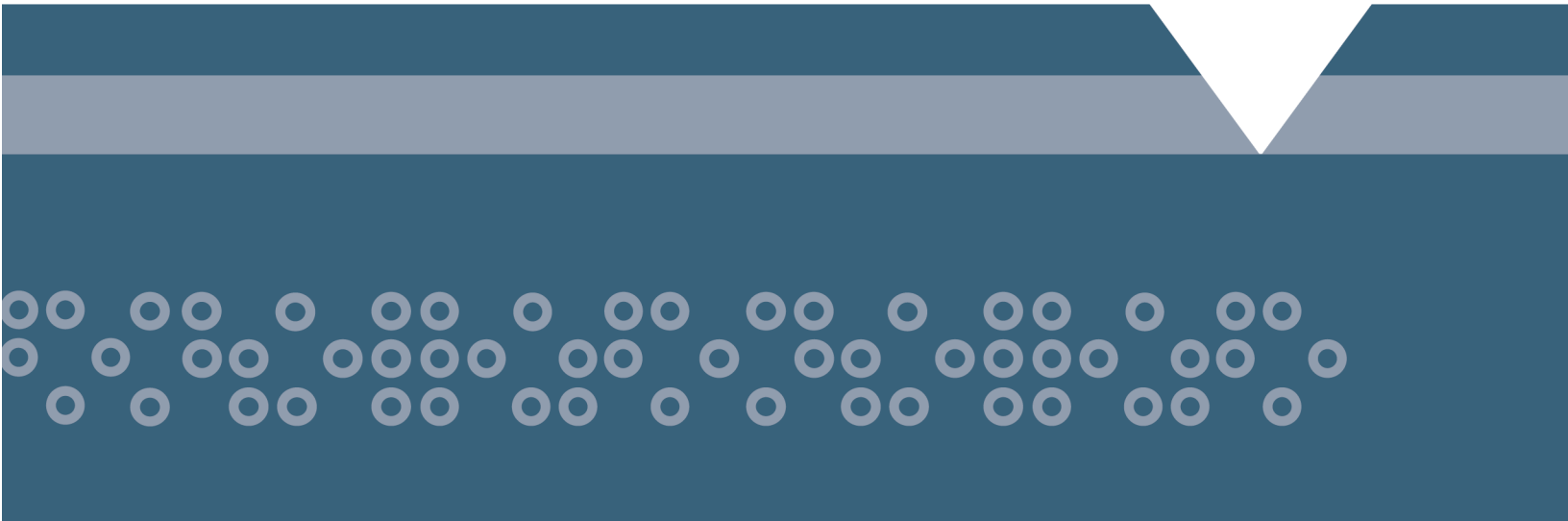


Town of Arcadia
Annual Financial Statements

December 31, 2023



TOWN OF ARCADIA
ANNUAL FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2023
AND FOR THE YEAR THEN ENDED

TOWN OF ARCADIA
ANNUAL FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2023
WITH SUPPLEMENTAL INFORMATION SCHEDULES

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TOWN OF ARCADIA
ANNUAL FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2023
WITH SUPPLEMENTAL INFORMATION SCHEDULES

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MANAGEMENT DISCUSSION AND ANALYSIS

DECEMBER 2023

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, 2023. 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, 2023.

1. The Town's total net position from governmental activities decreased \$376,030 from the beginning of the fiscal year as a result of operations during the year.
2. During the year ended December 31, 2023, the Town's total expenses were \$3,266,455 greater than the \$934,703 recognized as revenue from fees, fines, and charges for services, made up of mostly water and sewer charges. However, if revenues, such as taxes, licenses and State grants are considered, the Town's expenses exceeded the revenues by \$322,776.
3. The cost of operating programs of the Town was \$4,201,158, which represents a decrease in costs of operations from the prior year of \$136,776 or a 3% decrease.
4. The total revenues of the Town were \$3,878,382, which represents an increase in revenues from the prior year of \$249,565 or a 7% increase. This is related to an increase in business-type activities revenue.
5. The governmental activities reported unrestricted fund balance of \$(52,243).

Overview of the Financial Statements

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

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

Government-Wide Financial Statements

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

MANAGEMENT DISCUSSION AND ANALYSIS

DECEMBER 2023

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

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

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

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

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

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

Fund Financial Statements

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

DECEMBER 2023

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

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

The Town has six (6) governmental funds, of which two are major funds and are presented in separate columns and four are non-major funds and are combined and presented in one (1) column titled "other governmental funds." The governmental funds are as follows:

Major Funds

General Fund

Special Revenue Fund - Sales Tax Fund

Non-major Funds

Special Revenue Funds

Parks and Recreation Fund

Street Fund

Industrial Inducement Fund

LMA Fund

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

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

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

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

Notes to the Financial Statements

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

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Town's budget presentation. Budgetary comparison statements are included as "required supplementary information" for the General Fund

MANAGEMENT DISCUSSION AND ANALYSIS

DECEMBER 2023

and the Sales Tax Fund. These statements demonstrate compliance with the Town's adopted and final revised budget and can be found on pages 35 and 36 in this report.

Financial Analysis of Governmental-Wide Activities

Net Position

The Town's combined net position (governmental and business-type activities) decreased during 2023 by \$343,818 or 3% from the \$9,987,181 at December 31, 2022, as shown in the following table:

| | <u>2023</u> | <u>2022</u> |
|----------------------------------|---------------------|---------------------|
| Assets | | |
| Current and other assets | \$ 1,386,398 | \$ 1,487,976 |
| Capital assets (net) | <u>9,382,709</u> | <u>9,802,721</u> |
| Total assets | 10,769,107 | 11,290,697 |
| | | |
| Deferred outflows of resources | 237,360 | 340,715 |
| | | |
| Liabilities | | |
| Other liabilities | 255,085 | 340,997 |
| Long-term liabilities | <u>889,289</u> | <u>1,026,217</u> |
| Total liabilities | 1,144,374 | 1,367,214 |
| | | |
| Deferred inflows of resources | 197,688 | 277,017 |
| | | |
| Net position | | |
| Net investment in capital assets | 9,382,709 | 9,802,721 |
| Restricted | 999 | 12,394 |
| Unrestricted | <u>280,697</u> | <u>172,066</u> |
| Total net position | <u>\$ 9,664,405</u> | <u>\$ 9,987,181</u> |

Changes in Net Position

The following condensed government-wide statement of activity illustrates the major changes in operations for the Town as compared to 2022:

| | <u>2023</u> | <u>2022</u> |
|--------------------------|---------------------|---------------------|
| Revenue | | |
| Governmental | \$ 2,391,387 | \$ 2,949,725 |
| Business-type | <u>1,486,995</u> | <u>679,092</u> |
| Total revenue | 3,878,382 | 3,628,817 |
| | | |
| Expenses | | |
| Governmental | 2,767,417 | 2,713,038 |
| Business-type | <u>1,433,741</u> | <u>1,624,896</u> |
| Total expenses | <u>4,201,158</u> | <u>4,337,934</u> |
| | | |
| Decrease in net position | <u>\$ (322,776)</u> | <u>\$ (709,117)</u> |

MANAGEMENT DISCUSSION AND ANALYSIS

DECEMBER 2023

Net position of the Town's governmental activities decreased \$(376,030). Net position of the Town's business-type activities increased \$53,254.

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, 2023, the Town's general fund reported an ending fund balance of \$47,110, a decrease of \$82,370 compared to the calendar year 2022. The general fund is the chief operating fund of the Town.

Proprietary Fund

The Town's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail. The Town's proprietary funds (Water and Sewer Fund and Mall Fund) reported operating expenses of \$1,433,741, which was \$543,004 more than operating revenues of \$890,737, for the year ended December 31, 2023. This was a decrease in excess operating expenses of \$257,581 compared to 2022. The proprietary fund reported an increase of \$53,254 in net position in the calendar year 2023 compared to a decrease of \$(945,804) in the calendar year 2022.

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).

Capital Asset Administration

The Town's investment in capital assets for its governmental and business-type activities at December 31, 2023 totaled \$22,590,904, less accumulated depreciation of \$13,208,195, leaving a \$9,382,709 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, 2023 totaled \$254,064.

Contacting the Town's Financial Management

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

BASIC FINANCIAL STATEMENTS



REGIONS TOWER
333 TEXAS STREET, SUITE 1525 | SHREVEPORT, LOUISIANA 71101
318.429.1525 (P) | 318.429.2124 (F)

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

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Arcadia, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Arcadia, as of December 31, 2023, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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 Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Arcadia and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Arcadia's ability

to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town of Arcadia's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Arcadia's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages i – v, budgetary comparison information on pages 35 -37, schedule of Town's proportionate share of net position liability on page 38, and schedule of Town's contributions on

page 39 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Arcadia's basic financial statements. The accompanying combining non-major fund financial statements on pages 40 - 41 and schedules of compensation and benefits on pages 42 - 43 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual non-major fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report, dated June 28, 2024, on our consideration of the Town of Arcadia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Arcadia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Arcadia's internal control over financial reporting and compliance.

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

Shreveport, Louisiana
June 28, 2024

Government-Wide Financial Statements

TOWN OF ARCADIA
STATEMENT OF NET POSITION
DECEMBER 31, 2023

| | Primary Government | | |
|--|----------------------------|-----------------------------|----------------------|
| | Governmental Activities | Business-type Activities | Total |
| ASSETS | | | |
| Cash and cash equivalents | \$ 182,326 | \$ 161,259 | \$ 343,585 |
| Investments, at fair value | 262,369 | 12,524 | 274,893 |
| Receivables | 629,642 | 124,060 | 753,702 |
| Internal balances | (344,454) | 344,454 | - |
| Inventory | - | 14,218 | 14,218 |
| Prepaid expenses | - | - | - |
| Capital assets, net of depreciation | 5,569,585 | 3,813,124 | 9,382,709 |
| Total assets | <u>6,299,468</u> | <u>4,469,639</u> | <u>10,769,107</u> |
| Deferred pension outflow | 188,951 | 48,409 | 237,360 |
| Total assets and deferred outflows | <u>\$ 6,488,419</u> | <u>\$ 4,518,048</u> | <u>\$ 11,006,467</u> |
| LIABILITIES | | | |
| Accounts payable | \$ 84,036 | \$ 38,653 | \$ 122,689 |
| Deposits | - | 132,396 | 132,396 |
| Net pension liability | 696,795 | 192,494 | 889,289 |
| Total liabilities | <u>780,831</u> | <u>363,543</u> | <u>1,144,374</u> |
| Deferred pension inflow | 190,246 | 7,442 | 197,688 |
| Total liabilities and deferred inflows | <u>\$ 971,077</u> | <u>\$ 370,985</u> | <u>\$ 1,342,062</u> |
| NET POSITION | | | |
| Net investment in capital assets | \$ 5,569,585 | \$ 3,813,124 | \$ 9,382,709 |
| Restricted | - | 999 | 999 |
| Unrestricted | (52,243) | 332,940 | 280,697 |
| Total net position | <u>\$ 5,517,342</u> | <u>\$ 4,147,063</u> | <u>\$ 9,664,405</u> |

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

TOWN OF ARCADIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2023

| Functions/Programs | Expenses | Program Revenues | | | Net (Expenses) Revenue and Changes in Net Assets | | |
|--------------------------------------|---------------------|----------------------|------------------------------------|----------------------------------|--|--------------------------|-----------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | | |
| | | | | | Governmental Activities | Business-type Activities | Total |
| Primary Government: | | | | | | | |
| Governmental activities: | | | | | | | |
| General government | \$ 651,948 | \$ - | \$ - | \$ - | \$ (651,948) | \$ - | \$ (651,948) |
| Public safety | 803,646 | 43,966 | - | - | (759,680) | - | (759,680) |
| Public works | 681,083 | - | - | - | (681,083) | - | (681,083) |
| Depreciation - unallocated | 419,114 | - | - | - | (419,114) | - | (419,114) |
| Cultural and recreation | 97,720 | - | - | - | (97,720) | - | (97,720) |
| Economic development | 110,757 | - | - | - | (110,757) | - | (110,757) |
| Transportation | 3,149 | - | - | - | (3,149) | - | (3,149) |
| Total governmental activities | <u>2,767,417</u> | <u>43,966</u> | <u>-</u> | <u>-</u> | <u>(2,723,451)</u> | <u>-</u> | <u>(2,723,451)</u> |
| Business-type activities: | | | | | | | |
| Water system | 1,408,009 | 890,737 | - | - | - | (517,272) | (517,272) |
| Mall | 25,732 | - | - | - | - | (25,732) | (25,732) |
| Total business-type activities | <u>1,433,741</u> | <u>890,737</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(543,004)</u> | <u>(543,004)</u> |
| Total primary government | <u>\$ 4,201,158</u> | <u>\$ 934,703</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (2,723,451)</u> | <u>\$ (543,004)</u> | <u>\$ (3,266,455)</u> |
| General revenues: | | | | | | | |
| Taxes | | | | | \$ 2,604,270 | \$ - | \$ 2,604,270 |
| Licenses and permits | | | | | 127,744 | - | 127,744 |
| Intergovernmental | | | | | 81,483 | - | 81,483 |
| Use of money and property | | | | | 63,538 | - | 63,538 |
| Investment gain (loss) | | | | | (3,497) | 18,855 | 15,358 |
| Other | | | | | 47,004 | 4,282 | 51,286 |
| Transfers in (out) | | | | | (573,121) | 573,121 | - |
| Total general revenues and transfers | | | | | <u>2,347,421</u> | <u>596,258</u> | <u>2,943,679</u> |
| Change in net position | | | | | (376,030) | 53,254 | (322,776) |
| Net position - beginning | | | | | 5,893,372 | 4,093,809 | 9,987,181 |
| Prior period adjustment | | | | | - | - | - |
| Net position restated - beginning | | | | | 5,893,372 | 4,093,809 | 9,987,181 |
| Net position - ending | | | | | <u>\$ 5,517,342</u> | <u>\$ 4,147,063</u> | <u>\$ 9,664,405</u> |

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

Fund Financial Statements

Governmental Funds

TOWN OF ARCADIA
BALANCE SHEET – GOVERNMENTAL FUNDS
DECEMBER 31, 2023

| | <u>GENERAL</u> | <u>SALES TAX</u> | <u>OTHER GOVERNMENTAL FUNDS</u> | <u>TOTAL GOVERNMENTAL FUNDS</u> |
|-------------------------------------|-------------------|----------------------|---|---|
| ASSETS | | | | |
| Cash and cash equivalents | \$ 155,564 | \$ 19,063 | \$ 7,699 | \$ 182,326 |
| Investments, at fair value | - | 135,887 | 126,482 | 262,369 |
| Receivables | 41,555 | 586,187 | 1,900 | 629,642 |
| Due from other funds | <u>725,921</u> | <u>615,474</u> | <u>790,830</u> | <u>2,132,225</u> |
| Total assets | <u>\$ 923,040</u> | <u>\$ 1,356,611</u> | <u>\$ 926,911</u> | <u>\$ 3,206,562</u> |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 69,485 | \$ - | \$ 14,551 | \$ 84,036 |
| Due to other funds | <u>806,445</u> | <u>523,856</u> | <u>1,146,378</u> | <u>2,476,679</u> |
| Total liabilities | <u>875,930</u> | <u>523,856</u> | <u>1,160,929</u> | <u>2,560,715</u> |
| Fund balances: | | | | |
| Nonspendable: | - | - | - | - |
| Capital projects | - | - | - | - |
| Unrestricted: | | | | |
| Assigned | - | - | (234,018) | (234,018) |
| Unassigned (deficit) | <u>47,110</u> | <u>832,755</u> | <u>-</u> | <u>879,865</u> |
| Total fund balances (deficit) | <u>47,110</u> | <u>832,755</u> | <u>(234,018)</u> | <u>645,847</u> |
| Total liabilities and fund balances | <u>\$ 923,040</u> | <u>\$ 1,356,611</u> | <u>\$ 926,911</u> | <u>\$ 3,206,562</u> |

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

TOWN OF ARCADIA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2023

| | | |
|--|----|---------|
| Fund balances - total governmental funds | \$ | 645,847 |
|--|----|---------|

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

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

| | | |
|-------------------------------|--------------------|-----------|
| Governmental capital assets | 10,890,188 | |
| Less accumulated depreciation | <u>(5,320,603)</u> | 5,569,585 |

| | |
|---|---------|
| Subsequent retirement payments are reported as expenditures in the governmental funds. In the government-wide statements, the payments represent deferred outflow of resources. | (1,295) |
|---|---------|

| | |
|--|------------------|
| Long-term pension obligations are not payable from current resources and, therefore, are not reported in the governmental funds. | <u>(696,795)</u> |
|--|------------------|

| | | |
|---|----|-------------------------|
| Net position of governmental activities | \$ | <u><u>5,517,342</u></u> |
|---|----|-------------------------|

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

TOWN OF ARCADIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
DECEMBER 31, 2023

| | <u>GENERAL</u> | <u>SALES TAX</u> | <u>OTHER GOVERNMENTAL FUNDS</u> | <u>TOTAL GOVERNMENTAL FUNDS</u> |
|--|------------------|----------------------|---|---|
| Revenues: | | | | |
| Taxes | | | | |
| Ad valorem | \$ 211,677 | \$ - | \$ - | \$ 211,677 |
| Sales and use | - | 2,312,772 | - | 2,312,772 |
| Other taxes, penalties and interest | 79,821 | - | - | 79,821 |
| Licenses and permits | 127,744 | - | - | 127,744 |
| Intergovernmental | | | | |
| Federal | 44,195 | - | - | 44,195 |
| State | 37,288 | - | - | 37,288 |
| Fines | 43,966 | - | - | 43,966 |
| Interest | 76 | - | 7,859 | 7,935 |
| Use of money and property | 50,082 | 5,521 | - | 55,603 |
| Miscellaneous | 17,958 | 2 | 29,044 | 47,004 |
| | <u>612,807</u> | <u>2,318,295</u> | <u>36,903</u> | <u>2,968,005</u> |
| Total revenues | | | | |
| Expenditures: | | | | |
| General government | 604,458 | 34,835 | - | 639,293 |
| Public safety | 832,078 | - | - | 832,078 |
| Public works | - | - | 698,822 | 698,822 |
| Culture and recreation | - | - | 94,861 | 94,861 |
| Economic development | - | - | 110,757 | 110,757 |
| Transportation | 3,149 | - | - | 3,149 |
| Capital outlay | 62,205 | - | 8,297 | 70,502 |
| | <u>1,501,890</u> | <u>34,835</u> | <u>912,737</u> | <u>2,449,462</u> |
| Total expenditures | | | | |
| Excess (deficiency) of revenue over expenditures | <u>(889,083)</u> | <u>2,283,460</u> | <u>(875,834)</u> | <u>518,543</u> |
| Other financing sources (uses): | | | | |
| Gain (loss) on investment | - | - | (3,497) | (3,497) |
| Operating transfers in | 986,760 | 455,616 | 998,228 | 2,440,604 |
| Operating transfers out | <u>(180,047)</u> | <u>(2,657,713)</u> | <u>(175,965)</u> | <u>(3,013,725)</u> |
| | <u>806,713</u> | <u>(2,202,097)</u> | <u>818,766</u> | <u>(576,618)</u> |
| Total other financing sources (uses) | | | | |
| Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses | (82,370) | 81,363 | (57,068) | (58,075) |
| Fund balances, beginning of year | <u>129,480</u> | <u>751,392</u> | <u>(176,950)</u> | <u>703,922</u> |
| Fund balances, end of year | <u>\$ 47,110</u> | <u>\$ 832,755</u> | <u>\$ (234,018)</u> | <u>\$ 645,847</u> |

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

TOWN OF ARCADIA

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

FOR THE YEAR ENDED DECEMBER 31, 2023

| | | |
|--|----|----------|
| Net change in fund balances - total governmental funds | \$ | (58,075) |
|--|----|----------|

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

Governmental funds report capital outlays as expenditures.

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

| | | | |
|----------------------|----|------------------|-----------|
| Capital outlay | \$ | 51,545 | |
| Depreciation expense | | <u>(419,114)</u> | (367,569) |

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

49,614

| | | |
|---|----|-------------------------|
| Change in net position of governmental activities | \$ | <u><u>(376,030)</u></u> |
|---|----|-------------------------|

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

Proprietary Funds

TOWN OF ARCADIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2023

| ASSETS | <u>Utility Fund</u> | <u>Mall Fund</u> | <u>Total</u> |
|---|---------------------|------------------|---------------------|
| Current assets: | | | |
| Cash and cash equivalents | \$ 41,866 | \$ 520 | \$ 42,386 |
| Receivables | 124,060 | - | 124,060 |
| Due from other funds | 567,514 | - | 567,514 |
| Inventory | 14,218 | - | 14,218 |
| Total current assets | <u>747,658</u> | <u>520</u> | <u>748,178</u> |
| Noncurrent assets: | | | |
| Restricted: | | | |
| Cash and cash equivalents | 118,873 | - | 118,873 |
| Investments | 12,524 | - | 12,524 |
| Capital assets (net of accumulated depreciation) | 3,813,124 | - | 3,813,124 |
| Total noncurrent assets | <u>3,944,521</u> | <u>-</u> | <u>3,944,521</u> |
| Deferred outflow of resources: | | | |
| Deferred pension outflow | 48,409 | - | 48,409 |
| Total assets and deferred outflows | <u>\$ 4,740,588</u> | <u>\$ 520</u> | <u>\$ 4,741,108</u> |
| | | | |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Accounts payable | \$ 38,653 | \$ - | \$ 38,653 |
| Due to other funds | 223,060 | - | 223,060 |
| Total current liabilities | <u>261,713</u> | <u>-</u> | <u>261,713</u> |
| Current liabilities payable from restricted assets: | | | |
| Customer deposits | 132,396 | - | 132,396 |
| Non-current liabilities: | | | |
| Net pension liability | 192,494 | - | 192,494 |
| Deferred inflows of resources: | | | |
| Deferred pension inflow | 7,442 | - | 7,442 |
| Total liabilities and deferred inflows | <u>594,045</u> | <u>-</u> | <u>594,045</u> |
| | | | |
| NET POSITION | | | |
| Net investment in capital assets | 3,813,124 | - | 3,813,124 |
| Restricted | 999 | - | 999 |
| Unrestricted | 332,420 | 520 | 332,940 |
| Total net position | <u>\$ 4,146,543</u> | <u>\$ 520</u> | <u>\$ 4,147,063</u> |

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

TOWN OF ARCADIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2023

| | <u>Utility Fund</u> | <u>Mall Fund</u> | <u>Total</u> |
|--|---------------------|------------------|---------------------|
| Operating revenues: | | | |
| Water charges | \$ 688,475 | \$ - | \$ 688,475 |
| Sewer charges | 141,412 | - | 141,412 |
| Grant income | 60,850 | - | 60,850 |
| Total operating revenues | <u>890,737</u> | <u>-</u> | <u>890,737</u> |
| Operating expenses: | | | |
| General and administrative | 57,076 | - | 57,076 |
| Water department | 626,489 | - | 626,489 |
| Sewer department | 469,542 | - | 469,542 |
| Mall expenses | - | 25,732 | 25,732 |
| Depreciation | <u>254,902</u> | <u>-</u> | <u>254,902</u> |
| Total operating expenses | <u>1,408,009</u> | <u>25,732</u> | <u>1,433,741</u> |
| Operating income (loss) | <u>(517,272)</u> | <u>(25,732)</u> | <u>(543,004)</u> |
| Nonoperating revenues (expenses): | | | |
| Transfers | 553,389 | 19,732 | 573,121 |
| Investment earnings | 18,855 | - | 18,855 |
| Miscellaneous | <u>4,282</u> | <u>-</u> | <u>4,282</u> |
| Total nonoperating revenues (expenses) | <u>576,526</u> | <u>19,732</u> | <u>596,258</u> |
| Change in net position | 59,254 | (6,000) | 53,254 |
| Net position, beginning of year | <u>4,087,289</u> | <u>6,520</u> | <u>4,093,809</u> |
| Net position, end of year | <u>\$ 4,146,543</u> | <u>\$ 520</u> | <u>\$ 4,147,063</u> |

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

TOWN OF ARCADIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2023

| | <u>Utility Fund</u> | <u>Mall Fund</u> | <u>Total</u> |
|---|---------------------|--------------------|---------------------|
| Cash flows from operating activities: | | | |
| Cash received from customers | \$ 842,632 | \$ - | \$ 842,632 |
| Cash paid to suppliers | (809,523) | (25,732) | (835,255) |
| Cash paid to employees | (422,141) | - | (422,141) |
| Other operating cash payments | 44,929 | - | 44,929 |
| Net cash provided (used) by operating activities | <u>(344,103)</u> | <u>(25,732)</u> | <u>(369,835)</u> |
| Cash flows from noncapital financing activities | | | |
| Non-operating transfers (net) | 553,389 | 19,732 | 573,121 |
| Net cash provided (used) by noncapital financing activities | <u>553,389</u> | <u>19,732</u> | <u>573,121</u> |
| Cash flows from capital and related financing activities: | | | |
| Cash received from grants | 60,850 | - | 60,850 |
| Capital expenditures paid in cash | (202,459) | - | (202,459) |
| Net cash (used) by capital and related financing activities | <u>(141,609)</u> | <u>-</u> | <u>(141,609)</u> |
| Cash flows from investing activities: | | | |
| Interest received | 725 | - | 725 |
| Investments purchased | (130) | - | (130) |
| Net cash provided by investing activities | <u>595</u> | <u>-</u> | <u>595</u> |
| Net increase (decrease) in cash and cash equivalents | 68,272 | (6,000) | 62,272 |
| Cash and cash equivalents: beginning of year | <u>92,467</u> | <u>6,520</u> | <u>98,987</u> |
| Cash and cash equivalents: end of year | <u>\$ 160,739</u> | <u>\$ 520</u> | <u>\$ 161,259</u> |
| Reconciliation of operating loss to net cash provided (used) by operations: | | | |
| Operating (loss) | \$ (517,272) | \$ (25,732) | \$ (543,004) |
| Adjustments to reconcile operating (loss) to net cash provided (used) by operating activities: | | | |
| Depreciation | 254,902 | - | 254,902 |
| (Increase) in due from other funds | (7,854) | - | (7,854) |
| (Decrease) in accounts payable | (33,399) | - | (33,399) |
| Increase in due to other funds | 48,501 | - | 48,501 |
| Increase in customer deposits | 12,745 | - | 12,745 |
| Net change in deferred outflow/inflow and net pension liability | <u>(101,726)</u> | <u>-</u> | <u>(101,726)</u> |
| Total adjustments to operating income | <u>173,169</u> | <u>-</u> | <u>173,169</u> |
| Net cash provided (used) by operating activities | <u>\$ (344,103)</u> | <u>\$ (25,732)</u> | <u>\$ (369,835)</u> |

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

Notes to the Financial Statements

TOWN OF ARCADIA
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2023

INTRODUCTION

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Government-Wide and Fund Financial Statements

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

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

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

TOWN OF ARCADIA
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2023

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

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

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

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

The Town reports the following governmental funds:

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

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

The Town reports the following proprietary funds:

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

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

TOWN OF ARCADIA
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2023

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.

The content and certain titles of the GWFS were changed upon the adoption by the town in 2012 of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement provides reporting guidance for deferred outflows of resources and deferred inflows of resources, and adds them, when applicable, as elements of the GWFS, because they are distinct from assets and liabilities. In addition, because these additional elements may affect the residual amount of all of the elements presented in a statement of financial position, GASB 63 renames that measure as net position rather than net assets. The Town had deferred outflows of resources and deferred inflows of resources related to pensions at December 31, 2023.

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

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

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

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

C. Deposits and Investments

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

Investments are measured using generally accepted accounting principles fair value guidelines that recognize a three-tiered fair value as follows: Level 1 inputs are quoted prices for identical investments in

TOWN OF ARCADIA
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2023

active markets; Level 2 inputs are other observable inputs other than Level 1; and Level 3 inputs are unobservable inputs.

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.”

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

E. Inventories

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

F. Restricted Assets

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

G. Capital Assets

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

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

TOWN OF ARCADIA
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2023

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

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

H. Compensated Absences

Employees of the town earn two weeks vacation after one year of service, 3 weeks after ten years of service, and 4 weeks after twenty years of service. Vacation time which is earned but not used during the calendar year cannot be carried forward into the next calendar year, except under special circumstances pre-approved by the Mayor. Vacation time must be taken in at least one week intervals, unless approved by supervisor. Employees earn 40 hours of sick leave and 24 hours of personal leave each calendar year following the successful completion of the employee’s three-month probationary period. Only unused sick leave can be accumulated up to 240 hours and can be carried forward to the next year, however, employees will not be compensated upon termination or retirement. Unused, earned vacation leave will be paid for provided the employee gives two full weeks’ notice to the town clerk, in writing, of their intention to terminate.

I. Long-Term Obligations

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

J. Fund Equity

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

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. There are no material reservations or designations for the year ended December 31, 2023.

K. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of

TOWN OF ARCADIA
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2023

the financial statements and the reported amounts of revenues, expenditures, and expenses during the reporting period. Actual results could differ from the estimates.

L. Risk Management

The Town is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and injuries to employees. To handle such risk of loss, the Town maintains commercial insurance policies covering its vehicles, professional liability and surety bond coverage. No claims were paid on any of the policies which exceeded the policies' coverage amounts. There were no significant reductions in insurance coverage during the year ended December 31, 2023.

M. Sales Tax

On October 18, 1997, the voters of the Town of Arcadia approved the rededication of the 1987 one cent sales tax to be used and dedicated as follows: 50% for general operating revenue; 30% for constructing, paving, resurfacing, improving, and/or maintaining streets; 10% for acquiring, improving, maintaining and supporting parks and recreation programs in and for the town; and 10% for industrial construction, inducement, and/or procurement. The election on October 18, 1997 extended the levy and collection of the original tax for an additional ten years from June 1, 2002 through June 1, 2012. Subsequent to the tax expiring, the Bienville Parish School Board continued collecting the sales tax through September 2012 when it was discovered the tax had expired. On December 8, 2012, the voters of the Town of Arcadia approved the one percent (1%) sales and use tax previously authorized to be levied by the Town through June 1, 2012; extending the levy and collection beginning January 1, 2013 for a period of ten years. On July 13, 1991, the voters approved a one percent sales and use tax requiring that at least 40% of the proceeds be used for constructing, acquiring, extending, and/or improving sewer and sewerage disposal facilities and the waterworks system of the Town and the remainder to be used for any lawful purpose of the Town. The 1991 tax was for a twenty-five-year period. On April 9, 2016, the voters of the Town of Arcadia approved the one percent sales and use tax previously authorized to be levied by the Town through July 2016; extending the levy and collection beginning July 2016 for a period of ten years. On December 8, 2012, the voters of the Town of Arcadia approved a new half-cent sales and use tax requiring that the proceeds be used for building, constructing, improving, and/or maintaining of public roads and drainage facilities; and to provide for the supplemental collection and disposal of solid waste within and for the Town which is not currently being collected by other agencies, including the payment of contracts providing therefore and acquiring, constructing, improving, maintaining, and operating equipment and facilities necessary therefore. The new tax is for a ten-year period beginning January 1, 2013. The Bienville Parish School Board serves as the collection agent for the sales taxes and is paid a collection fee for acting as such.

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

BUDGET INFORMATION. The Town adopted budgets for the year ended December 31, 2023 for the General fund and Special Revenue funds on a basis consistent with generally accepted accounting principles (GAAP). The Town follows the following procedures in establishing the budgetary data reflected in the financial statements. During the December meeting, the Town clerk submits to the board of aldermen a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and expenses and the means of financing them. Prior to

TOWN OF ARCADIA
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2023

December 15, the budget is legally enacted through passage of an ordinance. The public is invited to attend all meetings. The Town clerk is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures or expenses of any fund must be approved by the board of aldermen. Appropriations lapse at the end of the year. The budgets were not amended during the fiscal year.

The Town was not in compliance with the General Fund budget. The Town did not formally approve a budget for the Sales Tax special revenue fund. Also, the General Fund shows a deficit in ending fund balance at December 31, 2023. This is a product of the “due to” account balances and GASB 68 implementation. In addition, the Town has a deficit in their other governmental funds at December 31, 2023, which is related to “due to/from” accounts; mainly in the Street Fund. In fiscal year 2023, Town management has stated the due to/from accounts will be cleared out for the respective funds which have a negative fund balance, which should alleviate a majority of the deficits.

3. CASH AND CASH EQUIVALENTS

At December 31, 2023, the Town has cash and cash equivalents (book balances) totaling \$343,585 as follows:

| | |
|----------------------------------|------------------|
| Demand deposits | \$ 86,329 |
| Interest-bearing demand deposits | <u>257,256</u> |
| Total | <u>\$343,585</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, 2023, the Town has \$371,650 in deposits (collected bank balances). These deposits are secured from risk by \$250,000 of federal deposit insurance and \$250,000 of pledged securities held by the custodial bank in the name of the fiscal agent bank. (GASB Category 3).

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

4. INVESTMENTS

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

1. Insured or registered, or securities held by the Town or its agent in the Town’s name.

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

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

| Category | Carrying Amount | | | Total Carrying Amount |
|------------------------------------|-----------------|-------------------|------|-----------------------------|
| | Fair Value | Amortized Cost | Cost | |
| Type of investment | 1 | 2 | 3 | |
| Asset and Mortgage backed notes | - | \$274,893 | - | \$ 274,893 |
| Total investments | - | \$274,893 | - | \$ 274,893 |

The recurring fair value measurement for the asset and mortgage backed securities are presented at fair value wing Level 2 fair value measurement.

5. RECEIVABLES

The receivables of \$753,702 at December 31, 2023, are as follows:

| | General Fund | Special Revenue Funds | Water and Sewer Fund | Total |
|---------------------------------------|-----------------|-----------------------------|-------------------------|-----------|
| Taxes: | | | | |
| Ad valorem | \$ 26,156 | \$ - | \$ - | \$ 26,156 |
| Sales and use | - | 586,187 | - | 586,187 |
| Other taxes, penalties, and interests | 15,399 | - | - | 15,399 |
| Grants | - | - | - | - |
| Accounts | 1,900 | - | 124,060 | 125,960 |
| Total | \$ 43,455 | \$ 586,187 | \$ 124,060 | \$753,702 |

6. RESTRICTED ASSETS

Restricted assets of business-type activities were applicable to the following at December 31, 2023:

| | |
|---------------------------|--------------------------------------|
| | Enterprise fund Customer Deposits |
| Cash and cash equivalents | \$ 119,872 |
| Investments | 12,524 |
| Total | \$ 132,396 |

TOWN OF ARCADIA
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7. AD VALOREM TAXES

For the year ended December 31, 2023, taxes of \$211,677 were levied on property with assessed valuations totaling \$39,272,206 and were dedicated as follows:

General corporate purposes: 5.390 mills

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

| <u>Taxpayer</u> | <u>Type of Business</u> | <u>Assessed Valuation</u> | <u>% of Total Assessed Valuation</u> | <u>Ad Valorem Tax Revenue for Town</u> |
|----------------------------|-------------------------|---------------------------|--------------------------------------|--|
| Haynes International, Inc. | Tubular Production | \$ 5,898,278 | 15.02% | \$ 31,792 |
| Arcadia Gas Storage, LLC | Natural Gas Storage | 5,781,955 | 14.72% | 31,165 |
| House of Raeford Farms | Poultry Productions | <u>3,033,956</u> | <u>7.73%</u> | <u>16,353</u> |
| Total | | <u>\$14,714,189</u> | <u>37.47%</u> | <u>\$ 79,310</u> |

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

8. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of December 31, 2023 is as follows:

| | <u>Due from</u> | <u>Due to</u> |
|-----------------------|--------------------|--------------------|
| General fund | \$ 679,738 | \$ 760,262 |
| Special revenue funds | | |
| Sales tax | 615,474 | 523,856 |
| Street | 476,426 | 882,151 |
| Industrial Inducement | 193,696 | 264,227 |
| Parks and Recreation | 120,708 | - |
| Water and sewer fund | <u>567,514</u> | <u>223,060</u> |
| Total | <u>\$2,653,556</u> | <u>\$2,653,556</u> |

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NOTES TO THE FINANCIAL STATEMENTS
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9. CAPITAL ASSETS

Capital assets and depreciation activity as of and for the year ended December 31, 2023, for the primary government is as follows:

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|--|------------------------------|---------------------|------------------|---------------------------|
| Governmental activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 549,035 | \$ - | \$ - | \$ 549,035 |
| Total capital assets, not being depreciated | <u>\$ 549,035</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 549,035</u> |
| Capital assets being depreciated: | | | | |
| Buildings | \$ 4,533,444 | \$ - | \$ - | \$ 4,533,444 |
| Vehicles | 719,833 | - | - | 719,833 |
| Improvements | 3,975,332 | 9,590 | - | 3,984,922 |
| Equipment | <u>1,060,999</u> | <u>41,955</u> | <u>-</u> | <u>1,102,954</u> |
| Total capital assets being depreciated | 10,289,608 | 51,545 | - | 10,341,153 |
| Less accumulated depreciation | <u>4,901,489</u> | <u>419,114</u> | <u>-</u> | <u>5,320,603</u> |
| Total capital assets being depreciated, net | <u>\$ 5,388,119</u> | <u>\$ (367,569)</u> | <u>\$ -</u> | <u>\$ 5,020,550</u> |
| Business-type activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 268,628 | \$ - | \$ - | \$ 268,628 |
| Total capital assets, not being depreciated | <u>\$ 268,628</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 268,628</u> |
| Capital assets being depreciated: | | | | |
| Water wells | \$ 1,474,762 | \$ 24,447 | \$ - | \$ 1,499,209 |
| Pumping plant | 123,235 | - | - | 123,235 |
| Purification plant | 111,489 | - | - | 111,489 |
| Storage reservoir tanks | 194,176 | - | - | 194,176 |
| Water distribution system | 2,762,202 | - | - | 2,762,202 |
| General equipment | 385,883 | 35,989 | - | 421,872 |
| Office equipment | 22,097 | - | - | 22,097 |
| Improvements | 7,800 | 6,000 | - | 13,800 |
| Sewer system | 5,966,630 | 136,083 | - | 6,102,713 |
| Buildings | - | - | - | - |
| Vehicles | <u>181,355</u> | <u>-</u> | <u>-</u> | <u>181,355</u> |
| Total capital assets being depreciated | 11,229,629 | 202,519 | - | 11,432,148 |
| Less-accumulated depreciation | <u>7,632,690</u> | <u>254,908</u> | <u>-</u> | <u>7,887,598</u> |
| Total capital assets being depreciated, net | <u>\$ 3,596,939</u> | <u>\$ (52,389)</u> | <u>\$ -</u> | <u>\$ 3,544,550</u> |

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Depreciation expense of \$419,114 and \$254,902 for the year ended December 31, 2023 was charged to general government and public safety, respectively.

10. RETIREMENT

PENSION AND RETIREMENT PLANS

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

Cost-Sharing Multiple-Employer Retirement Systems

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

Municipal Police Employees’ Retirement System

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

Membership Prior to January 1, 2013

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

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

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

Membership Commencing January 1, 2013

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

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

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

Cost of Living Adjustments

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

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

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

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Deferred Retirement Option Plan

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

Initial Benefit Option Plan

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

Contributions

Plan members are required by state statute to contribute 9% of their annual covered salary and the Town of Arcadia is required to contribute at an actuarially determined rate. The current rate for the year ended December 31, 2023 was 31.25% 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 of Arcadia, Louisiana's contributions to the System, for the year ending December 31, 2023 were \$52,716.

The System also receives insurance premium tax monies as additional employer contributions. The tax is considered support from a non-contributing entity and appropriated by the legislature each year based on an actuarial study. Non-employer contributions during the measurement period of \$11,485 are recognized as revenue and are excluded from pension expense.

TOWN OF ARCADIA
NOTES TO THE FINANCIAL STATEMENTS
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Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2023, the Town reported a liability of \$526,093 for its proportionate share of the net pension liability of the System. The net pension liability was measured as of June 30, 2023 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2023, the Town's proportion was 0.049796% which was a decrease of 0.012221% from its proportion measured as of June 30, 2022.

For the year ended December 31, 2023, the Town recognized pension expense of \$48,454 representing its proportionate share of the System's net expense, including amortization of deferred amounts.

At December 31, 2023, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|-----------------------------------|----------------------------------|
| Differences between expected and actual experience | \$ 37,058 | \$ 221 |
| Changes in assumptions | 8,779 | - |
| Net difference between projected and actual earnings on pension plan investments | 56,795 | - |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | - | 183,425 |
| Employer contributions subsequent to the measurement date | <u>43,391</u> | <u>-</u> |
| Total | <u>\$ 146,023</u> | <u>\$ 183,646</u> |

The Town reported a total of \$43,391 as deferred outflow of resources related to pension contributions made subsequent to the measurement period of December 31, 2022 which will be recognized as a reduction in net pension liability in the year ended December 31, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| | |
|---------------------|--------------------|
| Year Ended June 30: | |
| 2024 | \$ (67,037) |
| 2025 | (42,883) |
| 2026 | 31,729 |
| 2027 | <u>(2,823)</u> |
| | <u>\$ (81,014)</u> |

TOWN OF ARCADIA
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Actuarial Methods and Assumptions

A summary of the actuarial methods and assumptions used in determining the total pension liability as of June 30, 2023 are as follows:

| | |
|----------------------------------|-----------------------------------|
| Valuation Date | June 30, 2023 |
| Actuarial Cost Method | Entry Age Normal Cost |
| Investment Rate of Return | 6.750%, net of investment expense |
| Expected Remaining Service lives | 4 years |
| Inflation Rate | 2.5% |

| | <u>Years of Service</u> | <u>Salary Growth Rate</u> |
|---|-------------------------|---------------------------|
| Salary increases, including inflation and merit | 1-2 | 12.30% |
| | Above 2 | 4.70% |

The forecasted long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and an adjustment for the effect of rebalancing/diversification. The resulting forecasted long-term rate of return is 7.9% for the year ended June 30, 2023.

Best estimates of arithmetic nominal rates of return for each major asset class included in the System's target allocation as of June 30, 2023 are summarized in the following table:

| <u>Asset Class</u> | <u>Target Asset Allocation</u> | <u>Long-Term Expected Portfolio Real Rate of Return</u> |
|------------------------------------|--------------------------------|---|
| Equity | 52.00% | 3.29% |
| Fixed Income | 34.00% | 1.12% |
| Alternatives | <u>14.00%</u> | <u>0.95%</u> |
| Totals | 100.00% | 5.36% |
| Inflation | | <u>2.54%</u> |
| Expected Arithmetic Nominal Return | | <u>7.90%</u> |

The discount rate used to measure the total pension liability was 6.750%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers

TOWN OF ARCADIA
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will be made at the actuarially determined rates approved by PRSAC taking into consideration the recommendation of the System’s actuary. Based on those assumptions, the System’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The mortality rate assumption used was set based upon an experience study performed by the prior actuary on plan data for the period July 1, 2015 through June 30, 2023 and review of similar law enforcement mortality. The data was then assigned credibility weighting and combined with a standard table to produce current levels of mortality. This mortality was then projected forward to a period equivalent to the estimated duration of the System’s liabilities. Annuity values calculated based on this mortality were compared to those produced by using a set back of standard tables. The result of the procedure indicated that the tables used would produce liability values approximating the appropriate generational mortality tables.

SENSITIVITY TO CHANGES IN DISCOUNT RATE

The following presents the Town’s proportionate share of the net pension liability calculated using the discount rate of 6.750%, as well as what the Town’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.750%) or one percentage point higher (7.750%) than the current rate:

| | <u>Changes in Discount Rate</u> | | |
|---|---------------------------------|--------------------------|----------------|
| | 1% Decrease | Current Discount Rate | 1% Increase |
| | <u>5.750%</u> | <u>6.750%</u> | <u>7.750%</u> |
| Town’s proportionate share of the net pension liability | \$ 740,255 | \$ 526,093 | \$ 347,190 |

Municipal Employees’ Retirement System of Louisiana

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

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

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

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Eligibility Requirements:

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

Retirement Benefits:

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

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

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

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

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

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

Survivor Benefits:

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

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

DROP Benefits:

In lieu of terminating employment and accepting a service retirement allowance, any member of Plan A or B who is eligible to retire may elect to participate in the deferred retirement option plan (DROP) for up to three years and defer the receipt of benefits. During participation in the plan,

TOWN OF ARCADIA
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employer contributions are payable but employee contributions cease. The monthly retirement benefits that would be payable, had the person elected to cease employment and receive a service retirement allowance, are paid into the DROP Fund. Interest is earned when the member has completed DROP participation. Interest earnings are based upon the actual rate of return on the investments identified as DROP funds for the period. In addition, no cost-of-living increases are payable to participants until employment which made them eligible to become members of the System has been terminated for at least one full year.

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

Disability Benefits:

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

Cost of Living Increases:

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

Deferred Benefits:

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

Contributions

Plan members are required by state statute to contribute 5.0% of their annual covered salary and the Town of Arcadia is required to contribute at an actuarially determined rate. The current rate

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AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2023

for the year ended December 31, 2023 was 15.50% of annual covered payroll. The contribution requirements of plan members and the Town are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Town of Arcadia, Louisiana’s contributions to the System, for the year ending December 31, 2023 was \$60,257.

In accordance with state statute, the System receives ad valorem taxes and state revenue sharing funds. These additional sources of income are used as employer contributions and are considered support from non-employer contributing entities, but are not considered special funding situations. Non-employer contributions of \$14,428 during the measurement period are recognized as revenue and are excluded from pension expense.

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

At December 31, 2023, the Town reported a liability of \$363,195 for its proportionate share of the net pension liability of the System. The net pension liability was measured as of June 30, 2023 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town’s proportion of the net pension liability was based on a projection of the Town’s long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At December 31, 2023, the Town’s proportion was 0.452940% which was an increase of 0.006059% from its proportion measured as of June 30, 2022.

For the year ended December 31, 2023, the Town recognized pension expense (benefit) of (\$1,767) representing its proportionate share of the System’s net expense, including amortization of deferred amounts.

At December 31, 2023, the Town reported deferred outflows of resources and deferred inflows of resources related to the pension from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Differences between expected and actual experience | \$ 5,219 | \$ 127 |
| Changes of assumptions | - | - |
| Net difference between projected and actual earnings on pension plan investments | 47,112 | - |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 2,935 | 13,915 |
| Employer contributions subsequent to the measurement date | <u>36,071</u> | <u>-</u> |
| Total | <u>\$ 91,337</u> | <u>\$ 14,042</u> |

TOWN OF ARCADIA
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2023

The Town reported a total of \$36,071 as deferred outflow of resources related to pension contributions made subsequent to the measurement period of December 31, 2023 which will be recognized as a reduction in net pension liability in the year ended December 31, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:

| | | |
|------|----|------------------|
| 2024 | \$ | 2,450 |
| 2025 | | 9,965 |
| 2026 | | 30,807 |
| 2027 | | <u>(1,996)</u> |
| | | <u>\$ 41,226</u> |

Actuarial Methods and Assumptions

A summary of the actuarial methods and assumptions used in determining the total pension liability as of June 30, 2023 are as follows:

| | |
|----------------------------------|--|
| Valuation Date | June 30, 2023 |
| Actuarial Cost Method | Entry Age Normal Actuarial Assumptions: |
| Investment Rate of Return | 6.85%, net of investment expense |
| Projected Salary Increases | 1-4 Years: 6.4% (including inflation and merit) 4+ Years: 4.5% (including inflation and merit) |
| Mortality Rates | PubG-2010(B) Employee Table for active members PubG-2010(B) Healthy Retiree Table for healthy annuitants PubNS-2010(B) Disabled Lives Retiree Tables for disabled annuitants |
| Expected Remaining Service Lives | 3 years |
| Inflation Rate | 2.50% |
| Cost of Living Adjustments | The present value of future retirement benefits is based on benefits currently being paid by the System and includes previously granted cost of living increases. The present values do not include provisions for potential future increases not yet authorized by the Board of Trustees. |

The mortality rate assumption used was verified by combining data from this plan with three other statewide plans which have similar workforce composition in order to produce a credible experience. The aggregated data was collected over the period July 1, 2013 through June 30, 2018. The data was then assigned credibility weighting and combined with a standard table to produce

TOWN OF ARCADIA
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2023

current levels of mortality. This mortality was then projected forward to a period equivalent to the estimated duration of the System’s liabilities. Annuity values calculated based on this mortality were compared to those produced by using a setback of standard tables. The result of the procedure indicated that these tables would produce liability values approximating the appropriate generational mortality tables used.

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

Best estimates of arithmetic real rates of return for each major asset class included in the System’s target asset allocation as of June 30, 2022 are summarized in the following table:

| <u>Asset Class</u> | <u>Long-Term Expected Portfolio Target Asset Allocation</u> | <u>Real Rate Return</u> |
|--|---|-----------------------------|
| Public Equity | 56% | 2.44% |
| Public Fixed Income | 29% | 1.26% |
| Alternatives | <u>15%</u> | <u>0.65%</u> |
| Totals | 100% | 4.35% |
| Inflation | | <u>2.50%</u> |
| Expected Arithmetic Nominal Return | | <u>6.85%</u> |

The discount rate used to measure the total pension liability was 6.85%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made at the actuarially determined rates approved by PERSAC taking into consideration the recommendation of the System’s actuary. Based on those assumptions, the System’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

TOWN OF ARCADIA
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2023

SENSITIVITY TO CHANGES IN DISCOUNT RATE

The following presents the Town’s proportionate share of the net pension liability calculated using the discount rate of 6.85%, as well as what the Town’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.85%) or one percentage point higher (7.85%) than the current rate:

| | <u>Changes in Discount Rate</u> | | |
|--|---------------------------------|---------------|--------------|
| | 1% | Current | 1% |
| | Decrease | Discount Rate | Increase |
| | <u>5.85%</u> | <u>6.85%</u> | <u>7.85%</u> |
| Town’s proportionate share of the net pension liability | \$ 513,198 | \$ 363,195 | \$ 236,317 |

11. CONTINGENT LIABILITIES

As of December 31, 2023, the Town was involved in a legal matter where it was unclear if the Town would be found liable. It is believed the Town’s liability, if any, does not exceed the coverage afforded under the liability policy, thus, no reserves have been recorded for potential loss.

12. ON BEHALF PAYMENTS FOR SALARIES

The Town recognizes as general fund revenues and expenses supplemental pay made by the State of Louisiana to the Town’s police employees. For the year ended December 31, 2023, the State made contributions of \$11,750.

13. SUBSEQUENT EVENTS

The Town has evaluated events subsequent to June 28, 2024 to assess the need for potential recognition or disclosure in this report. Such events were evaluated through the date these financial statements were available to be issued. Based upon this evaluation, it was determined that no subsequent events occurred that require recognition or disclosure in the financial statements.

Required Supplemental Information

**TOWN OF ARCADIA
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2023
(unaudited)**

| | BUDGETED AMOUNTS | | ACTUAL AMOUNTS | VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE) |
|--|---------------------|---------------------|-------------------|---|
| | ORIGINAL | FINAL | | |
| Revenues: | | | | |
| Taxes: | | | | |
| Ad valorem | \$ 205,000 | \$ 205,000 | \$ 211,677 | \$ 6,677 |
| Other taxes, penalties and interest | 90,000 | 90,000 | 79,821 | (10,179) |
| Licenses and permits | 105,000 | 105,000 | 127,744 | 22,744 |
| Intergovernmental | 214,000 | 214,000 | 81,483 | (132,517) |
| Fines | 50,000 | 50,000 | 43,966 | (6,034) |
| Use of money and property | 62,000 | 62,000 | 50,158 | (11,842) |
| Miscellaneous | - | - | 17,958 | 17,958 |
| Total revenues | <u>726,000</u> | <u>726,000</u> | <u>612,807</u> | <u>(113,193)</u> |
| Expenditures: | | | | |
| Current: | | | | |
| General government | 511,757 | 511,757 | 604,458 | (92,701) |
| Public safety | 1,055,184 | 1,055,184 | 832,078 | 223,106 |
| Economic development | - | - | - | - |
| Transportation | 4,600 | 4,600 | 3,149 | 1,451 |
| Capital outlay | - | - | 62,205 | (62,205) |
| Total expenditures | <u>1,571,541</u> | <u>1,571,541</u> | <u>1,501,890</u> | <u>69,651</u> |
| Excess (deficiency) of revenue over expenditures | <u>(845,541)</u> | <u>(845,541)</u> | <u>(889,083)</u> | <u>(43,542)</u> |
| Other financing sources (uses): | | | | |
| Operating transfers (net) | - | - | 806,713 | 806,713 |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>806,713</u> | <u>806,713</u> |
| Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses | <u>(845,541)</u> | <u>(845,541)</u> | <u>(82,370)</u> | <u>763,171</u> |
| Fund balances, beginning of year | <u>129,480</u> | <u>129,480</u> | <u>129,480</u> | <u>-</u> |
| Fund balances, end of year | <u>\$ (716,061)</u> | <u>\$ (716,061)</u> | <u>\$ 47,110</u> | <u>\$ 763,171</u> |

See accompanying independent auditor's report.

**TOWN OF ARCADIA
SPECIAL REVENUE FUND TYPES
SALES TAX FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2023
(unaudited)**

| | BUDGETED AMOUNTS | | ACTUAL AMOUNTS | VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE) |
|--|--------------------|--------------------|--------------------|---|
| | ORIGINAL | FINAL | | |
| Revenues: | | | | |
| Taxes | \$ 2,080,541 | \$ 2,080,541 | \$ 2,312,772 | \$ 232,231 |
| Interest and other revenue | <u>1</u> | <u>1</u> | <u>5,523</u> | <u>5,522</u> |
| Total revenues | <u>2,080,542</u> | <u>2,080,542</u> | <u>2,318,295</u> | <u>237,753</u> |
| Expenditures: | | | | |
| General government | <u>31,208</u> | <u>31,208</u> | <u>34,835</u> | <u>(3,627)</u> |
| Total expenditures | <u>31,208</u> | <u>31,208</u> | <u>34,835</u> | <u>(3,627)</u> |
| Excess (deficiency) of revenue over expenditures | <u>2,049,334</u> | <u>2,049,334</u> | <u>2,283,460</u> | <u>234,126</u> |
| Other financing sources (uses): | | | | |
| Operating transfers (net) | <u>(2,049,333)</u> | <u>(2,049,333)</u> | <u>(2,202,097)</u> | <u>(152,764)</u> |
| Total other financing sources (uses) | <u>(2,049,333)</u> | <u>(2,049,333)</u> | <u>(2,202,097)</u> | <u>(152,764)</u> |
| Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses | 1 | 1 | 81,363 | 81,362 |
| Fund balances, beginning of year | <u>751,392</u> | <u>751,392</u> | <u>751,392</u> | <u>-</u> |
| Fund balances, end of year | <u>\$ 751,393</u> | <u>\$ 751,393</u> | <u>\$ 832,755</u> | <u>\$ 81,362</u> |

See accompanying independent auditor's report.

TOWN OF ARCADIA
NOTES TO BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2023

Budget Variances - Major Funds

Actual revenues were less than budgeted expenditures by 24% or more in the General Fund.

The General Fund shows a deficit in ending fund balance at December 31, 2023. This is generally a product of the "due to" account balances.

TOWN OF ARCADIA

**SCHEDULE OF TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEARS ENDED DECEMBER 31, 2015 THROUGH DECEMBER 31, 2023
(unaudited)**

| Fiscal Year | Employer Proportion of the Net Pension Liability (Asset) | Employer Proportionate Share of the Net Pension Liability (Asset) | Employer's Covered Employee Payroll | Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Employee Payroll | Plan Fiduciary Net Position as a Percentage of the Total Pension Liability |
|--------------------|---|--|--|--|---|
| MERS | | | | | |
| 2023 | 0.452940% | 363,195 | 488,744 | 74.3% | 73.25% |
| 2022 | 0.446881% | 392,292 | 362,289 | 108.3% | 69.56% |
| 2021 | 0.503505% | 291,685 | 380,822 | 76.6% | 79.14% |
| 2020 | 0.690947% | 626,154 | 365,323 | 171.4% | 66.26% |
| 2019 | 0.838345% | 733,395 | 710,039 | 103.3% | 66.14% |
| 2018 | 0.717874% | 607,201 | 568,222 | 106.9% | 65.60% |
| 2017 | 0.700763% | 606,323 | 520,309 | 116.5% | 63.49% |
| 2016 | 0.686303% | 568,881 | 512,390 | 111.0% | 63.34% |
| 2015 | 0.753400% | 512,046 | 501,057 | 102.2% | 68.71% |
| MPERS | | | | | |
| 2023 | 0.049796% | 526,093 | 209,658 | 250.9% | 71.30% |
| 2022 | 0.062017% | 633,924 | 192,888 | 328.6% | 70.80% |
| 2021 | 0.079378% | 423,128 | 216,892 | 195.1% | 84.09% |
| 2020 | 0.099692% | 921,386 | 248,222 | 371.2% | 70.94% |
| 2019 | 0.067018% | 608,636 | 262,914 | 231.5% | 71.01% |
| 2018 | 0.047384% | 400,587 | 148,441 | 269.9% | 71.89% |
| 2017 | 0.042413% | 370,283 | 134,701 | 274.9% | 70.08% |
| 2016 | 0.062017% | 581,274 | 122,770 | 473.5% | 66.04% |
| 2015 | 0.069372% | 543,457 | 165,159 | 329.1% | 70.73% |

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

TOWN OF ARCADIA
SCHEDULE OF TOWN'S CONTRIBUTIONS
FOR THE YEARS ENDED DECEMBER 31, 2015 THROUGH DECEMBER 31, 2023
(unaudited)

| <u>Fiscal Year</u> | <u>Contractually Required Contribution</u> | <u>Contributions in Relation to Contractual Required Contribution</u> | <u>Contribution Deficiency (Excess)</u> | <u>Employer's Covered Employee Payroll</u> | <u>Contributions as a Percentage of Covered Employee Payroll</u> |
|--------------------|--|---|---|--|--|
| <u>MERS</u> | | | | | |
| 2023 | \$ 75,755 | \$ 75,755 | \$ - | \$ 488,744 | 15.50% |
| 2022 | 56,155 | 56,155 | - | 362,289 | 15.50% |
| 2021 | 59,027 | 59,027 | - | 380,822 | 15.50% |
| 2020 | 54,039 | 54,039 | - | 365,323 | 14.79% |
| 2019 | 97,950 | 97,950 | - | 710,039 | 13.80% |
| 2018 | 77,495 | 77,495 | - | 568,222 | 13.64% |
| 2017 | 63,034 | 63,034 | - | 520,309 | 12.11% |
| 2016 | 51,343 | 51,343 | - | 512,390 | 10.02% |
| 2015 | 47,600 | 47,600 | - | 501,057 | 9.50% |
| <u>MPERS</u> | | | | | |
| 2023 | 65,308 | 65,308 | - | 209,658 | 31.15% |
| 2022 | 58,863 | 58,863 | - | 192,888 | 30.52% |
| 2021 | 69,316 | 69,316 | - | 216,892 | 31.96% |
| 2020 | 91,545 | 91,545 | - | 248,222 | 36.88% |
| 2019 | 85,173 | 85,173 | - | 262,914 | 32.40% |
| 2018 | 50,100 | 50,100 | - | 148,441 | 33.75% |
| 2017 | 42,115 | 42,115 | - | 134,701 | 31.27% |
| 2016 | 41,189 | 41,189 | - | 122,770 | 33.55% |
| 2015 | 56,309 | 56,309 | - | 165,159 | 34.09% |

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

Supplementary Information

TOWN OF ARCADIA
COMBINING BALANCE SHEET, NON-MAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2023

| | <u>STREET</u> | <u>INDUSTRIAL INDUCEMENT</u> | <u>PARKS AND RECREATION</u> | <u>LMA</u> | <u>TOTAL OTHER GOVERNMENTAL FUNDS</u> |
|-------------------------------------|-------------------|----------------------------------|---------------------------------|-----------------|---|
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 2,099 | \$ 4,955 | \$ 193 | \$ 452 | \$ 7,699 |
| Investments | - | 126,482 | - | - | 126,482 |
| Receivables | - | - | - | 1,900 | 1,900 |
| Due from other funds | 476,426 | 193,696 | 120,708 | - | 790,830 |
| Total assets | <u>\$ 478,525</u> | <u>\$ 325,133</u> | <u>\$ 120,901</u> | <u>\$ 2,352</u> | <u>\$ 926,911</u> |
| LIABILITIES AND FUND BALANCES | | | | | |
| Liabilities: | | | | | |
| Accounts payable | \$ 11,840 | \$ 500 | \$ 2,211 | \$ - | \$ 14,551 |
| Due to other funds | 882,151 | 264,227 | - | - | 1,146,378 |
| Total liabilities | <u>893,991</u> | <u>264,727</u> | <u>2,211</u> | <u>-</u> | <u>1,160,929</u> |
| Fund balances: | | | | | |
| Nonspendable | - | - | - | - | - |
| Unrestricted: | | | | | |
| Assigned (deficit) | <u>(415,466)</u> | <u>60,406</u> | <u>118,690</u> | <u>2,352</u> | <u>(234,018)</u> |
| Unassigned | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total fund balances | <u>(415,466)</u> | <u>60,406</u> | <u>118,690</u> | <u>2,352</u> | <u>(234,018)</u> |
| Total liabilities and fund balances | <u>\$ 478,525</u> | <u>\$ 325,133</u> | <u>\$ 120,901</u> | <u>\$ 2,352</u> | <u>\$ 926,911</u> |

TOWN OF ARCADIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2023

| | <u>STREET</u> | <u>INDUSTRIAL INDUCEMENT</u> | <u>PARKS AND RECREATION</u> | <u>LMA</u> | <u>TOTAL OTHER GOVERNMENTAL FUNDS</u> |
|--|---------------------|----------------------------------|---------------------------------|-----------------|---|
| Revenues: | | | | | |
| Interest | \$ 21 | \$ 7,828 | \$ 10 | \$ - | \$ 7,859 |
| Miscellaneous | 11,688 | 11,120 | 6,236 | - | 29,044 |
| Total revenues | <u>11,709</u> | <u>18,948</u> | <u>6,246</u> | <u>-</u> | <u>36,903</u> |
| Expenditures: | | | | | |
| Economic development | - | 110,757 | - | - | 110,757 |
| Public works | 698,822 | - | - | - | 698,822 |
| Culture and recreation | - | - | 94,861 | - | 94,861 |
| Capital outlay | 8,297 | - | - | - | 8,297 |
| Total expenditures | <u>707,119</u> | <u>110,757</u> | <u>94,861</u> | <u>-</u> | <u>912,737</u> |
| Excess (deficiency) of revenue over expenditures | <u>(695,410)</u> | <u>(91,809)</u> | <u>(88,615)</u> | <u>-</u> | <u>(875,834)</u> |
| Other financing sources (uses): | | | | | |
| Unrealized gain or (loss) on investments | - | (3,497) | - | - | (3,497) |
| Operating transfers in | 805,318 | 91,123 | 101,787 | - | 998,228 |
| Operating transfers out | (2,591) | (172,642) | (732) | - | (175,965) |
| Total other financing sources (uses) | <u>802,727</u> | <u>(85,016)</u> | <u>101,055</u> | <u>-</u> | <u>818,766</u> |
| Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses | 107,317 | (176,825) | 12,440 | - | (57,068) |
| Fund balances, beginning of year | (522,783) | 237,231 | 106,250 | 2,352 | (176,950) |
| Fund balances, end of year | <u>\$ (415,466)</u> | <u>\$ 60,406</u> | <u>\$ 118,690</u> | <u>\$ 2,352</u> | <u>\$ (234,018)</u> |

TOWN OF ARCADIA
SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS
TO AGENCY HEAD
FOR THE YEAR ENDED DECEMBER 31, 2023

Agency Head: Honorable O'Landis Millican

| | |
|------------------------------|-----------|
| Salary | \$ 64,032 |
| Benefits-insurance | 27,255 |
| Benefits-retirement | - |
| Travel and registration fees | 3,052 |

TOWN OF ARCADIA
SCHEDULE OF COMPENSATION AND BENEFITS PAID ELECTED OFFICIALS
FOR THE YEAR ENDED DECEMBER 31, 2023

| | <u>Compensation</u> | <u>Benefits</u> |
|------------------------------------|---------------------|-----------------|
| Honorable O'Landis Millican, Mayor | \$ 64,032 | \$ 30,307 |
| Ciera Murphy, Police Chief | 70,032 | 17,820 |
| Edwin Mason, Board Member | 7,800 | 1,124 |
| Joseph Pruitt, Board Member | 7,800 | 19,450 |
| Deborah Harris, Board Member | 7,800 | 9,890 |
| Timothy Williams, Board Member | 7,800 | 1,281 |
| Melanie Monroe, Board Member | 1,400 | 10,167 |

Other Reports



REGIONS TOWER
333 TEXAS STREET, SUITE 1525 | SHREVEPORT, LOUISIANA 71101
318.429.1525 (P) | 318.429.2124 (F)

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

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

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Arcadia, Louisiana as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Town of Arcadia, Louisiana's basic financial statements, and have issued our report thereon dated June 28, 2024.

Internal Control over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2023-1 and 2023-3, to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2023-4, to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2023-2.

The Town's Response to Findings

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

Purpose of this Report

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

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

Shreveport, Louisiana
June 28, 2024

TOWN OF ARCADIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2023

A. Summary of Audit Results

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

B. Findings – Financial Statement Audit

2023-1: Accounting Staff:

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

2023-2: Budget Variance and Non-Compliance:

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

The Town did not adopt a budget for the General Fund until March 2023. The Budget Act requires that the budget be adopted before the beginning of the new fiscal year.

TOWN OF ARCADIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2023

B. Findings – Financial Statement Audit (Continued)

2023-3: Internal Control over Accounts Payable/Disbursements:

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

- a) Certain old items from prior years were included in the accounts payable aging reconciliation for certain Funds.

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

2023-4: Internal Control over Police Ticket Payments

As a result of test-work over the receipt and deposit process of police tickets, the following item was noted:

- a) Twelve of the twenty five receipts tested were not deposited within one business day of receipt.

This delay in depositing receipts could allow for receipts to either be lost or stolen. Management should make every effort to deposit funds the same day of receipt or the next business day after the receipt.

TOWN OF ARCADIA
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2023

2022-1: Accounting Staff:

Status: Unresolved – repeated as 2023-1.

2022-2: Budget Variance:

Status: Unresolved – repeated as 2023-2.

2022-3: Internal Control over Accounts Payable:

Status: Unresolved – repeated as 2023-3.

2022-4: LLA Investigative Report:

Status: Resolved

2022-5: Filing of Audit Report:

Status: Resolved

TOWN OF ARCADIA
MANAGEMENT'S CORRECTIVE ACTION FOR CURRENT YEAR FINDING
FOR THE YEAR ENDED DECEMBER 31, 2023

2023-1: The Town had hired an outside CPA to propose certain year-end adjustments and to assist in the preparation of the Town's annual financial statements. This will provide the Town with the proper tools needed for the preparation of the annual financial statements in accordance with generally accepted accounting principles.

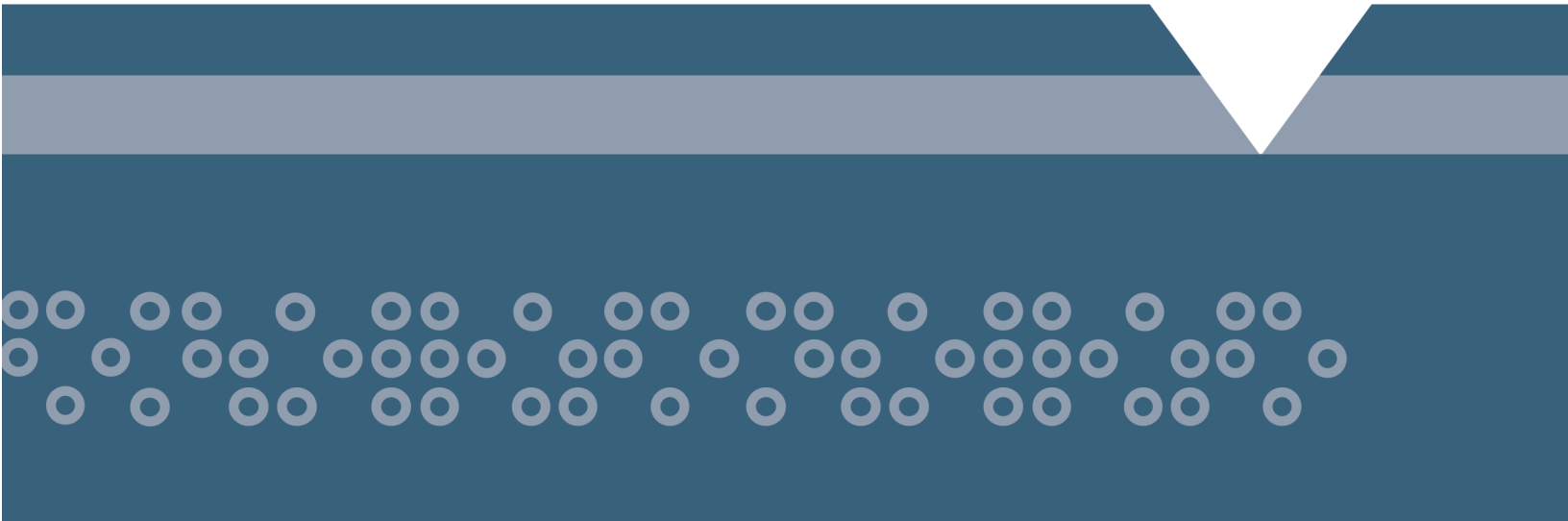
2023-2: The Town will set into place procedures to ensure all required budgets are legally enacted prior to the due date. The Town will also review budgeted financial statements closer and amend as necessary.

2023-3: The Town is working diligently with the outside CPA to create and implement policies and procedures to correct internal control issues within the accounts payable process.

2023-4: The Town will set into place procedures to ensure that deposits are made timely.

Town of Arcadia, Louisiana
Statewide Agreed-Upon Procedures Report

Year Ended December 31, 2023





REGIONS TOWER
333 TEXAS STREET, SUITE 1525 | SHREVEPORT, LOUISIANA 71101
318.429.1525 (P) | 318.429.2124 (F)

The Honorable O'Landis Millican, Mayor
and Members of the Town Council
Town of Arcadia
1819 S Railroad Ave
Arcadia, Louisiana

Louisiana Legislative Auditor
Baton Rouge, Louisiana

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

We have performed the procedures enumerated below on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's (LLA's) Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2023 through December 31, 2023. Management of Town of Arcadia (The Town) is responsible for those C/C areas identified in the SAUPs.

The Town has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the C/C areas identified in LLA's SAUPs for the fiscal period January 1, 2023 through December 31, 2023. Additionally, LLA has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):
 - a) **Budgeting**, including preparing, adopting, monitoring, and amending the budget.
The entity has an adequate policy regarding budgeting.
 - b) **Purchasing**, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.

Exception: The entity has a policy regarding purchasing, but it does not include how vendors are added to the vendor list.

Management Response: The town will update the policy to include how vendors are added to the vendor list.

- c) **Disbursements**, including processing, reviewing, and approving.
The entity has an adequate policy regarding disbursements.
- d) **Receipts/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g., periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).
The entity has an adequate policy regarding receipts/collections.
- e) **Payroll/Personnel**, including (1) payroll processing, (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee(s) rate of pay or approval and maintenance of pay rate schedules.
The entity has an adequate policy regarding payroll/personnel.
- f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
The entity has an adequate policy regarding contracts.
- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).
The entity does not have any credit cards; therefore, this policy is not applicable.
- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
The entity has an adequate policy regarding travel and expense reimbursement.
- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.
The entity has an adequate policy regarding ethics.
- j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
The entity does not have any debt; therefore, this policy is not applicable.
- k) **Information Technology Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

Exception: The entity does not have an adequate policy regarding information technology disaster recovery/business continuity.

Management's Response: The town will work towards a policy for 2024.

- l) **Prevention of Sexual Harassment**, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

Exception: The entity has a sexual harassment policy in place; however, it does not address annual employee training or annual reporting.

Management's Response: The Town will update the policy to include annual employee training and annual reporting requirements.

Board or Finance Committee

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

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

The Town's Council met with a quorum on a monthly frequency in accordance with the entity's bylaws.

- b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund, quarterly budget-to-actual, at a minimum, on proprietary funds, and semi-annual budget- to-actual, at a minimum, on all special revenue funds.

No Exceptions Noted

- c) For governmental entities, obtain the prior year audit report and observe the unassigned fund balance in the general fund. If the general fund had a negative ending unassigned fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unassigned fund balance in the general fund. Whether the board/finance committee received written updates of the progress of resolving audit finding(s), according to management's corrective action plan at each meeting until the findings are considered fully resolved.

The Town's did not have any negative or unassigned fund balances in the prior year.

- d) Observe whether the board/finance committee received written updates of the progress of resolving audit finding(s), according to management's corrective action plan at each meeting until the findings are considered fully resolved.

Exception: The minutes did not reference written updates of the progress of resolving audit findings.

Management's Response: The Town will provide updates in the minutes regarding the progress of resolving audit findings.

Bank Reconciliations

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

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

Bank reconciliations were prepared for each account selected and included evidence of having been prepared within 2 months of the related statement closing date.

- b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation within 1 month of the date the reconciliation was prepared (e.g., initialed and dated, electronically logged); and

Bank reconciliations evidenced review by an independent member of management who does not handle cash, post ledgers, or issue checks.

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

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

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

Collections (excluding electronic funds transfers)

4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete.

Randomly select 5 deposit sites (or all deposit sites if less than 5).

A listing of deposit sites for the fiscal period was obtained.

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

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

Each employee responsible for collecting cash does not share the cash drawer with another employee.

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

Each employee responsible for collecting cash does not prepare or make the related bank deposit.

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

Each employee responsible for collecting cash does not post collection entries to the general or subsidiary ledgers.

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

The employee responsible for reconciling cash collections to the general or subsidiary ledgers is not responsible for collecting cash.

- 6. Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe that the bond or insurance policy for theft was enforced during the fiscal period.

Exception: The entity does not hold a bond or insurance policy for the employees who have access to cash.

Management Response: The town will obtain a bond or insurance policy for the employees who have access to cash going forward.

- 7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:

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

No exceptions noted.

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

Pre-numbered receipts were traced to the deposit slip without exception.

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

The deposit slips were traced to the bank statements without exception.

- d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100 and the cash is stored securely in a locked safe or drawer).

Deposits were made within one business day of receipt at the collection location.

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

Actual deposit per the bank statement was traced to the general ledger for all selections, noting no exceptions.

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

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

A listing of locations was obtained from management.

9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:

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

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

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

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

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

The same individual responsible for processing payments is also responsible for adding vendors to the entity's disbursement system; however, the mayor is responsible for periodically reviewing changes to vendor files. No exceptions noted.

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

Job duties appear properly segregated.

- e) Only employees/officials authorized to sign checks approve the electronic disbursement (release) of funds, whether through automated clearinghouse (ACH), electronic funds transfer (EFT), wire transfer, or some other electronic means.

Job duties appear properly segregated.

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

- a) Observe that the disbursement, whether by paper or electronic means, matched the related original invoice, and that supporting documentation indicates that deliverables included on the invoice were received by the entity.

For all selections, no exceptions noted.

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

For all selections, no exceptions noted.

11. Using the entity's main operating account and the month selected in Bank Reconciliations procedure 3, randomly select 5 non-payroll-related electronic disbursements (or all electronic disbursements if less than 5) and observe that each electronic disbursement was (a) approved by only those persons authorized to disburse funds (e.g., sign checks) per the entity's policy, and (b) approved by the required number of authorized signers per the entity's policy. Note: If no electronic payments were made from the main operating account during the month selected the practitioner should select an alternative month and/or account for testing that does include electronic disbursements.

For all selections, no exceptions noted.

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

Section not applicable as the Town did not have any credit cards, debit cards, fuel cards, or P-cards during 2023.

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

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

- a) If reimbursed using a per diem, observe that the approved reimbursement rate is no more than those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).

Exception: Out of the selections, 3 of the 5 selections were using the wrong per diem rate for the reimbursement.

Management's Response: The Town will begin to monitor the per diem rates used related to the reimbursements, and implement any per diem rate changes going forward.

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

Exception: Out of the selections, 2 of the 5 selections entailed charges to the hotel bill, but then were also reimbursed used the per diem rates.

Management's Response: The Town will monitor the type of reimbursement allowed going forward.

- c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).

For all selections, no exceptions noted.

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

Exception: The documents supplied showed no evidence of review/approval by someone other than the person receiving reimbursement.

Management's Response: The will begin reviewing and approving the reimbursements going forward.

Contracts

13. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. Alternately, the practitioner may use an equivalent selection source, such as an active vendor list. Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:
- a) Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.
No exceptions noted.
 - b) Observe that the contract was approved by the governing body/board, if required by policy or law (e.g., Lawrason Act, Home Rule Charter).
No exceptions to procedure noted.
 - c) If the contract was amended (e.g., change order), observe that the original contract terms provided for such an amendment and that amendments were made in compliance with the contract terms (e.g., if approval is required for any amendment was approval documented).
No amendments to the contracts noted; therefore, this procedure is not applicable.
 - d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.
No exceptions to procedure noted.

Payroll and Personnel

14. Obtain a listing of employees and officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees or officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.
Exception: Obtained listing from Management without exceptions, but could not obtain pay rate authorization for 3 of the 5 selections.
Management's Response: The Town will ensure proper filing of pay rate authorizations going forward.
15. Randomly select one pay period during the fiscal period. For the 5 employees or officials selected under #13 above, obtain attendance records and leave documentation for the pay period, and:
- a) Observe that all selected employees or officials documented their daily attendance and leave (e.g., vacation, sick, compensatory).
For all of the selections, No exceptions noted.
 - b) Observe that supervisors approved the attendance and leave of the selected employees or officials.
Exception: Supervisor approval of attendance and leave was missing for 3 of the 5 employees selected.
Management's Response: The town will ensure proper approval of attendance and leave for employees is adhered to.

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

No exceptions noted.

- d) Observe that the rate paid to the employees or officials agree to the authorized salary/pay rate found within the personnel file.

Exceptions: For 3 of the 5 selections, authorized pay rate could not be obtained.

Management's Response: The Town will ensure proper filing of pay rate authorizations going forward.

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

No exceptions noted.

- 17. Obtain management's representation that employer and employee portions of third-party payroll related amounts (e.g., payroll taxes, retirement contributions, health insurance premiums, garnishments, workers' compensation premiums, etc.) have been paid, and any associated forms have been filed, by required deadlines.

No exceptions noted.

Ethics

- 18. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above: obtain ethics documentation from management, and:

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

No exceptions noted

- b) Observe that the entity maintains documentation which demonstrates each employee and official were notified of any changes to the entity's ethics policy during the fiscal period, as applicable.

No changes to the policy noted; therefore, this procedure is not applicable.

- 19. Inquire and/or observe whether the agency has appointed an ethics designee as required by R.S. 42:1170

The entity has appointed an ethics designee as required by R.S. 42:1170.

Debt Service

Not applicable as the Town does not carry any debt for 2023.

Fraud Notice

20. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled as required by R.S. 24:523.

N/A – no misappropriations of public funds identified during the fiscal period.

21. Observe that the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

Exception noted: The entity does not have notice posted on its website.

Management's response: The entity will post notice on website.

Information Technology Disaster Recovery/Business Continuity

22. Perform the following procedures, **verbally discuss the results with management, and report "We performed the procedure and discussed the results with management."**

- a) Obtain and inspect the entity's most recent documentation that it has backed up its critical data (if no written documentation, inquire of personnel responsible for backing up critical data) and observe that such backup (a) occurred within the past week, (b) was not stored on the government's local server or network, and (c) was encrypted.

We performed the procedure and discussed the results with management.

- b) Obtain and inspect the entity's most recent documentation that it has tested/verified that its backups can be restored (if no written documentation, inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.

We performed the procedure and discussed the results with management.

- c) Obtain a listing of the entity's computers currently in use, and their related locations, and management's representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor.

We performed the procedure and discussed the results with management.

23. Randomly select 5 terminated employees (or all terminated employees if less than 5) using the list of terminated employees obtained in procedure #15. Observe evidence that the selected terminated employees have been removed or disabled from the network.

We performed the procedure and discussed the results with management.

24. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #9A, obtain cybersecurity training documentation from management, and observe that the documentation demonstrates that the following employees/officials with access to the agency's information technology assets have completed cybersecurity training as required by R.S. 42:1267.

We performed the procedure and discussed the results with management.

Prevention of Sexual Harassment

25. Using the 5 randomly selected employees/officials from procedure #13 under "Payroll and Personnel" above, obtain sexual harassment training documentation from management, and observe that the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year.

No exceptions noted.

26. Observe that the entity has posted its sexual harassment policy and complaint procedure on its website (or in a conspicuous location on the entity's premises if the entity does not have a website).

No exception noted.

27. Obtain the entity's annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1, and observe that it includes the applicable requirements of R.S. 42:344:

- a. Number and percentage of public servants in the agency who have completed the training requirements;

Exception: Report could not be provided.

Management's Response: The Town will begin to proper file the sexual harassment report going forward.

- b. Number of sexual harassment complaints received by the agency;

Exception: Report could not be provided.

Management's Response: The Town will begin to proper file the sexual harassment report going forward.

- c. Number of complaints which resulted in a finding that sexual harassment occurred;

Exception: Report could not be provided.

Management's Response: The Town will begin to proper file the sexual harassment report going forward.

- d. Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and

Exception: Report could not be provided.

Management's Response: The Town will begin to proper file the sexual harassment report going forward.

- e. Amount of time it took to resolve each complaint.

Exception: Report could not be provided.

Management's Response: The Town will begin to proper file the sexual harassment report going forward.

We were engaged by The Town to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of The Town and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

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

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

Shreveport, Louisiana
June 28, 2024