

TOWN OF ARCADIA

Arcadia, Louisiana

December 31, 2004

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 7-27-05

TOWN OF ARCADIA

Arcadia, Louisiana

December 31, 2004

Table of Contents

Pages	
1-6	Required Supplemental Information Management's Discussion and Analysis (Unaudited)
	Basic Financial Statements
	Government - Wide Financial Statements (GWFS)
7	Statement of Net Assets
8	Statement of Activities
	Fund Financial Statements
9	Balance Sheet - Government Funds
10	Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets
11	Statement of Revenues, Expenditures and Changes in Fund Balances – Government Funds
12	Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of the Governmental Funds to the Statement of Activities
	Proprietary Funds
13	Statement of Net Assets
14	State of Revenues, Expenses and Changes in Fund Net Assets
15	Statement of Cash Flows
16-27	Notes to the Combined Financial Statements
	Required Supplemental Information
28	Budgetary Comparison Schedule
	Other Supplemental Information
	Non-major Governmental Funds
29	Combining Balance Sheet
30	Combining Statement of Revenues, Expenditures and Changes in Fund Balances
31	Schedule of Compensation Paid to Aldermen
	Auditor's Report
32	Independent Auditor's Report
33	Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>
34	Schedule of Findings and Questioned Costs
35	Schedule of Prior Year Findings

Required Supplemental Information
Management's Discussion and Analysis (Unaudited)

Town of Arcadia, Louisiana

Management's Discussion and Analysis

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, 2004. Please read it in conjunction with the Town's financial statements, which follow this section.

The Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* issued in June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A. However, because this is the first year of implementing the new reporting model, certain necessary comparative information of the previous year is not presented. Considering the financial resources necessary to prepare this information in the first year, and that GASB Statement No. 34 permits the omission of the comparative information in the first year of adoption of the new reporting model, the Town has elected to exclude the information in this report. Subsequent reports will include the comparative information.

Financial Highlights

In accordance with GASB No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, the Town has started to depreciate capital assets resulting in a calculation of depreciation expense and accumulated depreciation as of December 31, 2004.

The Town's assets exceeded its liabilities by \$7,169,179 (net assets) for the calendar year ended December 31, 2004.

The net assets are composed of the following:

- Capital assets of \$5,365,558 representing property and equipment net of accumulated depreciation of \$4,937,899, which is reduced by outstanding debt of \$688,000 related to the purchase of capital assets.
- Restricted net assets of \$240,057 represents funds restricted for payment of outstanding refunding bonds and to cover customer's water deposits.
- Unrestricted net assets of \$1,563,565 represent the portion available to maintain the Town's continuing obligation to the citizens of the Town.

The Town's governmental funds reported total ending fund balance of \$1,080,997 this year. This compares to the prior year ending fund balance of \$1,332,782 showing a decrease of \$251,785 during the current year.

At the end the current calendar year, unreserved fund balance for the General Fund was \$440,349, which represents 56.40% of the total expenditures of the Town's General Fund and 57.32% of total revenues in the General Fund including transfers.

The Town's refunding bonds decreased by a \$119,000 principal payment resulting in a \$688,000 outstanding balance at December 31, 2004. The Town's capital lease payable decreased by a \$15,064 principal payment resulting in a \$33,318 outstanding balance at December 31, 2004.

The above financial highlights are explained in more detail in the "financial analysis" section of this document.

Overview of the Financial Statements

The Management Discussion and Analysis is intended to serve as an introduction to the Town's financial statements. The Town's basic financial statements include three (3) components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The Town also includes in this report, additional information to supplement the basic financial statements. These three (3) components are discussed in more detail in the following paragraphs.

Government-wide Financial Statements

The Town's annual report includes two government-wide financial statements. These statements provided both long-term and short-term information about the Town's overall financial status. Financial reporting at this level uses a perspective similar to private sector using the economic resources measurement focus and the accrual basis of accounting.

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

The second government-wide statement is the Statement of Activities, which reports how the Town's net assets changed during the current 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 that 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 recreation.

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

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

Fund Financial Statements

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

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

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

Since the focus of the government funds financial statements is narrower than that of the government-wide financial statements, it is useful to compare the information presented for the governmental funds with similar information presented for governmental activities in the government-wide financial statements. Users may better understand the long-term impact of the Town's near-term financing decisions. Both the

governmental funds balance sheet and the governmental funds statements of revenues, expenditures and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and the governmental activities. These reconciliations are presented immediately following each of the governmental fund financial statement.

The Town has eight governmental funds of which three (3) are major funds and are present in separate columns and five (5) are non-major funds and are combined and presented in one column styled "other governmental funds." The governmental funds are as follows:

Major Funds

- General Fund
- Special Revenue Fund
- Sales Tax Fund
- Capital Projects Fund

Non-major Funds

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

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

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

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

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

Notes to the financial statements

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin on page 16 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Town's budget presentation. Budgetary comparison statements are included as "required supplementary information" for the General Fund and the Sales Tax Fund. This statement demonstrates compliance with the Town's adopted and final revised budget and can be found on page 28 in this report.

Financial Analysis of Governmental-wide Activities

Net Assets

Net assets may serve over time as a useful indicator of the Town's financial position. The Town's combined net assets (governmental and business-type activities) totaled \$7,169,179 at the end of the calendar year 2004.

The Town's net assets reflects \$5,365,558 (74.50%) in its investment in capital assets such as land, buildings, equipment and water and sewer improvements, less any outstanding related debt use to acquire these capital assets. The Town uses these capital assets to provide services to the citizens of Arcadia; consequently, these capital assets are not available for future spending.

A portion of net assets \$206,849 (2.88%) is restricted by loan covenants for repayment of principal and interest on long-term debt and \$33,208 (.46%) is restricted to cover customer deposits.

The other portion of the Town's net asset \$1,563,565 (21.70%) is unrestricted and may be used to meet the Town's current obligations.

The following table provides a summary of the Town's government-wide assets, liabilities and net asset.

	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 1,331,889	\$ 882,448	\$ 2,214,337
Capital assets	945,626	5,107,932	6,053,558
Total assets	<u>2,277,515</u>	<u>5,990,380</u>	<u>8,267,895</u>
Current liabilities	250,892	126,506	377,398
Long-term liabilities	721,318	-	721,318
Total liabilities	<u>972,210</u>	<u>126,506</u>	<u>1,098,716</u>
Net assets			
Invested in capital assets, net of related debt	945,625	4,419,932	5,365,557
Restricted	206,849	33,208	240,057
Unrestricted	152,831	1,410,734	1,563,565
Total net assets	<u>\$ 1,305,305</u>	<u>\$ 5,863,874</u>	<u>\$ 7,169,179</u>

Changes in Net Assets

Approximately 20.97% (\$660,128) of the Town's total revenues of \$3,148,034 was derived through charges for services while approximately 79.03% (\$2,487,906) was from general revenues including taxes and interest. The Town received \$421,254 (13.38%) of its total revenue through grants and contributions.

The largest expenses were for public safety, streets and drainage, and town services. In the calendar year 2004, governmental activity expenses exceeded program revenues resulting in the use of \$1,535,733 in general revenues, mostly taxes. Net expenses of the business-type activities in the calendar year 2004 exceeded program revenues by \$200,718.

The following table provides a summary of the Town's government-wide activities.

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Revenues			
Program revenues			
Charges for services	\$ 20,333	\$ 639,795	\$ 660,128
General revenues			
Taxes	1,728,660	175,829	1,904,489
Licenses and permits	75,361	-	75,361
Intergovernmental	421,254	-	421,254
Interest	42,206	30,382	72,588
Other	14,214	-	14,214
Total revenues	<u>2,302,028</u>	<u>846,006</u>	<u>3,148,034</u>
Expenses			
General government	434,252	-	434,252
Public safety	379,423	-	379,423
Public works	254,738	-	254,738
Culture and recreation	44,147	-	44,147
Economic development	7,676	-	7,676
Transportation	3,558	-	3,558
Water and sewer	-	840,513	840,513
Debt service	38,036	-	38,036
Capital projects	394,236	-	394,236
Total expenses	<u>1,556,066</u>	<u>840,513</u>	<u>2,396,579</u>
Increase in net assets before transfers	745,962	5,493	751,455
Transfers	(688,744)	X 76,155 X	(764,899)
Changes in net assets	57,218	(70,662)	(13,444)
Net assets at beginning of year, restated	1,248,087	5,934,536	7,182,623
Net assets at end of year	<u>\$ 1,305,305</u>	<u>\$ 5,863,874</u>	<u>\$ 7,169,179</u>

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, 2004, the Town's governmental fund, the general fund, reported an ending fund balance of \$440,349, a decrease of \$121,106 compared to the prior year. The general fund is the chief operating fund of the Town.

Proprietary Fund

The Town's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail. The Town's proprietary fund (Water & Sewer Fund) reported operating expenses of \$840,513, which was \$200,718 in excess of its operating revenues of \$639,795. The proprietary fund reported a decrease of \$70,662 (1.21%) in net assets in the calendar year 2004.

General Fund Budgetary Highlights

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

The Town's budgets were amended for:

Total expenditures were more than originally budgeted.
Revenues were less than originally budgeted.

Expenditures were \$24,399 less than the amount originally budgeted. Revenues available for expenditures were \$2,479 more than the final budgeted amounts.

Capital Asset Administration

The Town's investment in capital assets for its governmental and business-type activities at December 31, 2004 total \$10,991,456, less accumulated depreciation of \$4,937,899 leaving a \$6,053,557 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, 2004 totaled \$652,466.

Debt Administration

At December 31, 2004, the Town had \$688,000 in revenue bonds outstanding, a decrease of \$119,000 (14.75%) compared to the prior year and had \$33,318 in capital lease payable outstanding, a decrease of \$15,064 (31.14%) compared to the prior year.

Contacting the Town's Financial Management

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

Government-Wide Financial Statements

TOWN OF ARCADIA
Arcadia, Louisiana

Statement of Net Assets
December 31, 2004

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 393,749	\$ 594,900	\$ 988,649
Investments	272,464	139,194	411,658
Receivables (net of allowance for uncollectibles)	263,446	61,393	324,839
Due from other funds	195,381	39,473	234,854
Inventory	-	14,280	14,280
Restricted assets			
Cash and cash equivalents	206,849	33,208	240,057
Capital assets, net of accumulated depreciation	945,626	5,107,932	6,053,558
Total assets	2,277,515	5,990,380	8,267,895
Liabilities			
Accounts payable	38,807	53,459	92,266
Accrued expenses	17,070	-	17,070
Due to other funds	195,015	39,839	234,854
Payables from restricted assets			
Customer deposits	-	33,208	33,208
Long-term liabilities			
Bonds payable	688,000	-	688,000
Capital lease payable	33,318	-	33,318
Total liabilities	972,210	126,506	1,098,716
Net Assets			
Investment in capital assets	945,626	4,419,932	5,365,558
Restricted	206,849	33,208	240,057
Unrestricted	152,830	1,410,734	1,563,564
Total net assets	\$ 1,305,305	\$ 5,863,874	\$ 7,169,179

The notes to the financial statements are an integral part of this statement.

TOWN OF ARCADIA
Arcadia, Louisiana

Statement of Activities
December 31, 2004

Activities	Expenses	Program Revenues Fees, Fines and Charges for Services	Net (Expense) Revenue and Changes on Net Assets		Total
			Governmental Activities	Business-type Activities	
Governmental					
General government	\$ 434,252	\$ 15,813	\$ (418,439)	\$ -	\$ (418,439)
Public safety	379,423	4,520	(374,903)	-	(374,903)
Public works	254,738	-	(254,738)	-	(254,738)
Culture and recreation	44,147	-	(44,147)	-	(44,147)
Economic development and assistance	7,676	-	(7,676)	-	(7,676)
Transportation	3,558	-	(3,558)	-	(3,558)
Capital project	394,236	-	(394,236)	-	(394,236)
Debt service					
Interest and fiscal charges	38,036	-	(38,036)	-	(38,036)
Total governmental activities	<u>1,558,066</u>	<u>20,333</u>	<u>(1,535,733)</u>	<u>-</u>	<u>(1,535,733)</u>
Business-type					
Water and sewer	840,513	639,795	-	(200,718)	(200,718)
Total business-type	<u>840,513</u>	<u>639,795</u>	<u>-</u>	<u>(200,718)</u>	<u>(200,718)</u>
Total Town of Arcadia	\$ <u>2,396,579</u>	\$ <u>660,128</u>	\$ (<u>1,535,733</u>)	\$ (<u>200,718</u>)	\$ (<u>1,738,451</u>)
General revenues					
Taxes			1,728,660	175,829	1,904,489
Licenses and permits			75,361	-	75,361
Intergovernmental					
Federal			394,236	-	394,236
State			27,018	-	27,018
Interest			42,206	30,382	72,588
Other			14,214	-	14,214
Transfers			(688,744)	(76,155)	(764,899)
Total general revenues and transfers			<u>1,592,951</u>	<u>130,056</u>	<u>1,723,007</u>
Change in net assets			57,218	(70,662)	(13,444)
Net assets, beginning of year (Restated, see Note 16)			1,248,087	5,934,536	7,182,623
Net assets, end of year			\$ <u>1,305,305</u>	\$ <u>5,863,874</u>	\$ <u>7,169,179</u>

The notes to the financial statements are an integral part of this statement.

Fund Financial Statements

TOWN OF ARCADIA
Arcadia, Louisiana

Balance Sheet
Governmental Funds
December 31, 2004

	General Fund	Sales Tax Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 35,577	\$ 9,288	\$ 588	\$ 348,296	\$ 393,749
Investments	272,464	-	-	-	272,464
Restricted assets					
Cash and cash equivalents	-	-	-	206,849	206,849
Receivables (net of allowance for uncollectible accounts)	66,111	197,335	-	-	263,446
Due from other funds	106,935	-	-	88,446	195,381
Total assets	<u>\$ 481,087</u>	<u>\$ 206,623</u>	<u>\$ 588</u>	<u>\$ 643,591</u>	<u>\$ 1,331,889</u>
Liabilities					
Accounts payable	\$ 23,668	\$ 4,103	\$ -	\$ 11,036	\$ 38,807
Payroll withholdings payable	17,070	-	-	-	17,070
Due to other funds	-	194,427	588	-	195,015
Total liabilities	<u>40,738</u>	<u>198,530</u>	<u>588</u>	<u>11,036</u>	<u>250,892</u>
Fund Balance					
Reserved	-	-	-	206,849	206,849
Unreserved	440,349	8,093	-	425,706	874,148
Total fund balance	<u>440,349</u>	<u>8,093</u>	<u>-</u>	<u>632,555</u>	<u>1,080,997</u>
Total liabilities and fund balance	<u>\$ 481,087</u>	<u>\$ 206,623</u>	<u>\$ 588</u>	<u>\$ 643,591</u>	<u>\$ 1,331,889</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF ARCADIA
Arcadia, Louisiana

**Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Assets
December 31, 2004**

Total fund balance, governmental funds	\$	1,080,997
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the Governmental Funds Balance Sheet		
Capital assets	\$	1,995,624
Less accumulated depreciation	<u>(1,049,998)</u>	945,626
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the Governmental Funds Balance Sheet		
Refunding bonds		(688,000)
Capital lease		<u>(33,318)</u>
Net assets of governmental activities	\$	<u><u>1,305,305</u></u>

The notes to the financial statements are an integral part of this statement.

TOWN OF ARCADIA
Arcadia, Louisiana

Statement of Revenue, Expenditures and Changes in Fund Balances
Governmental Funds
for the Year Ended December 31, 2004

	General Fund	Sales Tax Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
REVENUE					
Taxes					
Ad valorem taxes	\$ 66,940	\$ -	\$ -	\$ -	\$ 66,940
Sales and use taxes	483,530	892,242	-	219,786	1,595,558
Other taxes, penalties, and interest	66,161	-	-	-	66,161
Licenses and permits	75,361	-	-	-	75,361
Intergovernmental revenue:					
Federal pass-through funds	-	-	394,236	-	394,236
State funds	21,843	-	-	5,375	27,018
Fees, charges, and commissions for services	4,520	-	-	-	4,520
Fines and forfeitures	15,813	-	-	-	15,813
Use of money and property	21,884	259	-	19,963	42,206
Other revenue	12,327	238	-	1,649	14,214
Total revenue	768,279	892,739	394,236	246,773	2,302,027
EXPENDITURES					
Current					
General government	337,546	13,412	-	-	350,958
Public safety	379,423	-	-	-	379,423
Public works	-	-	-	254,738	254,738
Culture and recreation	-	-	-	44,147	44,147
Economic development and assistance	1,938	-	-	5,738	7,676
Transportation	3,558	-	-	-	3,558
Debt service	18,402	-	-	153,688	172,100
Capital outlay	39,843	-	394,236	218,387	652,466
Total expenditures	780,710	13,412	394,236	676,708	1,865,066
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	(12,431)	879,327	-	(429,935)	436,961
OTHER FINANCING SOURCE (USE)					
Operating transfers in (out)	(108,675)	(879,145)	-	299,074	(688,746)
	<u>(108,675)</u>	<u>(879,145)</u>	<u>-</u>	<u>299,074</u>	<u>(688,746)</u>
EXCESS (DEFICIENCY) OF REVENUE AND OTHER FINANCING SOURCE OVER EXPENDITURES AND OTHER USE	(121,106)	182	-	(130,861)	(251,785)
FUND BALANCE AT BEGINNING OF YEAR	581,455	7,911	-	763,416	1,332,782
FUND BALANCE AT END OF YEAR	\$ 440,349	\$ 8,093	\$ -	\$ 632,555	\$ 1,080,997

The notes to the financial statements are an integral part of this statement.

TOWN OF ARCADIA
Arcadia, Louisiana

**Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balance of the Governmental Funds
to the Statement of Activities
for the Year Ended December 31, 2004**

Net change in fund balance - governmental funds	\$ (251,785)
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 these assets is allocated over their estimated useful lives as depreciation expense. The cost of capital assets recorded in the current year is	258,232
Depreciation expense on capital assets is reported in the Government-Wide financial statements, but they do not require the use of current financial resources and are not reported in the Governmental Funds financial statement. Current year depreciation expense is	(83,293)
Payments made on long-term debt are shown as expenditures in the Governmental Funds financial statement, but the payments reduce long-term liabilities in the Statement of Net Assets. Changes in long-term debt were	
Refunding bonds payable	119,000
Capital lease payable	15,064
Changes net assets of governmental activities	\$ <u>57,218</u>

The notes to the financial statements are an integral part of this statement.

Proprietary Funds

TOWN OF ARCADIA
Arcadia, Louisiana

Statement of Net Assets
Proprietary Fund
December 31, 2004

		<u>Business-type Activities Enterprise Fund</u>
Assets		
Cash and cash equivalents	\$	594,900
Investments		139,194
Receivables (net of allowance for uncollectibles)		61,393
Inventory		14,280
Due from other funds		39,473
Restricted assets		
Cash and cash equivalents		33,208
Capital assets, net of accumulated depreciation		<u>5,107,932</u>
Total assets		<u>5,990,380</u>
Liabilities		
Accounts payable		53,459
Due to other funds		39,839
Payables from restricted assets		
Customer deposits		<u>33,208</u>
Total liabilities		<u>126,506</u>
Net Assets		
Investment in capital assets		5,107,932
Restricted		33,208
Unrestricted		<u>722,734</u>
Total net assets	\$	<u><u>5,863,874</u></u>

The notes to the financial statements are an integral part of this statement.

TOWN OF ARCADIA
Arcadia, Louisiana

Statement of Revenue, Expenses and Changes in Fund Net Assets
Proprietary Fund
for the Year Ended December 31, 2004

		<u>Business-type Activities Enterprise Fund</u>
Operating Revenue		
Charges for water service	\$	537,095
Charges for sewer service		95,653
Other operating revenue		7,047
Total operating revenue		<u>639,795</u>
Operating Expenses		
General and administrative		142,806
Water department		366,932
Sewer department		135,556
Depreciation		195,219
Total operating expenses		<u>840,513</u>
Operating Loss		<u>(200,718)</u>
Non-operating Revenue (Expenses)		
Use of money and property		30,382
Sales tax revenue		175,829
Non-operating transfers out		(76,155)
Total non-operating revenue		<u>130,056</u>
Change in Net Assets		(70,662)
Net Assets at Beginning of Year		<u>5,934,536</u>
Net Assets at End of Year	\$	<u><u>5,863,874</u></u>

The notes to the financial statements are an integral part of this statement.

TOWN OF ARCADIA
Arcadia, Louisiana

Statement of Cash Flows
Proprietary Fund
For the Year Ended December 31, 2004

Cash Flows From Operating Activities	
Operating loss	\$ (200,718)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation expense	195,219
Decrease in accounts receivable	17,044
Decrease in inventory	19,460
Increase in accounts payable	31,538
Increase in due from other funds	67,474
Decrease in due to other funds	<u>(81,983)</u>
Net cash provided by operating activities	<u>48,034</u>
Cash Flows From Non-Capital Financing Activities	
Sales tax revenue	175,829
Non-operating transfers out	<u>(76,155)</u>
Net cash provided by non-capital financing activities	<u>99,674</u>
Cash Flows From Capital and Related Financing Activities	
Federal grant proceeds	394,236
Acquisition and construction of capital assets	<u>(450,883)</u>
Net cash provided by capital financing activities	<u>(56,647)</u>
Cash Flows From Investing Activities	
Purchase of investments	(2,733)
Use of money and property	<u>30,382</u>
	<u>27,649</u>
Net Increase in Cash and Cash Equivalents	118,710
Cash and Cash Equivalents at Beginning of Year	<u>476,190</u>
Cash and Cash Equivalents at End of Year	<u>\$ 594,900</u>

The notes to the financial statements are an integral part of this statement.

Notes to the Financial Statements

TOWN OF ARCADIA
Arcadia, Louisiana

Notes to Financial Statements
for the Year Ended December 31, 2004

Introduction

The Town of Arcadia ("Town") was incorporated June 26, 1902, under the provisions of the Lawrason Act. The Town operates under a Mayor-Board of Aldermen form of government. 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.

1. Summary of Significant Accounting Policies

The Town complies with accounting principles generally accepted in the United States of America (GAAP). The Town's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. GAAP as applicable to governments also conforms to the requirements of Louisiana Revised Statutes 24:517 and to the guides set forth in the *Louisiana Municipal Audit and Accounting Guide*, and to the industry audit guide, *Audits of State and Local Governments Units*, published by the American Institute of Certified Public Accountants.

GASB Statement No. 14, *The Reporting Entity*, established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under the 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 or 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, or issue bonded debt.

A. Reporting Entity

In evaluation the Town as a reporting entity, management has addressed all potential component units (traditionally separate reporting entities) for which the Town may be financially accountable and, as such, should be included within the Town's financial statements. The Town (primary government) is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial burden on the Town. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. There were no entities that were determined to be component units of the Town of Arcadia, Louisiana.

B. Basis of Presentation

The accompanying basic financial statements of the Town have been prepared in conformity with governmental accounting principles generally accepted in the United States of America. The Town implemented GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments: Omnibus*; GASB Statement No. 38, *Certain Financial Statement Note Disclosures*; and Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*, in 2004.

Implementation of these standards required a change in the reporting format, additional footnote disclosures, and the inclusion of management's discussion and analysis as supplementary information. Implementation of these standards required the opening fund balances of the Town of Arcadia to be restated as shown in Note 16.

C. Fund Accounting

The Town uses funds to maintain its financial records during the year. Each fund is accounted for by a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. The individual funds account for the governmental resources allocated to them for purpose of carrying on specific activities in accordance with laws, regulations, or other restrictions. Fund accounting is designed to demonstrate

legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities.

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

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least ten percent (10%) of the corresponding total for all funds of that category or type.
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least five percent (5%) of the corresponding total for all government and enterprise funds combined.

The funds are grouped into two fund types as described below:

Governmental Funds

Governmental funds account for all or most of the Town's general activities. These funds focus on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may be used. Current liabilities are assigned to the fund from which they will be paid. The difference between the governmental fund's assets and liabilities is reported as fund balance. In general, fund balance represents the accumulated expendable resources which may be used to finance future period programs or operations. The following are the Town's governmental funds:

General Fund – The general fund is the general operating fund of the Town and accounts for all financial resources, except those required to be accounted for in other funds.

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

Debt Service Funds – The debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Projects Funds – The capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and agency funds).

Proprietary Fund

Proprietary funds are used to account for ongoing activities that are similar to those often found in the private sector. The measurement focus is based upon determination of operating income, changes in net assets, financial position, and cash flows. The following is the Town's proprietary fund type:

Enterprise Fund - The Enterprise Fund is used to account for operations (a) that are financed and operated in a manner similar to private businesses enterprises where the intent of the governing body is that costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through users charges, or (b) where the governing body has decided the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purpose. The Town maintains an Enterprise fund for water and sewer utilities provided.

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

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

Governmental Fund Financial Statements – The amounts reflected in the Government Fund Financial Statements are accounted for using the "current financial resources" measurement focus. With this measurement focus, only

current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach is then reconciled, through adjustment, to a government-wide view of the Town's operations.

The amounts reflected in the Governmental Fund Financial Statements use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Town considers all revenues available if they are collected within 60 days after the fiscal year end. Expenditures are recorded when the related fund liability is incurred. The governmental funds use the following practices in recording revenues and expenditures:

The revenues susceptible to accrual are sales taxes, property taxes, franchise taxes, interest revenue, and charges for services. Fines, permits, and license revenues are not susceptible to accrual because generally they are not measurable until received in cash. Expenditures are generally recognized under the modified accrual basis when a liability is incurred. Salaries and related benefits are recorded when employee services are provided to the Town. Capital outlays are reported at the time purchased.

Proprietary Fund Financial Statements – The financial statements of the proprietary fund are reported using the “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows.

The amounts reflected in the Proprietary Fund Financial Statements use the accrual basis of accounting. All assets and liabilities (whether current or non-current) associated with their activities are reported. Proprietary funds distinguish operating revenues and expenses from non-operating 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. Revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Proprietary fund equity is classified as net assets.

Government-wide Financial Statement (GWFS)

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges 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 meetings the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

E. Deposits and Investments

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

F. Receivables and Payables

In the government-wide financial statement receivables consist of all revenues earned at year-end and not yet received. Major receivables for the governmental activities include franchise taxes and sale and use taxes. Business-type activities report customer's utilities service charges as its major receivables. Uncollectible amounts due for ad valorem taxes and the customers' utility accounts receivable are recognized as bad debts through the establishment of an allowance account at the time information becomes available which would indicate the uncollectibility of the particular receivable. The allowance for uncollectible customers' utilities is \$55,811 at December 31, 2004.

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year re 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."

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

G. Inventories

Inventory in the Water and Sewer Enterprise Fund, consisting of expendable supplies held for consumption, is valued at historical cost.

H. 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 (the extent to which fixed asset costs have been estimated and the methods of estimation should be disclosed) if historical cost is not available (or describe other method of valuation). Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The municipality maintains a threshold level of \$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. In accordance with GASB Statement No. 34, because of the costs involved in retroactively capitalizing infrastructure, the Town has elected an exception for local governments with annual revenues of less than \$10 million and will prospectively capitalize infrastructure from the date of implementation of GASB Statement No. 34 forward and will not retroactively capitalize infrastructure. The Town does not capitalize *historical treasures or works of art*.

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

Description	Estimated Lives
Buildings	20 - 40 years
Equipment and vehicles	4 - 15 years
Water improvements	5 - 35 years
Sewer improvements	5 - 40 years

I. Restricted Assets

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

J. Compensated Absences

Full-time employees of the Town of Arcadia earn two weeks of vacation after one year 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 or Board of Aldermen. Employees earn two weeks sick leave each calendar year following the successful completion of the employee's probationary period. Unused sick leave can be accumulated and can be carried forward to the next year, however, employees will not be compensated upon termination or retirement.

K. Long-Term Obligations

In the government-wide financial statements, and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. The Town's long-term debt consists of revenue bonds payable and capital lease payable.

L. Fund Equity

In the government-wide financial statements equity is classified as net assets and reported in three components:

- a. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets – Consists of net asset with constraints placed on the use by (1) external groups, such as creditors, grantors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – Consists of all other assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

M. Estimates

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

N. Budgetary Practices

A proposed budget for the ensuing year is prepared by the Mayor and Town Clerk and submitted to the Board of Aldermen. Proposed budgets are prepared on the modified accrual basis. The Town publishes a notice of public hearing on the budget and holds the public hearing in order to receive comments from citizens. Changes are made to the proposed budget based on the public hearing and the desires of the Board of Aldermen as a whole. The budget is then adopted through the passage of an ordinance to take affect ten days after passage.

Budget amendments involving the transfer of funds from one department, program, or function or increased expenditures resulting from increases in budgeted revenues require the approval of the board of aldermen. Unexpended appropriations lapse at year-end and must be reappropriated for the following year to be expended. The Town does not use encumbrance accounting in its accounting system. The budget comparison statement included in the accompanying financial statements reflects the amended adopted budget.

O. Risk Management

The Town is exposed to various risks 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 automobiles, professional liability, general liability, and surety bond coverage. No claims were paid on any of the policies, during the past three years, which exceeded the policies' coverage amounts. There were no significant reductions in insurance coverage during the year ended December 31, 2004.

P. 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. 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 is for a twenty-five year period. The Bienville Parish School Board serves as the collection agent for the sales taxes and is paid a collection fee for acting as such.

2. Cash and Cash Equivalents

At December 31, 2004, the municipality has cash and cash equivalents (book balances) totaling \$1,228,707 as follows:

Demand deposits	\$	741,962
Time deposits		486,704
Petty cash		40
Total	\$	<u>1,228,706</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, 2004, the municipality has \$1,227,384 in deposits (collected bank balances). These deposits are secured from risk by \$200,000 of federal deposit insurance and \$828,091 of pledged securities held by the custodial bank in the name of the fiscal agent bank. The remaining balance of \$199,293 is not secured by the pledge of securities and is a violation of state law. See schedule of findings on page 36.

For purposes of the Statement of Cash Flows, cash equivalents include all highly liquid investments with a maturity date of three months or less when purchased.

3. Investments

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

Investments are categorized into these three categories of credit risk:

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

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

Type of Investment	Category			Carrying Value	Market Value
	1	2	3		
FNMA Mortgage Notes	\$ -	\$ 411,658	\$ -	\$ 411,658	\$ 411,658
Total	\$ -	\$ 411,658	\$ -		
Total investments				\$ 411,658	\$ 411,658

4. Receivables

The following is a summary of receivables at December 31, 2004:

	General Fund	Special Revenue Funds	Water and Sewer Enterprise Fund	Total
Taxes				
Ad valorem	\$ 66,111	\$ -	\$ -	\$ 66,111
Sales	-	197,335	-	197,335
Accounts receivable	-	-	117,204	117,204
Less allowance for doubtful accounts	-	-	(55,811)	(55,811)
Total	\$ 66,111	\$ 197,335	\$ 61,393	\$ 324,839

5. Due from/to Other Funds

Individual fund balances due from/to other funds at December 31, 2004, are as follows:

	Due from Other Funds	Due to Other Funds
General fund	\$ 106,935	\$ -
Due to other funds	-	588
Special revenue funds:		
Street	69,002	-
Industrial Inducement	9,722	-
Parks and Recreation	9,722	-
Sales Tax	-	194,427
Water and Sewer enterprise fund	39,473	39,839
Total	\$ 234,854	\$ 234,854

6. Components of Restricted Assets

Restricted assets of the Enterprise Fund consist of the following at December 31, 2004:

	Revenue Bond Reserve Fund	Revenue Bond Sinking Fund	Customer Deposits	Total
Cash	\$ -	\$ -	\$ 33,208	\$ 33,208
Certificate of deposit	106,849	100,000	-	206,849
Total	\$ 106,849	\$ 100,000	\$ 33,208	\$ 240,057

7. Capital Assets

Capital assets and depreciation activity as of and for the year ended December 31, 2004, for the primary government is as follows:

	Balance at January 1,	Additions	Deletions	Balance at December 31,
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 183,638	\$ 188,788	\$ -	\$ 372,426
Capital assets being depreciated:				
Buildings	431,403	24,131	-	455,534
Improvements	134,630	2,539	-	137,169
Equipment	987,720	42,775	-	1,030,495
Total capital assets being depreciated	1,553,753	69,445	-	1,623,198
Less accumulated depreciation for:				
Buildings	90,855	11,030	-	101,885
Improvements	34,998	8,104	-	43,102
Equipment	840,852	64,159	-	905,011
Total accumulated depreciation	966,705	83,293	-	1,049,998
Total capital assets being depreciated, net	587,048	(13,848)	-	573,200
Total capital assets, net	\$ 770,686	\$ 174,940	\$ -	\$ 945,626

A summary of proprietary fund type property, plant, and equipment at December 31, 2004, follows:

	Balance at January 1,	Additions	Deletions	Balance at December 31,
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 268,628	\$ -	\$ -	\$ 268,628
Capital assets being depreciated:				
Water wells	606,355	-	-	606,355
Pumping plant	105,235	-	-	105,235
Purification plant	111,489	-	-	111,489
Storage reservoir tanks	163,231	30,945	-	194,176
Water distribution system	1,399,821	18,816	-	1,418,637
General equipment	230,706	-	-	230,706
Office equipment	19,711	-	-	19,711
Improvements	7,800	-	-	7,800
Sewer system	5,287,096	596,619	-	5,883,715
Automobiles	149,382	-	-	149,382
Total capital assets being depreciated	8,080,826	646,380	-	8,727,206

Less accumulated depreciation for:				
Water wells	500,260	14,069	-	514,329
Pumping plant	97,120	451	-	97,571
Purification plant	111,489	-	-	111,489
Storage reservoir tanks	150,154	4,935	-	155,089
Water distribution system	1,038,411	35,527	-	1,073,938
General equipment	138,754	24,177	-	162,931
Office equipment	15,669	857	-	16,526
Improvements	5,550	2,250	-	7,800
Sewer system	1,540,326	98,443	-	1,638,769
Automobiles	94,950	14,510	-	109,460
Total accumulated depreciation	<u>3,692,683</u>	<u>195,219</u>	<u>-</u>	<u>3,887,902</u>
Total capital assets being depreciated, net	<u>4,388,143</u>	<u>451,161</u>	<u>-</u>	<u>4,839,304</u>
Total capital assets, net	<u>\$ 4,656,771</u>	<u>\$ 451,161</u>	<u>\$ -</u>	<u>\$ 5,107,932</u>

The Town recorded \$278,510 in depreciation expense for the year ended December 31, 2004.

8. Levied Taxes

For the year ended December 31, 2004, a 5.85 mill tax authorized by Article 6, Section 27 of the Louisiana Constitution of 1974 for general operating purposes was levied on property with assessed valuations totaling \$12,027,070.

9. Capital Leases

The Town records items under capital lease as an asset and an obligation in the accompanying financial statements. At December 31, 2004, the Town has one capital lease in effect for a fire truck with a recorded amount of \$147,987. The lease has an annual payment of \$18,402 at 6.9%. The lease obligations are paid from the general fund. The following is a summary of future minimum lease payments, together with the present value of the net minimum lease payments, as of December 31, 2004:

2005		\$	18,402
2006			<u>18,402</u>
Total minimum lease payments			36,804
Less amount representing interest		(<u>3,486</u>)
Present value of net minimum lease payments		\$	<u>33,318</u>

10. Changes in Long-term Debt

The following is a summary of general long-term debt transactions for the year ended December 31, 2004:

	<u>Bonds Payable</u>	<u>Certificate of Indebtedness</u>	<u>Total</u>
Long-term debt at December 31, 2003	\$ 807,000	\$ 13,306	\$ 820,306
Retirements	(<u>119,000</u>)	(<u>13,306</u>)	(<u>132,306</u>)
Long-term debt at December 31, 2004	<u>\$ 688,000</u>	<u>\$ -</u>	<u>\$ 688,000</u>

Long-term debt at December 31, 2004, is comprised of the following individual issue:

2002 Sales Tax Refunding Bonds - \$1,018,000 – Sales tax refunding bond issue dated January 31, 2002, due in annual installments each January 1 st of \$96,000 to \$154,000 through January 2010; interest at 0.1% to 5.0%, due in semi-annual installments each January 1st and July 1st. Debt retirement payments are made from the 2002 Sales Tax Bonds Debt Service Fund.	\$	688,000
Total	\$	<u>688,000</u>

The annual requirements to amortize all general long-term debt outstanding at December 31, 2004, including interest of \$107,050 are as follows:

<u>Year</u>	<u>Bonds and Interest Payable</u>
2005	\$ 158,400
2006	156,200
2007	158,800
2008	159,950
2009-2010	<u>161,700</u>
Total	\$ <u>795,050</u>

11. Pension Plans

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

Municipal Employees' Retirement System of Louisiana (System)

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

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

The System issues an annual publicly available report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Municipal Employees Retirement System of Louisiana, 7937 Office Park Boulevard, Baton Rouge, Louisiana 70809, or by calling (504) 925-4810.

Under Plan B, members are required by state statute to contribute five percent of their annual covered salary and the Town of Arcadia is required to contribute at an actuarially determined rate. The current rate is 5% of annual covered payroll. Contributions to the system include one-fourth of one percent (except Orleans and East Baton Rouge Parishes) of the taxes shown to be collectible by the tax rolls of each parish. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. The

contribution requirements of plan members and the Town of Arcadia 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's contributions to the System under Plan B for the year ended December 31, 2004 was \$33,311.

Municipal Police Employees' Retirement System (Police System)

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

The Police System issues an annual publicly available report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Municipal Police Employees Retirement System of Louisiana, 8401 United Plaza Boulevard, Baton Rouge, Louisiana 70809-2250, or by calling (504) 929-7411.

Members are required by state statute to contribute 7.5% of their annual covered salary and the Town of Arcadia is required to contribute at an actuarially determined rate. The current rate is 21.5% of annual covered payroll. The contribution requirements of the plan members and the Town of Arcadia 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's contributions to the Police System for the year ended December 31, 2004 was \$37,687.

12. Reserved and Designated Retained Fund Balances

The debt service fund has \$206,849 reserved fund balance to be used for debt service on its Series 2002 sales tax refunding bonds.

13. Federal Grant

In 2004, the Town was awarded a community development block grant from the State of Louisiana Office of Community Development in the amount of \$694,632 to be used for the renovation of the Town's sewerage system. The Town has set up a capital project fund to account for the activity from this grant and has recorded \$394,236 of additions to capital assets in the Proprietary Fund in 2004.

14. Local Services Agreement

On September 27, 1995, the Town entered into an agreement with the Bienville Parish Sheriff for the collection of ad valorem taxes. The sheriff is responsible for mailing tax notices, collecting the taxes owed to the Town, and monthly remittance of collections to the Town. A five percent collection fee and the cost of printing tax notices are borne by the Town. The initial one-year term which began October 1, 1995 is to be automatically extended unless the Town notifies the sheriff of its intent to terminate the agreement. At December 31, 2004, the Town recorded \$3,518 in collection fees.

15. Litigation and Claims

At December 31, 2004, there was no outstanding litigation involving the Town. Therefore, no liability has been recorded in the accompanying financial statements.

16. Changes in Accounting Principles

For the year ended December 31, 2004, the Town has implemented GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for the State and Local Governments*. GASB No. 34 creates new basic financial statements for reporting on the Commission's financial activities. The financial

statements now include government-wide financial statements prepared on the accrual basis of accounting, and fund financial statements which present information for individual major funds rather than by fund type which has been the mode of presentation in previously issued financial statements.

The implementation of GASB Statement No. 34 caused the opening balance at December 31, 2003 to be restated in terms of "net assets".

Total fund balance-Governmental Funds at December 31, 2003		\$	1,332,782
Add: Cost of capital assets at December 31, 2003	\$	1,737,392	
Less: Accumulated depreciation at December 31, 2003	(<u>966,705</u>) 770,687
Less: Outstanding debt at December 31, 2003			
Refunding bonds	(807,000)
Capital lease	(<u>48,382</u>) 855,382
Net Assets at December 31, 2003, as restated		\$	<u>1,248,087</u>

Required Supplemental Information

TOWN OF ARCADIA
Arcadia, Louisiana

Budgetary Comparison Schedule
Budget (GAAP) Basis and Actual - Governmental Funds
for the Year Ended December 31, 2004

	General Fund				Sales Tax Fund			
	GAAP Budget		Actual	Variance Favorable (Unfavorable)	GAAP Budget		Actual	Variance Favorable (Unfavorable)
	Original	Final			Original	Final		
REVENUE								
Taxes								
Ad valorem taxes	\$ 70,000	\$ 70,000	\$ 66,940	\$ (3,060)	\$ -	\$ -	\$ -	\$ -
Sales and use taxes	541,887	505,000	483,530	(21,470)	1,000,000	940,000	892,242	(47,758)
Other taxes, penalties, and interest	88,999	66,000	66,161	161	-	-	-	-
Licenses and permits	67,155	79,400	75,361	(4,039)	-	-	-	-
Intergovernmental revenues								
State funds	1,000	1,000	21,643	20,643	-	-	-	-
Local funds	5,000	4,500	-	(4,500)	-	-	-	-
Fees, charges, and commissions for services								
Fines and forfeitures	17,500	16,000	15,813	(187)	-	-	-	-
Use of money and property	500	400	21,984	21,584	250	250	259	9
Other revenues	8,555	23,500	12,327	(11,173)	-	250	238	(12)
Total revenues	<u>800,596</u>	<u>765,600</u>	<u>768,279</u>	<u>2,479</u>	<u>1,000,250</u>	<u>940,500</u>	<u>892,739</u>	<u>(47,781)</u>
EXPENDITURES								
Current								
General government	337,408	310,598	337,548	(26,948)	15,000	11,030	13,412	(2,382)
Public safety	409,626	441,082	379,423	61,659	-	-	-	-
Public works	-	-	-	-	-	-	-	-
Health and welfare	26,075	5,900	-	5,900	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-
Economic development	-	-	1,938	(1,938)	-	-	-	-
Transportation	22,000	4,900	3,558	1,342	-	-	-	-
Debt service	-	-	18,402	(18,402)	-	-	-	-
Capital outlay	10,000	-	36,843	(36,843)	-	-	-	-
Total expenditures	<u>805,109</u>	<u>762,480</u>	<u>780,710</u>	<u>(18,230)</u>	<u>15,000</u>	<u>11,030</u>	<u>13,412</u>	<u>(2,382)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(4,513)	3,320	(12,431)	(15,751)	985,250	929,470	879,327	(50,143)
OTHER FINANCING SOURCE (USE)								
Operating transfers in (out)	-	-	(108,675)	(108,675)	(985,250)	(927,000)	(879,145)	47,855
	-	-	(108,675)	(108,675)	(985,250)	(927,000)	(879,145)	47,855
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCE OVER EXPENDITURES AND OTHER USE	(4,513)	3,320	(121,106)	(124,426)	-	2,470	182	(2,288)
FUND BALANCE AT BEGINNING OF YEAR	<u>581,455</u>	<u>581,455</u>	<u>581,455</u>	<u>-</u>	<u>7,911</u>	<u>7,911</u>	<u>7,911</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ 556,942</u>	<u>\$ 584,775</u>	<u>\$ 440,349</u>	<u>\$ (124,426)</u>	<u>\$ 7,911</u>	<u>\$ 10,381</u>	<u>\$ 8,093</u>	<u>\$ (2,288)</u>

See Independent Auditor's Report.

Other Supplemental Information

TOWN OF ARCADIA
Arcadia, Louisiana

Combining Balance Sheet
Non-major Government Funds
December 31, 2004

	<u>Street</u>	<u>Industrial Inducement</u>	<u>Industrial Development</u>	<u>Parks and Recreation</u>	<u>Debt Service</u>	<u>Total</u>
Assets						
Cash and cash equivalents	\$ 1,611	\$ 273,146	\$ -	\$ 73,247	\$ 292	\$ 348,296
Investments	-	-	-	-	-	-
Due from other funds	69,003	9,722	-	9,721	-	88,446
Restricted assets						
Cash and cash equivalents	-	-	-	-	206,849	206,849
Total Assets	\$ 70,614	\$ 282,868	\$ -	\$ 82,968	\$ 207,141	\$ 643,591
Liabilities and Fund Equity						
Accounts payable	\$ 6,399	\$ -	\$ -	\$ 4,637	\$ -	\$ 11,036
Total Liabilities	6,399	-	-	4,637	-	11,036
Fund Balance - Unreserved and Undesignated	<u>64,215</u>	<u>282,868</u>	<u>-</u>	<u>78,331</u>	<u>207,141</u>	<u>632,555</u>
Total Liabilities and Fund Balance	\$ 70,614	\$ 282,868	\$ -	\$ 82,968	\$ 207,141	\$ 643,591

See Independent Auditor's Report.

TOWN OF ARCADIA
Arcadia, Louisiana

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-major Governmental Funds
For the Year Ended December 31, 2004

	<u>Street</u>	<u>Industrial Inducement</u>	<u>Industrial Development</u>	<u>Parks and Recreation</u>	<u>Debt Service</u>	<u>Total</u>
Revenue						
Sales and use taxes	\$ 131,872	\$ 43,957	\$ -	\$ 43,957	\$ -	\$ 219,786
State funds	3,948	1,429	-	-	-	5,375
Use of money and property	83	14,152	-	3,328	2,422	19,963
Other miscellaneous revenue	149	-	-	1,500	-	1,649
Total Revenue	<u>136,030</u>	<u>59,538</u>	<u>-</u>	<u>48,783</u>	<u>2,422</u>	<u>246,773</u>
Expenditures						
Current						
Public works	254,738	-	-	-	-	254,738
Culture and recreation	-	-	-	44,147	-	44,147
Economic development and assistance	-	5,738	-	-	-	5,738
Debt service	-	-	-	-	153,698	153,698
Capital outlay	3,090	-	143,787	71,510	-	218,387
Total Expenditures	<u>257,828</u>	<u>5,738</u>	<u>143,787</u>	<u>115,657</u>	<u>153,698</u>	<u>676,708</u>
Excess (Deficiency) of Revenue over Expenditures	(121,798)	53,800	(143,787)	(66,874)	(151,276)	(429,935)
Other Financing Source						
Operating transfers in (out)	91,121	(145,585)	143,787	56,053	153,698	289,074
Total Other Financing Source	<u>91,121</u>	<u>(145,585)</u>	<u>143,787</u>	<u>56,053</u>	<u>153,698</u>	<u>289,074</u>
Excess of Revenue and Other Financing Source Over Expenditures	(30,677)	(91,785)	-	(10,821)	2,422	(130,861)
Fund Balances at Beginning of Year	<u>94,892</u>	<u>374,853</u>	<u>-</u>	<u>89,152</u>	<u>204,719</u>	<u>763,416</u>
Fund Balances at End of Year	<u>\$ 64,215</u>	<u>\$ 282,868</u>	<u>\$ -</u>	<u>\$ 78,331</u>	<u>\$ 207,141</u>	<u>\$ 632,555</u>

See Independent Auditor's Report.

TOWN OF ARCADIA
Arcadia, Louisiana

Schedule of Compensation Paid to Aldermen
for the Year Ended December 31, 2004

Edward Mason (mayor pro tem)	\$	2,700
Gary Carlisle		2,400
Maggie Roberson		2,400
Billy Roy Cook		2,400
Frank Hill		2,400
Total	\$	<u>12,300</u>

Compensation Paid Aldermen

The schedule of compensation paid aldermen is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. Compensation of aldermen has been set by ordinance at \$200 per month with the mayor pro tem receiving \$225 per month and is included in general government expenditures of the General Fund.

See Independent Auditor's Report

Auditor's Reports

ROBERTS, CHERRY AND COMPANY
Certified Public Accountants, Consultants

Independent Auditor's Report

Mayor and Board of Aldermen
Town of Arcadia
Arcadia, Louisiana

We have audited the accompanying basic financial statements of the Town of Arcadia, as of and for the year ended December 31, 2004, as listed in the Table of Contents. These basic financial statements are the responsibility of the Town of Arcadia's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Town of Arcadia as of December 31, 2004, and the results of its operations and the cash flows of its proprietary fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 11, 2005, on our consideration of the Town of Arcadia's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information presented on pages 29 through 31 are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Town of Arcadia. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

The Management's Discussion and Analysis and budgetary comparison information on pages 1 through 6 and 28 are not required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information, however, we did not audit the information and express no opinion on it.


ROBERTS, CHERRY AND COMPANY

A Corporation of
Certified Public Accountants
Shreveport, Louisiana
May 11, 2005

ROBERTS, CHERRY AND COMPANY
Certified Public Accountants, Consultants

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

MAYOR AND BOARD OF ALDERMEN
TOWN OF ARCADIA
Arcadia, Louisiana

We have audited the basic financial statements of the Town of Arcadia, as of and for the year ended December 31, 2004, and have issued our report thereon dated June 29, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Arcadia's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. We have also noted other matters involving the internal control over financial reporting that we have reported to management of the Town of Arcadia, in a separate letter dated June 30, 2005.

Compliance

As part of obtaining reasonable assurance about whether the Town of Arcadia's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances if noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings and questioned costs as items 2004-1.

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

Roberts, Cherry and Company
ROBERTS, CHERRY AND COMPANY

A Corporation of
Certified Public Accountants
Shreveport, Louisiana
May 11, 2005

TOWN OF ARCADIA
Arcadia, Louisiana

Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2004

We have audited the basic financial statements of the Town of Arcadia as of and for the year ended December 31, 2004 and have issued our report thereon dated May 11, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our audit of the financial statements as of December 31, 2004 resulted in an unqualified opinion.

Section I – Summary of Auditor’s Report

Report on Internal Control and Compliance Material to the Financial Statements

Internal Control	
Material Weakness	No
Other Conditions	No
Compliance	
Compliance Material to Financial Statements	No

Federal Awards

N/A

Section II – Financial Statement Findings

2004-1 Collateralized Bank Deposits

At December 31, 2004, the Town had \$199,293 in unsecured deposits held at a bank. The bank had pledged securities that were insufficient under guidelines established by Louisiana law. We recommended Town management closely monitor securities the bank is pledging toward their deposits and request that appropriate securities be pledged immediately.

Management’s Corrective Action Plan

Management intends to transfer cash and cash equivalents from the bank that has insufficient pledged securities to another bank which will comply with pledge securities requirements.

Section II – Federal Award Findings and Questioned Costs

None

TOWN OF ARCADIA
Arcadia, Louisiana

Schedule of Prior Year Findings
For the Year Ended December 31, 2003

Section I – Internal Control and Compliance Material to the Financial Statements

None

Section II – Internal Control and Compliance Material to Federal Awards

None

Section III – Management Letter

2003-1	Finding:	The town has unsecured deposits held at a bank that were insufficient and not appropriate under guidelines established by Louisiana law.
	Current Status:	Finding existed at 12/31/04. See Finding 2004-1 on page 34.
2003-2	Finding:	The Town incurred \$22,275 in expenses prohibited by state law for mowing and maintenance of privately owned cemeteries.
	Current Status:	Management stopped paying for the mowing and maintenance of the privately owned cemeteries. During 2004, the Board of Aldermen approved a resolution assuming ownership of the privately owned cemeteries as determined by the Town Attorney. After assuming ownership of the property, the Town began maintaining the cemetery property.
2003-3	Finding:	The Town was advised by the Louisiana Legislative Auditor to prepare and adopt various policies. As of May 21, 2004, the Town had adopted two of the nine policies recommended.
	Current Status:	As of May 11, 2005, the Town had adopted eight (8) of the nine (9) policies recommended. The Town has not adopted a Code of Ethics policy, including requiring annual certification letters from the board of aldermen and employees attesting to the compliance.
2003-4	Finding:	The Town was advised to adjust proprietary fund general ledger accounts monthly using the accrual method of accounting. It was also recommended that the due to/from accounts be reconciled monthly. Additionally, it was recommended the Town purchase a fixed asset program to maintain fixed asset records internally.
	Current Status:	As of the date of this report, the Town has not adopted these recommendations.
2003-5	Finding:	The Town was advised to prepare for the implementation of GASB 34 reporting model.
	Current Status:	The Town has implemented GASB 34.

ROBERTS, CHERRY & COMPANY
Certified Public Accountants, Consultants

To the Mayor and Board of Aldermen
Town of Arcadia
Arcadia, Louisiana

In planning and performing our audit of the financial statements of Town of Arcadia (Town) for the year ended December 31, 2004, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control. However we noted certain matters involving internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to the our attention relating to significant deficiencies in the design or operation of internal control that, in our judgment, could adversely affect the organization's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

Reportable Conditions

Collateralized Bank Deposits

The amount on deposit with banks must be secured at all times by a combination of FDIC insurance and appropriate obligations. We discovered that the First National Bank of Arcadia had invested balances which were not fully collateralized as of December 31, 2004.

We recommend that the Town monitor the amounts pledged as collateral by the banks and document compliance of this item monthly, as well as ensure timely correction of any shortfalls. In addition, we recommend that the Town review the applicable guidelines with bank management to prevent the banks from failing to comply with this regulation in the future.

Monthly Accounting

We noted that the Town was not performing the following monthly accounting procedures.

- The proprietary fund is not being maintained on the accrual basis of accounting
- Due to/ from accounts are not being reconciled monthly between the respective funds.
- The Town does not maintain their fixed assets records internally on a fixed asset program.

We recommend the Town Clerk adjust the proprietary fund general ledger accounts monthly using the accrual method of accounting. We also recommend the Town Clerk reconcile due to/ from accounts monthly and only post amounts to these accounts if it is the intention to repay the amounts. We also recommend the Town purchase a fixed asset program to maintain their fixed asset records internally.

We have already discussed these comments and suggestions with the Mayor and Town Clerk and will be pleased to discuss them in further detail at your convenience, or to perform any additional study of these matters.

Roberts, Cherry and Company
ROBERTS, CHERRY AND COMPANY

A Corporation of
Certified Public Accountants
Shreveport, Louisiana
June 30, 2005



TOWN OF ARCADIA

Clerk
Dana Vallery

Eugene Smith, Mayor
P.O. Box 767
Arcadia, Louisiana 71001
(318) 263-8456 - Fax (318) 263-2571

Attorney
Jonathan Stewart

June 30, 2005

Roberts, Cherry and Company
650 Olive Street
Shreveport, LA 71104

We offer the following corrective action to the recommendations noted in your management letter in connection with your audit of the Town of Arcadia (Town) for the year ended December 31, 2004:

Collateralized Bank Deposits

Recommendation: The Town should monitor the amounts pledged as collateral by the banks and document compliance monthly, as well as ensure timely correction of any shortfalls. The Town should review the applicable guidelines with bank management to prevent the banks from failing to comply with this regulation in the future.

Action Taken: The Town intends to transfer cash and cash equivalents from the bank that has insufficient pledged securities to another bank which will comply with pledge securities requirements.

Monthly Accounting

Recommendation: The Town Clerk should adjust proprietary fund general ledger accounts monthly using the accrual method of accounting. The Town Clerk should reconcile due to/from accounts monthly and only post amounts to these accounts if it is the intention to repay the amounts. The Town should purchase a fixed asset program to maintain their fixed asset records internally.

Action Taken: The Town Clerk will adjust proprietary fund general ledger accounts monthly using the accrual basis of accounting. The Town Clerk will also perform a monthly reconciliation of the due/to from accounts. The Town intends to conduct a study of available fixed asset software programs to find a software package that is applicable to its needs.

Sincerely yours,


Eugene Smith, Mayor