**Net Assets**

The Town's combined net assets (governmental and business-type activities) increased during 2010 by \$1,534,204 or 17% from the \$8,772,070 at December 31, 2009, as shown in the following table.

	<u>2010</u>	<u>2009</u>
<b>Assets</b>		
Current & Other Assets	\$2,225,837	\$2,014,305
Capital Assets (net)	<u>8,141,486</u>	<u>6,916,432</u>
<b>Total Assets</b>	<b><u>\$10,367,323</u></b>	<b><u>\$8,930,737</u></b>
<b>Liabilities</b>		
Other Liabilities	\$517,841	\$158,667
Long-term Liabilities	<u>0</u>	<u>0</u>
<b>Total Liabilities</b>	<b><u>517,841</u></b>	<b><u>158,667</u></b>
<b>Net Assets</b>		
Invested in capital assets, net	8,141,486	6,916,432
Restricted	44,292	27,934
Unrestricted	<u>1,652,520</u>	<u>1,827,704</u>
<b>Total Net Assets</b>	<b><u>\$9,838,298</u></b>	<b><u>\$8,772,070</u></b>

#### Changes in Net Assets

The following condensed government-wide statement of activity illustrates the major changes in operations for the Town as compared to 2008:

	<u>2010</u>	<u>2009</u>
<b>Revenue</b>		
Governmental	\$4,257,225	\$3,310,443
Business-type	<u>1,678,603</u>	<u>1,005,324</u>
<b>Total Revenue</b>	<b><u>5,935,828</u></b>	<b><u>4,315,767</u></b>
<b>Expenses</b>		
Governmental	3,328,906	3,155,204
Business-type	<u>1,072,718</u>	<u>960,796</u>
<b>Total Expenses</b>	<b><u>4,401,624</u></b>	<b><u>4,116,000</u></b>
<b>Increase (Decrease) in Net Assets</b>	<b><u>\$1,534,204</u></b>	<b><u>\$199,767</u></b>

#### 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, 2010, the Town's governmental fund, the general fund, reported an ending fund balance of \$288,266, an increase of \$209,481 compared to the calendar year 2009. 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 fund (Water & Sewer Fund) reported operating expenses of \$1,072,718, which was \$203,484 more than operating revenues of \$869,234, for the year ended December 31, 2010. This was a decrease in excess operating revenue of \$50,176 compared to 2009. The proprietary fund reported an increase of \$605,885 in net assets in the calendar year 2010 compared to an increase of \$44,528 in the calendar year 2009.

**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).

The Town's General fund budget for 2010 was amended. The Sales tax fund budget for 2010 was amended.

For the General fund and Sales tax fund, actual revenues and expenditures were within 5% of the final budgeted amount.

**Capital Asset Administration**

The Town's investment in capital assets for its governmental and business-type activities at December 31, 2010 totaled \$14,784,435, less accumulated depreciation of \$6,642,949, leaving a \$8,141,486 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, 2010 totaled \$1,225,054.

**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, LA. 71001.

# EDWARDS, WADE & PERRY

Certified Public Accountants

A Professional Accounting Corporation

Members: AICPA / Society of LCPA's

## Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Arcadia, as of and for the year ended December 31, 2010, which collectively comprise the town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Arcadia's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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, and each major fund of the Town of Arcadia, as of December 31, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 29, 2011, on our consideration of the town's internal control over financial reporting and our tests of its compliance and other matters with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The required supplementary information on pages 1 through 5 and 29 through 30 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Edwards, Wade & Perry*

Ruston, Louisiana

June 29, 2011

Town of Arcadia, Louisiana  
Statement of Net Assets  
December 31, 2010

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
<b>ASSETS</b>			
Current assets:			
Cash and equivalents	\$846,634	\$208,339	\$1,054,973
Investments	508,422	303,420	811,842
Receivables	187,872	95,148	283,020
Internal balances	(291,125)	291,125	0
Inventory		13,639	13,639
Prepaid expenses	18,071		18,071
Noncurrent assets:			
Restricted assets		44,292	44,292
Capital assets (net)	2,824,392	5,317,094	8,141,486
<b>TOTAL ASSETS</b>	<b>\$4,094,266</b>	<b>\$6,273,057</b>	<b>\$10,367,323</b>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts, salaries, and other payables	\$142,564	\$90,985	\$233,549
Deferred revenue	0	240,000	240,000
Payable from restricted assets	0	44,292	44,292
<b>TOTAL LIABILITIES</b>	<b>142,564</b>	<b>375,277</b>	<b>517,841</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	2,824,392	5,317,094	8,141,486
Restricted	0	44,292	44,292
Unrestricted	1,127,310	536,394	1,663,704
<b>TOTAL NET ASSETS</b>	<b>\$3,951,702</b>	<b>\$5,897,780</b>	<b>\$9,849,482</b>

The accompanying notes are an integral part of this statement.

Town of Arcadia, Louisiana  
Statement of Activities  
Year Ended December 31, 2010

	Program Revenues			Net (Expenses) Revenues and Changes of Primary Government		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants & Contributions	Governmental Activities	Business-type Activities
<b>Governmental Activities:</b>						
General government	\$2,301,453				(\$2,301,453)	(\$2,301,453)
Public safety	584,443	\$28,492			(555,951)	(555,951)
Public works	272,029				(272,029)	(272,029)
Culture and recreation	49,815				(49,815)	(49,815)
Economic development	116,646				(116,646)	(116,646)
Transportation	4,520				(4,520)	(4,520)
Adjustment for prior year depreciation	456,792				(456,792)	(456,792)
<b>Total governmental activities</b>	<u>3,785,698</u>	<u>28,492</u>	<u>0</u>	<u>0</u>	<u>(3,757,206)</u>	<u>0</u>
<b>Business-type activities</b>						
Water and sewer	1,072,718	832,574	36,660	961,000		757,516
<b>Total business-type activities</b>	<u>1,072,718</u>	<u>832,574</u>	<u>36,660</u>	<u>961,000</u>	<u>0</u>	<u>757,516</u>
<b>Total primary government</b>	<u>\$4,858,416</u>	<u>\$861,066</u>	<u>\$36,660</u>	<u>\$961,000</u>	<u>(\$3,757,206)</u>	<u>\$757,516</u>
<b>General revenues:</b>						
Taxes					\$2,794,545	\$286,364
Licenses and permits					83,272	83,272
Intergovernmental					783,804	783,804
Use of money and property					59,424	60,161
Other					13,707	13,707
Gain (loss) on sale of assets					197	(4,372)
Transfers (net)					493,784	(493,784)
<b>Total general revenues and transfers</b>					<u>4,228,735</u>	<u>(151,631)</u>
Change in Net Assets					471,527	605,885
Net assets - beginning					3,480,175	5,291,895
Net assets - ending					<u>\$3,951,702</u>	<u>\$5,897,780</u>

The accompanying notes are an integral part of this statement.

Town of Arcadia, Louisiana  
 Balance Sheet, Governmental Funds  
 December 31, 2010

	General Fund	Sales Tax Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and equivalents	\$176,966	\$119,276	\$550,392	\$846,634
Investments	508,422			508,422
Receivables	49,057	102,904	35,911	187,872
Restricted cash				0
Prepaid expenses	18,071			18,071
Due from other funds	<u>128,882</u>		<u>305,198</u>	<u>434,080</u>
<b>TOTAL ASSETS</b>	<u><b>\$881,398</b></u>	<u><b>\$222,180</b></u>	<u><b>\$891,501</b></u>	<u><b>\$1,995,079</b></u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts, salaries, and other payables	\$100,387	\$2,804	\$39,373	\$142,564
Due to other funds	<u>492,745</u>	<u>216,603</u>	<u>15,857</u>	<u>725,205</u>
<b>Total liabilities</b>	<u><b>593,132</b></u>	<u><b>219,407</b></u>	<u><b>55,230</b></u>	<u><b>867,769</b></u>
<b>Fund balances:</b>				
Reserved				0
Unreserved	<u>288,266</u>	<u>2,773</u>	<u>836,271</u>	<u>1,127,310</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><b>\$881,398</b></u>	<u><b>\$222,180</b></u>	<u><b>\$891,501</b></u>	<u><b>\$1,995,079</b></u>

The accompanying notes are an integral part of this statement.

Town of Arcadia, Louisiana  
 Reconciliation of The Governmental Funds Balance Sheet  
 to The Government-Wide Financial Statement of Net Assets  
 December 31, 2010

Statement D

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Fund balances, Total governmental funds (Statement C) \$1,127,310

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds:

Governmental capital assets	\$4,531,311	
Less accumulated depreciation	<u>(1,706,919)</u>	<u>2,824,392</u>

Net Assets of Governmental Activities (Statement A) \$3,951,702

The accompanying notes are an integral part of this statement.

Town of Arcadia, Louisiana  
Statement of Revenues, Expenditures, and  
Changes in Fund Balances - Governmental Funds  
For the Year Ended December 31, 2010

	General Fund	Sales Tax Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Taxes:				
Ad valorem	\$115,643			\$115,643
Sales and use	787,501	\$1,453,624	\$357,955	2,599,080
Other taxes, penalties & interest	79,822			79,822
Licenses and permits	83,272			83,272
Intergovernmental:				
Federal	13,549			13,549
State	1,380		768,875	770,255
Fees, charges, & commissions for services				0
Fines and forfeitures	28,492			28,492
Use of money and property	11,233		48,191	59,424
Other revenues	3,276	25	10,406	13,707
Total Revenues	<u>1,124,168</u>	<u>1,453,649</u>	<u>1,185,427</u>	<u>3,763,244</u>
<b>EXPENDITURES</b>				
General government	653,544	1,453,696		2,107,240
Public safety	572,033			572,033
Public works			272,029	272,029
Culture and recreation			49,815	49,815
Economic development	75,109		41,537	116,646
Health & welfare				0
Transportation	4,520			4,520
Debt service				0
Capital outlay	65,102		810,965	876,067
Total Expenditures	<u>1,370,308</u>	<u>1,453,696</u>	<u>1,174,346</u>	<u>3,998,350</u>
Excess (Deficiency) of Revenues over (under) Expenditures	(246,140)	(47)	11,081	(235,106)
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of assets	1,470			1,470
Transfers in	454,151		231,517	685,668
Transfers out			(191,884)	(191,884)
Total Other Financing Sources (Uses)	<u>455,621</u>	<u>0</u>	<u>39,633</u>	<u>495,254</u>
Net Change in Fund Balance	209,481	(47)	50,714	260,148
Fund Balance - beginning	78,785	2,820	785,557	867,162
Fund Balance - ending	<u>\$288,266</u>	<u>\$2,773</u>	<u>\$836,271</u>	<u>\$1,127,310</u>

The accompanying notes are an integral part of this statement.

Town of Arcadia, Louisiana  
 Reconciliation of The Statement of Revenues, Expenditures,  
 and Changes in Fund Balances of Governmental Funds  
 to the Statement of Activities  
 For the Year Ended December 31, 2010

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

Net Change in Fund Balances, Total governmental funds (Statement E)	\$260,148
When recognizing the sale of capital assets, governmental funds report the total proceeds of the sale (\$1,470). Only the gain or loss on the sale is reported on the Statement of Net Assets (\$197).	(1,273)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$876,067) exceeded depreciation (\$206,623) in the current period.	669,444
To adjust depreciation to prior year depreciation schedule and transfer grant capital outlay originally shown as governmental activity to business type activity - see Note 9	<u>(456,792)</u>
Change in Net Assets of Governmental Activities, Statement B	<u><u>\$471,527</u></u>

The accompanying notes are an integral part of this statement.

Town of Arcadia, Louisiana  
Statement of Net Assets, Proprietary Funds  
December 31, 2010

Statement G

	<u>2010</u>	<u>2009</u>
<b>ASSETS</b>		
Current assets:		
Cash and equivalents	\$208,339	\$409,995
Investments	303,420	190,772
Receivables	95,148	104,653
Due from other funds	435,203	422,781
Inventory	13,639	13,639
Total current assets	<u>1,055,749</u>	<u>1,141,840</u>
Restricted assets:		
Cash and investments	44,292	27,934
Capital assets (net of accumulated depreciation)	<u>5,317,094</u>	<u>4,303,419</u>
<b>TOTAL ASSETS</b>	<u><b>\$6,417,135</b></u>	<u><b>\$5,473,193</b></u>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts, salaries, and other payables	\$90,985	\$9,286
Due to other funds	144,078	144,078
Deferred revenue	240,000	0
Total current liabilities	<u>475,063</u>	<u>153,364</u>
Current liabilities payable from restricted assets	<u>44,292</u>	<u>27,934</u>
Total liabilities	<u>519,355</u>	<u>181,298</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	5,317,094	4,303,419
Restricted	44,292	27,934
Unrestricted	<u>536,394</u>	<u>960,542</u>
<b>TOTAL NET ASSETS</b>	<u><b>\$5,897,780</b></u>	<u><b>\$5,291,895</b></u>

The accompanying notes are an integral part of this statement.

Town of Arcadia  
Statement of Revenues, Expenses, and Changes in Net Assets  
Proprietary Fund  
For the Year Ended December 31, 2010

	<u>2010</u>	<u>2009</u>
<b>Operating Revenues</b>		
Water sales	\$757,742	\$608,168
Sewer charges	74,832	89,524
Other services	<u>36,660</u>	<u>9,444</u>
<b>Total Operating Revenues</b>	<b>869,234</b>	<b>707,136</b>
<b>Operating Expenses</b>		
General administrative	77,062	99,376
Water department	628,586	493,568
Sewer department	188,708	193,256
Depreciation	<u>178,362</u>	<u>174,596</u>
<b>Total Operating Expenses</b>	<b>1,072,718</b>	<b>960,796</b>
<b>Operating income (loss)</b>	<b>(203,484)</b>	<b>(253,660)</b>
<b>Nonoperating revenue (expenses)</b>		
Use of money & property	60,161	22,666
Capital contributions	961,000	
Sales tax revenue	286,364	275,522
Non-operating transfers in	5,310	
Loss on sale of assets	(4,372)	
Non-operating transfers out	<u>(499,094)</u>	<u>0</u>
<b>Total Nonoperating Revenue (Expenses)</b>	<b>809,369</b>	<b>298,188</b>
<b>Change in Net Assets</b>	<b>605,885</b>	<b>44,528</b>
<b>Total Net Assets - Beginning</b>	<b><u>5,291,895</u></b>	<b><u>5,247,367</u></b>
<b>Total Net Assets - Ending</b>	<b><u>\$5,897,780</u></b>	<b><u>\$5,291,895</u></b>

The accompanying notes are an integral part of this statement.

Town of Arcadia, Louisiana  
Statement of Cash Flows, Proprietary Funds  
For the Year Ended December 31, 2010

<b>Cash Flows from Operating Activities</b>	
Receipts from customers and users	\$878,739
Other operating cash receipts	240,000
Payments to suppliers	(514,431)
Payments to employees	(298,226)
Other operating cash payments	<u>(12,422)</u>
Net Cash Provided by Operating Activities	<u>293,660</u>
<b>Cash Flows from Noncapital Financing Activities</b>	
Sales tax revenue	286,364
Capital contributions	961,000
Non-operating transfers out	<u>(493,784)</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>753,580</u>
<b>Cash Flows from Capital and Related Financing Activities</b>	
Purchase of capital assets	(1,192,037)
Loss sale of assets	<u>(4,372)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(1,196,409)</u>
<b>Cash Flows from Investing Activities</b>	
Interest received	60,161
Investments redeemed (purchased)	<u>(112,648)</u>
Net Cash Provided by Investing Activities	<u>(52,487)</u>
Net Increase in Cash and equivalents	(201,656)
Cash and equivalents, Beginning of Year	<u>409,995</u>
Cash and equivalents, End of Year	<u>\$208,339</u>
<b>Reconciliation of Operating Income to Net Cash Provided (used) by Operating Activities</b>	
Operating income	(\$203,484)
Depreciation expense	178,362
(Increase) decrease in accounts receivable	9,505
Increase (decrease) in due from other funds	(12,422)
Increase (decrease) in accounts payable	81,699
Increase (decrease) in due to other funds	0
Increase (decrease) in deferred revenue	<u>240,000</u>
Net Cash Provided by Operating Activities	<u>\$293,660</u>

The accompanying notes are an integral part of this statement.

**TOWN OF ARCADIA**  
**Notes to the Financial Statements**  
**As of and For the Year Ended December 31, 2010**

**INTRODUCTION**

The Town of Arcadia was incorporated June 26, 1902 under the provisions of the Lawrason Act (Louisiana Revised Statutes 33:321-463). 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 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 assets and the statement of changes in net assets) report information on all of the nonfiduciary 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. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**TOWN OF ARCADIA**  
**Notes to the Financial Statements**  
**As of and For the Year Ended December 31, 2010**

**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 and the fiduciary 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 Capital Project Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and agency funds).

The Town reports the following proprietary funds:

The Water and Sewer fund is to account 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, but not limited to, administration, operations, maintenance, financing, and related debt service and billing.

TOWN OF ARCADIA  
Notes to the Financial Statements  
As of and For the Year Ended December 31, 2010

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.

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 governments 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 back 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."

**TOWN OF ARCADIA**  
**Notes to the Financial Statements**  
**As of and For the Year Ended December 31, 2010**

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

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 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. The allowance for uncollectible customers' utilities is \$4,741 at December 31, 2010.

**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

**TOWN OF ARCADIA**  
**Notes to the Financial Statements**  
**As of and For the Year Ended December 31, 2010**

**H. Compensated Absences**

Full-time 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 shall 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 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 the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. The town's long-term debt consists of revenue bonds payable.

**J. Fund Equity**

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, 2010.

**K. Comparative Data/Reclassifications**

Comparative total data for the prior year have been presented only for enterprise funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

**L. 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.

**M. Reconciliations of Government-Wide and Fund Financial Statements**

*Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets* The following reconciles the fund balances of governmental funds to the government-wide statement of net assets.

TOWN OF ARCADIA  
Notes to the Financial Statements  
As of and For the Year Ended December 31, 2010

Governmental capital assets	\$4,531,311
Less accumulated depreciation	<u>(1,706,919)</u>
Net adjustment	<u>\$2,824,392</u>

*Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities* The following reconciles the net changes in fund balance-total governmental funds to the changes in net assets of governmental activities.

Depreciation	(\$206,623)
Capital outlay	876,067
Gain on sale of asset	<u>(1,273)</u>
Net adjustment	<u>\$668,171</u>

**N. 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 to policies' coverage amounts. There were no significant reductions in insurance coverage during the year ended December 31, 2010.

**O. 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. Only 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 is for a twenty-five year period. 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, 2010 for the General fund and Special Revenue fund 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

**TOWN OF ARCADIA**  
**Notes to the Financial Statements**  
**As of and For the Year Ended December 31, 2010**

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. There was one amendment to the original budgets.

**3. CASH AND CASH EQUIVALENTS**

At December 31, 2010, the Town has cash and cash equivalents (book balances) totaling \$883,989 as follows:

Demand deposits	\$108,180
Interest-bearing demand deposits	571,188
Time deposits	<u>204,621</u>
Total	<u>\$883,989</u>

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

At December 31, 2010, the Town has \$940,895 in deposits (collected bank balances). These deposits are secured from risk by \$940,895 of federal deposit insurance and \$0 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 state 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:

**TOWN OF ARCADIA**  
**Notes to the Financial Statements**  
**As of and For the Year Ended December 31, 2010**

Type of investment	Category			Carrying amount			Total Carrying Amount
	1	2	3	Fair Value	Amortized Cost	Cost	
FNMA mortgage notes	\$0	\$508,422	\$0	\$508,422	\$0	\$0	\$508,422
Total investments	\$0	\$508,422	\$0	\$508,422	\$0	\$0	\$508,422

**5. RECEIVABLES**

The receivables of \$269,886 at December 31, 2010, are as follows:

	General fund	Special Revenue funds	Water & sewer fund	Total
Taxes:				
Ad valorem	\$33,301			\$33,301
Sales and use		\$102,904		102,904
Other taxes, penalties, & interest	13,134			13,134
Intergovernmental - state		31,626		31,626
Accounts			\$95,148	95,148
Other	2,622	4,285		6,907
Total	\$49,057	\$138,815	\$95,148	\$283,020

**6. RESTRICTED ASSETS**

Restricted assets of business-type activities were applicable to the following at December 31, 2010:

	Enterprise fund
	Customer deposits
Cash	\$17,545
Certificate of deposit	26,747
	\$44,292

**7. AD VALOREM TAXES**

For the year ended December 31, 2010, taxes of 5.85 mills were levied on property with assessed valuations totaling \$20,506,580 and were dedicated as follows:

General corporate purposes	5.85 mills
----------------------------	------------

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

**TOWN OF ARCADIA**  
**Notes to the Financial Statements**  
**As of and For the Year Ended December 31, 2010**

Taxpayer	Type of business	Assessed Valuation	% of Total Assessed Valuation	Ad valorem Tax Revenue for Town
Arcadia Gas Storage	Gas & oil	4,136,700	20.17%	\$16,853
Haynes International, Inc.	Tublar Production	2,674,480	13.04%	15,646
House of Raeford Farms	Poultry Production	2,363,010	11.52%	13,824
Total		<u>9,174,190</u>	<u>44.74%</u>	<u>\$46,323</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. Bienville parish sheriff bills and collects the property taxes using the assessed valued determined by the Bienville parish tax assessor.

**8. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

The composition of interfund balances as of December 31, 2010 is as follows:

	Due from	Due to
General fund	\$128,882	\$488,023
Payroll fund		4,722
Special revenue funds:		
Sales tax		216,603
Street	27,983	
CDBG		12,821
Industrial inducement	146,985	
Parks and recreation	50,994	3,036
Debt service fund	79,236	
Water & sewer fund	435,203	144,078
	<u>\$869,283</u>	<u>\$869,283</u>

**9. CAPITAL ASSETS**

Capital assets and depreciation activity as of and for the year ended December 31, 2010, for the primary government is as follows:

	12/31/09	Adjust	Increases	Decreases	12/31/10
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$485,375			(\$10,000)	\$475,375
Total capital assets not being depreciated	<u>485,375</u>	<u>0</u>	<u>0</u>	<u>(10,000)</u>	<u>475,375</u>
Capital assets being depreciated:					
Vehicles	108,547		\$65,102	(15,708)	157,941
Buildings	928,153	(\$2)	1,176		929,327
Improvements	1,847,204	(80)	801,516	(676,000)	1,972,640
Equipment	999,280	16,727	8,273	(28,252)	996,028
Total capital assets being depreciated	<u>3,883,184</u>	<u>16,645</u>	<u>876,067</u>	<u>(719,960)</u>	<u>4,055,936</u>
Less accumulated depreciation	<u>1,755,546</u>	<u>(211,769)</u>	<u>206,623</u>	<u>(43,481)</u>	<u>1,706,919</u>
Total capital assets being depreciated, net	<u>\$2,613,013</u>	<u>\$228,414</u>	<u>\$669,444</u>	<u>(\$686,479)</u>	<u>\$2,824,392</u>

**TOWN OF ARCADIA**  
**Notes to the Financial Statements**  
**As of and For the Year Ended December 31, 2010**

	<u>12/31/09</u>	<u>Adjust</u>	<u>Increases</u>	<u>Decreases</u>	<u>12/31/10</u>
<b>Business-type activities:</b>					
<b>Capital assets, not being depreciated:</b>					
Land	\$268,628				\$268,628
Construction in progress	0				0
<b>Total capital assets not being depreciated</b>	<u>268,628</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>268,628</u>
<b>Capital assets being depreciated:</b>					
Water wells	649,705		\$321,660		971,365
Pumping plant	105,235				105,235
Purification plant	111,489				111,489
Storage reservoir tanks	194,176				194,176
Water distribution system	1,435,557		\$831,668		2,267,225
General equipment	263,826	\$3,675		(\$22,717)	244,784
Office equipment	35,916			(16,786)	19,130
Improvements	7,800				7,800
Sewer system	5,901,518			(5,756)	5,895,762
Vehicles	193,828			(26,298)	167,530
<b>Total capital assets being depreciated</b>	<u>8,899,050</u>	<u>3,675</u>	<u>1,153,328</u>	<u>(71,557)</u>	<u>9,984,496</u>
<b>Less accumulated depreciation</b>	<u>4,864,259</u>	<u>(38,900)</u>	<u>178,362</u>	<u>(67,691)</u>	<u>4,936,030</u>
<b>Total capital assets being depreciated, net</b>	<u>\$4,303,419</u>	<u>\$42,575</u>	<u>\$974,966</u>	<u>(\$3,866)</u>	<u>\$5,317,094</u>

Depreciation expense of \$194,213 and \$12,410 for the year ended December 31, 2010, was charged to general government and public safety, respectively.

## 11. RETIREMENT

Substantially all employees of the Town are members of the following statewide retirement systems: Municipal Employees Retirement System of Louisiana and Municipal Police Employees Retirement System of Louisiana. These systems are cost-sharing, multiple-employer defined benefit pension plans administered by separate boards of trustees. Pertinent information relative to each plan follows:

### A. Municipal Employees Retirement System of Louisiana (System)

*Plan Description.* The System is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. All employees of the municipality are members of Plan B.

All permanent employees working at least 35 hours per week who are not covered by another pension plan and are paid wholly or in part from municipal funds and all elected municipal officials are eligible to participate in the System. Under Plan B, employees who retire at or after age 60 with at least 10 years of creditable service, or at any age 55 with at least 30 years of creditable service, are entitled to a retirement benefit, payable monthly for life, equal to 2 percent of their final-average salary for each year of creditable service. Furthermore, employees with at least 10 years of creditable service, but less than 30 years, may take early retirement benefits commencing at or after age 60, with the basic benefit reduced three percent for each year retirement precedes age 60, unless he has at least 30 years of creditable service. In any case, monthly retirement benefits paid under Plan B cannot exceed 100 percent of final average salary. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service

**TOWN OF ARCADIA**  
**Notes to the Financial Statements**  
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stated above, and do not withdraw their employee contributions, may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

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 Employees Retirement System of Louisiana, 7937 Office Park Blvd., Baton Rouge, LA 70809, or by calling (225) 925-4810.

*Funding Policy.* Under Plan B, members are required by state statute to contribute 5 percent of their annual covered salary and the Town is required to contribute at an actuarially determined rate. The current rate is 6.75% of annual covered payroll. Contributions to the System also include one-fourth on one percent (except Orleans and East Baton Rouge parishes) of the taxes shown to be collectible by the tax rolls of each parish. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. 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's contributions to the System under Plan B for the years ending December 31, 2010, 2009, and 2008 were \$49,729, \$49,789, and \$49,614, respectively.

**B. Municipal Police Employees Retirement System of Louisiana (System)**

*Plan Description.* All full-time police department employees engaged in law enforcement are required to participate in the System. Employees who retire at or after age 50 with at least 20 years of creditable service, or at age 55 with at least 12 years of creditable service, are entitled to a retirement benefit, payable monthly for life, equal to 3 1/3 percent of their final-average salary for each year of creditable service. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

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 Employees Retirement System of Louisiana, 8401 United Plaza Blvd., Baton Rouge, LA 70809-2250, or by calling (225) 929-7411.

*Funding Policy.* Plan members are required by state statute to contribute 7.5 percent of their annual covered salary and the Town is required to contribute at an actuarially determined rate. The current rate is 25% of annual covered payroll. The contribution requirements of plan members and the Town are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Town's contributions to the System for the years ending December 31, 2010, 2009, and 2008 were \$57,803, \$49,892, and \$45,749, respectively, equal to the required contributions for each year.

**TOWN OF ARCADIA**  
**Notes to the Financial Statements**  
**As of and For the Year Ended December 31, 2010**

**11. CONTINGENT LIABILITIES**

As of December 31, 2010, the Town was involved in two matters named as defendant. The matters are: 1) Ray Harman vs. Town of Arcadia and 2) Brian & Mindy Einondson vs. Town of Arcadia. The latter matter is proceeding slowly and once discovery has been completed, the matter will be set for trial. The Town would not be vulnerable for money damages. The former matter does involve lost wages, attorney fees and penalties. This matter was set for trial but it has never been rescheduled. Therefore, if unsuccessful, the Town would be responsible for money damages. If this occurs, the attorney estimates damages not to exceed \$20,000. There is no urgency because the contention has been and was that all time, wages, vacation, etc. due the plaintiff were given to him.

**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, 2010, the State made contributions of \$38,179.

**REQUIRED SUPPLEMENTAL INFORMATION**

Town of Arcadia, Louisiana  
Statement of Revenues, Expenditures, and Changes  
in Fund Balances - Budget (GAAP) and Actual  
General Fund  
For the Year Ended December 31, 2010

	Budgeted Amounts		Actual	Favorable (Unfavorable) Variance
	Original	Final		
<b>Revenues</b>				
<b>Taxes:</b>				
Ad valorem	\$95,000	\$100,000	\$115,643	\$15,643
Sales tax	826,000	812,625	787,501	(25,124)
Other taxes, penalties, & interest	78,000	85,000	79,822	(5,178)
Licenses and permits	92,800	92,800	83,272	(9,528)
<b>Intergovernmental</b>				
Federal	13,100	13,100	13,549	449
State	28,600	28,900	1,380	(27,520)
Fines and forfeitures	22,000	22,000	28,492	6,492
Use of money and property	8,000	12,500	11,233	(1,267)
Other revenues	320,220	326,620	3,276	(323,344)
<b>Total Revenues</b>	<b>1,483,720</b>	<b>1,493,545</b>	<b>1,124,168</b>	<b>(369,377)</b>
<b>Expenditures</b>				
General government	775,744	846,490	653,544	192,946
Public safety	566,569	599,153	572,033	27,120
Economic development	93,141	94,446	75,109	19,337
Health & welfare	1,200	1,200		1,200
Transportation	6,500	6,500	4,520	1,980
Capital outlay	40,500	43,000	65,102	(22,102)
<b>Total Expenditures</b>	<b>1,483,654</b>	<b>1,590,789</b>	<b>1,370,308</b>	<b>220,481</b>
<b>Excess (Deficiency) of Revenues over (under) Expenditures</b>	<b>66</b>	<b>(97,244)</b>	<b>(246,140)</b>	<b>(148,896)</b>
<b>Other Financing Sources (Uses)</b>				
Sale of assets	1,000	1,000	1,470	470
Operating transfers in	0	100,000	454,151	354,151
Operating transfers (out)	0	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>1,000</b>	<b>101,000</b>	<b>455,621</b>	<b>354,621</b>
<b>Net Change in Fund Balance</b>	<b>1,066</b>	<b>3,756</b>	<b>209,481</b>	<b>205,725</b>
<b>Fund Balance at Beginning of Year</b>	<b>78,785</b>	<b>78,785</b>	<b>78,785</b>	<b>0</b>
<b>Fund Balance (Deficit) at End of Year</b>	<b>\$79,851</b>	<b>\$82,541</b>	<b>\$288,266</b>	<b>\$205,725</b>

## Notes to the Schedule

(1) method of budgetary accounting - GAAP

Town of Arcadia, Louisiana  
 Statement of Revenues, Expenditures, and Changes  
 in Fund Balances - Budget (GAAP) and Actual  
 Special Revenue Fund - Sales tax fund  
 For the Year Ended December 31, 2010

	Budgeted Amounts		Actual	Favorable (Unfavorable) Variance
	Original	Final		
Revenues				
Taxes - sales	\$1,500,000	\$1,500,000	\$1,453,624	(\$46,376)
Interest income	200	30	25	(5)
Total Revenues	1,500,200	1,500,030	1,453,649	(46,381)
Expenditures				
General government	1,500,000	1,500,000	1,453,696	46,304
Total Expenditures	1,500,000	1,500,000	1,453,696	46,304
Excess (Deficiency) of Revenues over (under) Expenditures	200	30	(47)	(77)
Other Financing Sources (Uses)				
Operating transfers out	0	0	0	0
Total Other Financing Sources (Uses)	0	0	0	0
Net Change in Fund Balance	200	30	(47)	(77)
Fund Balance at Beginning of Year	2,820	2,820	2,820	0
Fund Balance (Deficit) at End of Year	\$3,020	\$2,850	\$2,773	(\$77)

## Notes to the Schedule

(1) method of budgetary accounting - GAAP

**OTHER SUPPLEMENTAL SCHEDULES**

Town of Arcadia, Louisiana  
 Combining Balance Sheet, Non-major Governmental Funds  
 December 31, 2010

	<u>Street</u>	<u>LCDBG</u>	<u>Industrial Development</u>	<u>Economic Development</u>	<u>Parks and Recreation</u>	<u>Debt Service</u>	<u>Total</u>
<b>ASSETS</b>							
Cash and equivalents	\$26,557	\$12,821	\$421,547	\$54,918	\$34,549		\$550,392
Accounts receivable	4,285	31,626					35,911
Due from other funds	<u>27,983</u>		<u>146,985</u>		<u>50,994</u>	<u>\$79,236</u>	<u>305,198</u>
<b>TOTAL ASSETS</b>	<u>\$58,825</u>	<u>\$44,447</u>	<u>\$568,532</u>	<u>\$54,918</u>	<u>\$85,543</u>	<u>\$79,236</u>	<u>\$891,501</u>
<b>LIABILITIES AND FUND BALANCES</b>							
<b>Liabilities:</b>							
Accounts, salaries, and other payables	\$3,455	\$31,626	\$3,061		\$1,231		\$39,373
Due to other funds		<u>12,821</u>			<u>3,036</u>		<u>15,857</u>
<b>Total Liabilities</b>	<u>3,455</u>	<u>44,447</u>	<u>3,061</u>	<u>0</u>	<u>4,267</u>	<u>0</u>	<u>\$5,230</u>
<b>Fund balances:</b>							
Reserved							0
Unreserved & undesignated	<u>\$5,370</u>		<u>\$65,471</u>	<u>\$54,918</u>	<u>81,276</u>	<u>79,236</u>	<u>\$36,271</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$58,825</u>	<u>\$44,447</u>	<u>\$568,532</u>	<u>\$54,918</u>	<u>\$85,543</u>	<u>\$79,236</u>	<u>\$891,501</u>

Town of Arcadia, Louisiana  
 Combining Statement of Revenues, Expenditures, and  
 Changes in Fund Balances - Non-major Governmental Funds  
 For the Year Ended December 31, 2010

	<u>Street</u>	<u>LCDBG</u>	<u>Industrial Inducement</u>	<u>Economic Development</u>	<u>Parks and Recreation</u>	<u>Debt Service</u>	<u>Total</u>
<b>REVENUES</b>							
Taxes -Sales and use	\$214,773		\$71,591		\$71,591		\$357,955
Intergovernmental revenues:							
State/parish	105,937	\$621,556	40,082		1,300		768,875
Use of money and property	38		47,135		1,018		48,191
Other revenues	4,285		5,213		908		10,406
Total Revenues	<u>325,033</u>	<u>621,556</u>	<u>164,021</u>	<u>0</u>	<u>74,817</u>	<u>0</u>	<u>1,185,427</u>
<b>EXPENDITURES</b>							
Economic development			40,083	\$1,454			41,537
Public works	272,029						272,029
Culture and recreation					49,815		49,815
Debt service						0	0
Capital outlay	188,823	616,246			5,896		810,965
Total Expenditures	<u>460,852</u>	<u>616,246</u>	<u>40,083</u>	<u>1,454</u>	<u>55,711</u>	<u>0</u>	<u>1,174,346</u>
Excess (Deficiency) of Revenues over (under) Expenditures	(135,819)	5,310	123,938	(1,454)	19,106	0	11,081
<b>OTHER FINANCING SOURCES (USES)</b>							
Sale of assets							0
Transfers in	175,400			56,117			231,517
Transfers out		(5,310)	(25,603)		(104,854)	(56,117)	(191,884)
Total Other Financing Sources (Uses)	<u>175,400</u>	<u>(5,310)</u>	<u>(25,603)</u>	<u>56,117</u>	<u>(104,854)</u>	<u>(56,117)</u>	<u>39,633</u>
Net Change in Fund Balance	39,581	0	98,335	54,663	(85,748)	(56,117)	50,714
Fund Balance - beginning	15,789	0	467,136	255	167,024	135,353	785,557
Fund Balance - ending	<u>\$55,370</u>	<u>\$0</u>	<u>\$565,471</u>	<u>\$54,918</u>	<u>\$81,276</u>	<u>\$79,236</u>	<u>\$836,271</u>

Town of Arcadia  
Schedule of Compensation Paid Board Members  
For the Year Ended December 31, 2010

<u>Board Member</u>	<u>Amount</u>
Maggie Roberson (mayor pro tem)	\$8,400
Dorothy Nelson	7,800
EJ Ratcliff	7,800
Billy Roy Cook	7,800
Mattie Lou Harris	7,800
Total	<u>\$39,600</u>

**OTHER REPORTS**

# EDWARDS, WADE & PERRY

Certified Public Accountants  
A Professional Accounting Corporation  
Members: AICPA / Society of LCPA's

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

Mayor and Board of Aldermen  
Town of Arcadia  
Arcadia, Louisiana

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Arcadia as of and for the year ended December 31, 2010, which collectively comprise the Town of Arcadia's basic financial statements and have issued our report thereon dated June 29, 2011. 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.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Town of Arcadia's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of Arcadia's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Arcadia's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses. 2010-2

*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 responses to be significant deficiencies. 2010-1

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Arcadia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statements 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Town of Arcadia's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit Town of Arcadia's response and, accordingly, we express no opinion on it.

This report is intended for the information and use of management, the town council, and the Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Edwards, Wade & Perry*

Ruston, Louisiana  
June 29, 2011

Town of Arcadia  
 Schedule of Findings and Responses  
 For the Year Ended December 31, 2010

We have audited the financial statements of Town of Arcadia as of and for the year ended December 31, 2010, and have issued our report thereon dated June 29, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our audit of the financial statements as of June 29, 2011 resulted in an unqualified opinion. The following is a summary of our audit observations on internal control, tests of compliance, and findings related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*:

**A. Summary of Audit Results**

**1. Report on Internal Control and Compliance Material to the Financial Statements**

Internal Control

Material Weaknesses  Yes  No Significant Deficiency  Yes  No

Compliance

Compliance Material to Financial Statements  Yes  No

**2. Federal Awards**

Internal Control

Material Weaknesses  Yes  No Reportable  Yes  No

Type of Opinion On Compliance  
 For Major Programs

Unqualified  Qualified   
 Disclaimer  Adverse

Are their findings required to be reported in accordance with Circular A-133, Section .510(a)?  
 Yes  No

Was a management letter issued?  Yes  No

**3. Identification of Major Programs:**

CFDA Number(s)

Name of Federal Program (or Cluster)

N/A

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Dollar threshold used to distinguish between Type A and Type B Programs: \$ 300,000

Is the auditee a "low-risk" auditee, as defined by OMB Circular A-133?  Yes  No

## **B. Financial Statements Findings**

### **10-1. Accounting staff**

The Town does not have a staff person who has the qualifications and training to apply generally accepted accounting principles (GAAP) in recording the entity's financial transactions or preparing its financial statements, including the related notes. Several material adjustments had to be made to the financial statements.

**Recommendation:** We recommend the Town train the town clerk for the necessary knowledge to be able to maintain the Town's financial records. We also recommend the Town implement a formal review process where monthly reconciliations, reports, and processes are authorized, approved and reviewed to ensure accuracy and improve internal controls.

### **10-2. Inadequate internal controls**

By trying to test several revenues and disbursements to original documents for support, we determined the overall internal control for the town is inadequate. The following are examples of the town's poor internal control:

- A. Employees in some instances were paid for forty hours even though their timecards showed they had clocked in and out for more hours. Also, there were some instances where overtime was paid for less than 40 worked hours.
- B. Recording of the grants were erroneously coded to the incorrect fund or to operating transfers.

**Recommendation:** We recommend supervisors be more diligent in approving timesheets. Also we recommend the grants be recorded in the correct funds related to the grant purposes.

### **10-3. Water and sewer fund issues**

The customer deposit balance on the general ledger was not adjusted to the customer deposit listing received from the Water and sewer clerk. There is a major difference in the gallons billed versus gallons pumped. The town detected a major water leak during the year which they immediately repaired. This will be considered during test next year.

During the year, it was noted that utility receipts per the utility software did not agree with utility deposits. This matter was investigated by the Inspector General's office and is now being handled by the District Attorney's office.

**Recommendation:** The Town should reconcile the Water and sewer fund customer deposit account balance to the customer deposit listing routinely. The Town should be able to explain the difference between gallons pumped and gallons billed through monthly monitoring of billing system and meters.

## **C. Federal Award Findings and Questioned Costs**

None

Town of Arcadia  
Summary of Prior Year Findings  
For the Year Ended December 31, 2010

**A. INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS**

09-1. Accounting staff

Status: Unresolved – see 10-1

09-2. Monitoring of budget

Status: Resolved

09-3. Water and sewer fund issues

Status: Unresolved – see 10-3

**B. INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS**

None

**C. MANAGEMENT LETTER**

M09-1. Cash management

Status: Resolved

M09-2. Compensated absences

Status: Resolved

# TOWN OF ARCADIA

PO Box 767  
Arcadia, LA 71001

## CORRECTIVE ACTION PLAN For the Year Ended December 31, 2010

Town of Arcadia hereby submits the following corrective action plan as referenced in the Findings and Questioned Costs:

- 10-1. The Town plans to send the town clerk to training sessions as needed. The Town is in the process of implementing a formal review process to ensure accuracy and improve internal controls. Management agrees with the recommendations and intends to implement them immediately.
- 10-2. Management concurs with the recommendation and will implement procedures immediately to improve internal controls.
  - A. This finding was brought to our attention in June, 2010 and has since been corrected. A policy is now in place to assure time card accuracy.
- 10-3. Management will review the billing procedures and make the necessary adjustments. Management will also review and reconcile the customer deposit account balance routinely. Also management has implemented procedures to monitor the differences between gallons pumped and gallons billed. Management agrees with the recommendations and intends to implement them immediately.

**Town of Arcadia  
Arcadia, Louisiana**

**Agreed-Upon Procedures  
For the Year Ended December 31, 2010**

AGREED UPON PROCEDURES REPORT  
Town of Arcadia

Independent Accountant's Report  
on Applying Agreed-Upon Procedures

Mayor and Board of Aldermen  
Town of Arcadia

We have performed the procedures included in the *Louisiana Government Audit Guide* and enumerated below as they are a required part of the audit engagement. We are required to perform each procedure and report the results, including any exceptions. Management is required to provide a corrective action plan that addresses all exceptions noted. For any procedures that do not apply, we have marked "not applicable."

Management of the Town of Arcadia is responsible for its financial records, establishing internal controls over financial reporting, and compliance with applicable laws and regulations. These procedures were agreed to by management of the Town of Arcadia and the Legislative Auditor, State of Louisiana, solely to assist the users in assessing certain controls and in evaluating management's assertions about the Town of Arcadia compliance with certain laws and regulations during the year ended December 31, 2010 included in the *Louisiana Attestation Questionnaire*.

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

*Financial Management*

1. Determine if management (chief executive and board members) was presented with timely and accurate monthly financial statements, including budget-to-actual comparisons on funds (General Fund, Special Revenue Fund, Utility Fund, etc.) of the entity, during the year under examination.

We could not determine that budget-to-actual financial statements were presented to management at regular scheduled meetings. However, the clerk stated she has financial statements readily available for the council.

2. If management was deficit spending during the period under examination, determine if there is a formal/written plan to eliminate the deficit spending and whether management is monitoring the plan.

There was no formal/written plan to eliminate the deficit spending in the Parks and recreation fund. However, the town has reduced summer help expenses to help reduce spending in the fund. The recreation center expenditures for the period under examination included capital outlay and has since been completed.

3. Determine if there are adequate written policies and procedures for the financial/business functions of the entity (e.g., budgeting, receipts, purchasing, disbursements, payroll, etc.).

The town did not have adequate written policies and procedures for the financial/business functions of the entity. The town has since written the above listed policies and procedures.

#### *Credit Cards*

1. Obtain from management a listing of all active credit cards (and bank debit cards if applicable) for the period under examination, including the card numbers and the names of the persons who maintained possession of the cards.

[Note: There are three types of credit cards: (1) general (e.g., VISA, MasterCard, etc.), (2) store (e.g., Wal Mart, Office Depot, Sam's Club, etc.); and (3) gasoline (e.g., Fuelman, Exxon, etc.)].

We obtained a listing of all active credit and bank debit cards.

2. Obtain and evaluate the adequacy of the entity's written policies and procedures for credit cards (and debit cards if applicable).

The town had unwritten policies and procedures. The town has since adequate written policies and procedures.

3. Obtain the monthly statements for all credit cards (general, stores, and gasoline) used during the period under examination and select for detailed review, the two largest (dollar amount) statements for each card. (Note: For a debit card, select the two monthly bank statements with the largest dollar amount of debit charges):

- A. Obtain the entity's supporting documentation for the purchases/charges shown on the selected monthly statements:

Determine if each purchase is supported by:

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

No original itemized receipts were produced for any charges. The town has since made a position responsible for accounts payable and will not process credit card payments without supporting documentation, along with expense code requirements.

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

For the Lowe's and Office Depot cards, the statements include an itemized breakdown by purchase. The business/public purpose seems appropriate for these cards for the months selected. The other cards (Mastercard, Sam's, 5 Fuelman cards) were not supported by documentation of business/public purpose. See #1 above regarding new position.

3. Other documentation as may be required by policy (e.g., purchase order, authorization, etc.)

Not applicable

Determine if each purchase is:

4. Reasonable in amount

For the Lowe's and Office Depot cards, the statements include an itemized breakdown by purchase. The amounts appear reasonable for these cards for the months selected. The Mastercard and Sam's cards were not supported by documentation of amounts for each item purchased. Fuelman cards only showed total purchases for the month. We could not determine if these amounts were reasonable. See #1 above regarding new position.

5. For an appropriate and necessary business purpose relative to the entity

See #2 above

Determine if any purchases were made for personal purposes, and if so, determine the date(s) of reimbursement.

See #2 above

Determine if any purchases effectively circumvented the entity's normal procurement/purchasing process and/or the Louisiana Public Bid Law (i.e., large or recurring purchases requiring the solicitation of bids or quotes).

Nothing came to our attention that would require normal purchasing process or bid law.

- B. Determine if there was any duplication of expenses by comparing all travel and related purchases to the appropriate person's expense reimbursement report(s).

Nothing came to our attention regarding duplication of expenses.

- C. Determine if each monthly credit card statement (including supporting documentation) was reviewed and approved, in writing, by someone other than the person making the purchases. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality.)

The mayor and clerk review and approve all credit card statements including the Mastercard which is in his possession.

- D. Determine if finance charges and/or late fees were assessed on the monthly statements.

There was one finance charge assessed on the monthly statements we reviewed.

#### *Travel and Expense Reimbursement*

- 1. Obtain and evaluate the adequacy of the entity's written policies and procedures for travel and expense reimbursement.

The town has written policies and procedures for travel and expense reimbursement and they appear reasonable.

- 2. Obtain a listing of all travel and related expense reimbursements during the period under examination and select for review, the one person who was reimbursed the most money:

- A. Obtain all of the expense reimbursement reports of the selected person, including the supporting documentation, and choose the three largest expense reports to review in detail (Note: Choose 100% for review if there are less than three expense reports.):

Determine if each expenditure is:

1. Reimbursed in accordance with written policy (e.g., rates established for meals, mileage, lodging, etc.)

The reimbursements were not in accordance with the written policy due to the mayor being reimbursed less than the policy.

2. Reasonable in amount

The reimbursements were reasonable in amount.

3. For an appropriate and necessary business purpose relative to the travel

The reimbursements were for appropriate and necessary business purposes.

Determine if each expenditure is supported by:

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

All of the selected reimbursements were supported by an original itemized receipt.

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

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

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

All of the selected reimbursements were supported by other documentation.

Determine if any of the expenditures were for personal purposes (e.g., extended hotel stays before or after training class, meals for spouses, entertainment, etc.).

No reimbursements were for personal purposes.

Determine if each expense report (including documentation) was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

The mayor was the person who received the most monies through reimbursement and he approved the disbursement. The mayor approves all disbursements.

Determine if there was any duplication of expenses by comparing the expense reports to charges/purchases made on credit card(s).

There was no duplication of expenses.

### *Contracts*

1. Obtain and evaluate the adequacy of the entity's written policies and procedures for contracts/contracting, including leasing.

The town did not have adequate written policies and procedures for the financial/business functions of the entity. The town has since written the policies and procedures for contracts.

2. Determine if the entity has centralized control and oversight of contracts to ensure that services/deliverables received and payments made comply with the terms and conditions of the contracts.

The town does not have centralized control and oversight of contracts but all payments made complied with terms and conditions of the contracts.

3. Review accounting records (e.g., general ledgers, accounts payable reports, etc.) for the period under examination to identify individuals/businesses being paid for contracted services (e.g., professional, technical, etc.). Select the five "vendors" that were paid the most money during the period and determine if there is a formal/written contract that supports the services arrangement and payments.

There was a formal/written contract supporting the services arrangements and payments for three of the five vendors that were paid the most money.

4. Obtain a listing of all active contracts and the expenditures made during the period under examination. Select for detailed review, the largest (dollar amount) contract in each of the following categories that was entered into during the period.

(1) Services

(2) Materials and supplies

(3) Public works

We obtained a listing of all active contracts and the expenditures made during the period under examination.

A. Obtain the selected contracts and the related paid invoices and:

Determine if the contract is a related party transaction.

There were no related party transactions in each of the categories.

Determine if the transaction is subject to the Louisiana Public Bid Law:

1. If yes, determine if the entity complied with all requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder, etc.)

Public works - The town complied with all bid law requirements.

2. If no, determine if the entity provided an open and competitive atmosphere (a good business practice) for the transaction/work.

Services - The town provided an open and competitive atmosphere.

Materials and supplies - The town provided an open and competitive atmosphere.

Determine if the contract was awarded under the *request for proposals* (RFP) method. If so, obtain all proposals and the evaluation/scoring documents to determine if the contract was awarded to the most responsible offeror whose proposal was the most advantageous taking into consideration price and other evaluation factors set forth in the *request for proposals*.

There were no contracts awarded under the RFP method.

Determine if the procurement was made "off" state contract (as opposed to following the competitive bidding requirements of the Louisiana Public Bid Law). If so, determine if the board formally adopted the use of the Louisiana Procurement Code (R.S. 39:1551-1755), the set of laws that govern most state agencies' purchases of certain services, materials and supplies, and major repairs.

There were no contracts procured "off" state contract.

Determine if the procurement related to homeland security and was made from federal General Services Administration (GSA) supply schedules. If so, determine if the entity (1) utilized a Louisiana licensed distributor; (2) used the competitive ordering procedures of the federal GSA; and (3) received prior approval from the director of the State Office of Homeland Security and Emergency Preparedness, or his designee.

There were no contracts procured relating to homeland security.

Determine if the entity “piggybacked” onto another agency’s contract. If so, determine if there is documentation on file that clearly demonstrates the contract was a previously bid, viable contract and the price paid by the entity was the same as that contract’s bid price.

There were no contracts that “piggybacked” onto another agency’s contract.

Determine if the contract was amended. If so, determine whether the original contract contemplated or provided for such an amendment. Furthermore, determine if the amendment is outside the scope of the original contract, and if so, whether it should have been separately bid and contracted.

The contract was amended and within the scope of the original contract.

Determine if the invoices received and payments made during the period complied with the terms and conditions of the contract.

All invoices received and payments made complied with the contract.

Determine if there is written evidence that the entity’s legal advisor reviewed the contract and advised entering into the contract.

There is no written evidence that the legal advisor reviewed the contracts and advised entering into the contracts. The town now states that all contracts will be reviewed by town counsel before board approval.

Determine if there is documentation of board approval, if required.

There is documentation of board approval for all contracts.

### *Payroll and Personnel*

1. Obtain and evaluate the adequacy of the entity’s written policies and procedures for payroll and personnel.

The town has adequate written policies and procedures for payroll and personnel.

2. Obtain a listing of employment contracts/agreements in force during the period under examination. Select the largest (dollar amount) employment contract and determine if all payments issued during the period under examination were done in strict accordance with the terms and conditions of the contract.

The town has oral agreements. The town maintains employee files that include information related to payroll such as pay rates and salaries. It was determined that the largest employment agreement was not paid in accordance with terms and conditions of the oral contract by the amount of \$360.

3. Select the attendance and leave records for one pay period and:

Determine if all employees are documenting their daily attendance and leave (e.g., vacation, sick, etc.). (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 employees document their daily attendance and leave.

Determine if supervisors are approving, in writing, the attendance and leave of all employees.

Supervisors are approving, in writing, the attendance and leave of all employees.

Determine if the entity is maintaining accurate written leave records (e.g., hours earned, hours used, and balance available) on all eligible employees.

For the pay period selected, the town maintained accurate written leave records for thirty-six of 37 employees. The town was unaware of the software setup. The one employee's leave record was manually corrected once the clerk realized the error. The clerk now prepares a spreadsheet to compare to the software.

4. Select the five highest paid employees and determine if changes made to their hourly pay rates/salaries during the period under examination were approved in writing and in accordance with policy.

All five highest paid employees had changes made to their hourly pay rates/salaries and were approved in writing and in accordance with policy.

5. Select the five largest termination payments (e.g., vacation, sick, compensatory time, etc.) made during the period under examination. Determine if the payments were supported by adequate documentation, made in strict accordance with policy and/or contract, and properly approved.

There were three termination payments made during the period under examination. All payments were supported by adequate documentation, made in strict accordance with policy and/or contract, and properly approved.

6. Determine if any employees were also being paid as contract labor during the period of the examination.

There was no documentation to suggest employees also being paid as contract labor.

We were not engaged to perform, and did not perform, an audit, the objective of which would be the expression of an opinion on management's assertions. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

*Edwards, Wade & Perry*  
August 30, 2011