

**Town of Haughton
Haughton, Louisiana**

Financial Statement with Auditors' Report

As of and For the Year Ended December 31, 2017

Town of Haughton
Haughton, Louisiana

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Haughton, Louisiana

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Independent Auditors' Report

Town of Haughton
Haughton, Louisiana

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town of Haughton, Louisiana, as of December 31, 2017, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 – 11 and 58 – 59, the schedule of proportionate share of net pension liability on page 60, and the schedule of contributions on page 61 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Haughton's basic financial statements. The accompanying other supplementary information listed in the table of contents and shown on pages 62 - 63 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2018, on our consideration of the Town of Haughton, Louisiana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Haughton'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 Haughton's internal control over financial reporting and compliance.



Cook & Morehart
Certified Public Accountants
June 28, 2018

TOWN OF HAUGHTON

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Haughton, Louisiana, we offer the readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town of Haughton as of and for the year ended December 31, 2017. We encourage readers to consider the information presented here in conjunction with the Town's basic financial statements and supplementary information provided in this report in assessing the efficiency and effectiveness of our stewardship of public resources.

FINANCIAL HIGHLIGHTS

The Town of Haughton's net position of our government activities decreased by \$91,371 or 4%.

The Town of Haughton's net position of our business type activities increased by \$373,774 or 8%.

In the Town's governmental activities, total general and program revenues were \$2,851,178 in 2017 compared to \$2,383,746 in 2016. Total expenses, excluding depreciation, totaled \$2,707,428 for the year ended December 31, 2017 compared to \$2,813,533 for 2016.

In the Town's business-type activities, total general and program revenues increased by approximately \$697,272, while total expenses increased by approximately \$206,358.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements include three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains additional required supplementary information (budgetary schedules) and other supplementary information in addition to the basic financial statements. These components are described below:

Basic Financial Statements

The basic financial statements include two kinds of financial statements that present different views of the Town – the **Government-wide Financial Statements** and the **Fund Financial Statements**. These financial statements also include the **Notes to the Financial Statements** that explain some of the information in the financial statements and provide additional detail.

Government-wide Financial Statements

The government-wide financial statements provide a broad view of the Town's operations in a manner similar to a private-sector business. The statements provide both short-term and long-term information about the Town's financial position, which assists users in assessing the Town's economic condition at the end of the year. These statements are prepared using the economic resources measurement focus and the accrual basis of accounting similar to methods used by most businesses. These statements report all revenues and expenses connected with the year even if cash has not been received or paid and include all assets of the Town as well

as all liabilities (including long-term debt). Additionally, certain eliminations have occurred as prescribed by GASB 34 in regards to interfund activity, payables, and receivables. The government-wide financial statements include two statements:

- **The *statement of net position*** presents all of the Town's assets and liabilities, with the difference between the two reported as "net position". Over time, increases or decreases in the Town's net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.
- **The *statement of activities*** presents information showing how the Town's net position changed during the most recent year using the full accrual basis of accounting. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Therefore, some revenues and some expenses that are reported in this statement will not result in cash flows until future years. This statement also presents a comparison between direct expenses and program revenues for each function of the Town.

These two statements report the Town's net position and changes in them. The Town's net position – the difference between assets and liabilities – can be thought of as one way to measure the Town's financial health, or financial position. Over time, increases or decreases in the Town's net position are one indicator of whether its financial health is improving or deteriorating. However, you will need to consider other non-financial factors such as changes in the Town's property tax base, to assess the overall health of the Town.

Both of the above financial statements have separate sections for the two different types of Town activities. These activities are:

Governmental Activities – The activities in this section are mostly supported by taxes and intergovernmental revenues (grants). Most services normally associated with the Town fall into this category, including general government, public safety, and streets and drainage.

Business-type Activities – These functions 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 activities of the Town consist of the provision of water, sewer, and sanitation services.

The government-wide financial statements can be found immediately following this discussion and analysis.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The fund financial statements focus on individual parts of the Town government, reporting the Town's operations in more detail than the government-wide statements. The funds of the Town can be divided into two categories. It is important to note that these fund categories use

different accounting approaches and should be interpreted differently. The two categories of funds are:

- *Governmental Funds* – Most of the basic 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 statements provide a detailed short-term view of the Town's finances and assists in determining whether there will be adequate financial resources available to meet the current needs of the Town.

Because the 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 governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, 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 balances provide a reconciliation to facilitate this comparison between governmental funds and the governmental activities. These reconciliations are presented on the page immediately following each governmental funds financial statement. The Town's general fund is considered a major fund for presentation purposes.

The basic governmental funds financial statements can be found immediately following the government-wide financial statements.

- *Proprietary Funds* – These funds are used to show activities that operate more like those of commercial enterprises. Because these funds charge fees for services provided to outside customers, including local governments, they are known as enterprise funds. 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 statements use the accrual basis of accounting. There is no reconciliation needed between the government-wide financial statements for business-type activities and the proprietary fund financial statements.

The Town has three enterprise funds, the Water Fund, the Sewer Fund, and the Sanitation Fund, each of which is considered a major proprietary fund for presentation purposes.

The basic proprietary fund financial statements can be found immediately following the governmental fund financial statements.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the financial statements can be found immediately following the funds financial statements.

Required Supplementary Information

The basic financial statements are followed by a section of required supplementary information. This section includes a budgetary comparison schedule for the General Fund, as presented in the governmental fund financial statements, as well as supplementary schedules with regards to pensions. Annual budgets are prepared using the cash basis of accounting. Following the required supplementary information is supplementary information that is provided to show additional details.

FINANCIAL ANALYSIS OF GOVERNMENT-WIDE ACTIVITIES

Net Position

Net position may serve over time as a useful indicator of the Town's financial position. The Town's combined net position (governmental and business-type activities) totaled \$7,226,231 and \$6,943,828 as of December 31, 2017 and 2016, respectively, an increase of \$282,403 or 4%.

As of December 31, 2017, \$6,575,335 or 91% of the Town's net position consists of investment in capital assets such as land, buildings, equipment, and water and sewer plant and improvements, less any related debt used to acquire those assets that is still outstanding, compared to \$6,498,049 or 93% of the Town's net assets as of the close of the prior year. The Town uses these capital assets to provide services to the citizens of Haughton; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A portion of the Town's net position, \$408,686 or 6% and \$178,178 or 3% as of December 31, 2017 and 2016, respectively, is unrestricted and may be used to meet the Town's ongoing obligations to citizens and creditors at the discretion of the mayor and council of Haughton.

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and Other Assets	\$ 1,754,364	\$ 1,926,550	\$ 2,154,316	\$ 1,530,412	\$ 3,908,680	\$ 3,456,962
Capital Assets	2,841,379	2,584,940	9,490,657	6,471,781	12,332,036	9,056,721
Total Assets	4,595,743	4,511,490	11,644,973	8,002,193	16,240,716	12,513,683
Deferred outflows of resources - pension	739,989	900,923	227,263	286,821	967,252	1,187,744
Current Liabilities	152,484	61,750	455,356	239,200	607,840	300,950
Long-term Liabilities Outstanding						
Due within one year	25,346	19,975	322,000	141,000	347,346	160,975
Due in more than one year	2,761,824	2,791,283	5,994,617	3,183,075	8,756,441	5,974,358
Total Liabilities	2,939,654	2,873,008	6,771,973	3,563,275	9,711,627	6,436,283
Deferred inflows of resources - pension	244,596	296,552	25,514	24,764	270,110	321,316
Net investment in capital assets	2,809,102	2,584,940	3,766,233	3,913,109	6,575,335	6,498,049
Restricted						
Debt Service			217,770	267,601	217,770	267,601
Parks and recreation	24,441				24,441	
Unrestricted	(682,061)	(342,087)	1,090,746	520,265	408,685	178,178
Total Net Position	\$ 2,151,482	\$ 2,242,853	\$ 5,074,749	\$ 4,700,975	\$ 7,226,231	\$ 6,943,828

Changes in Net position

The Town's net position increased by \$282,403 during the year ended December 31, 2017 compared to a decrease of \$750,876 in 2016. This increase is primarily due to increased sewer rates for 2017.

Approximately \$2,615,407 of the Town's total revenues was derived through charges for services in 2017 compared to \$1,829,147 in 2016. During the year ended December 31, 2017, approximately \$2,099,782 was derived from general revenues including taxes and interest compared to \$1,958,035 during 2016. The Town received \$527,475 and \$290,778 of its total revenues through program grants and contributions during 2017 and 2016, respectively.

The largest expenses were for public safety, general government, water and sewer. In fiscal year 2017, governmental activity expenses exceeded program revenues resulting in the use of \$1,899,597 in general revenues, mostly taxes. Net business-type activity expenses in fiscal year 2017 were less than program revenues by \$162,993.

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	\$ 436,175	\$ 327,359	\$ 2,179,232	\$ 1,501,788	\$ 2,615,407	\$ 1,829,147
Operating grants and contributions	206,842	279,463	12,069	11,315.00	218,911	290,778
Capital grants and contributions	308,564				308,564	
General revenues:						
Taxes	1,829,405	1,697,850	187,309	175,951	2,016,714	1,873,801
Fire insurance rebate	17,204	15,899			17,204	15,899
Interest	1,868	2,685	3,338	2,569	5,206	5,254
Other	51,120	60,490	9,538	2,591	60,658	63,081
Total revenues	<u>2,851,178</u>	<u>2,383,746</u>	<u>2,391,486</u>	<u>1,694,214</u>	<u>5,242,664</u>	<u>4,077,960</u>
Expenses:						
General government	513,997	549,265			513,997	549,265
Public safety	2,300,404	2,334,438			2,300,404	2,334,438
Streets and drainage	117,552	123,183			117,552	123,183
Water			900,188	925,592	900,188	925,592
Sewer			849,508	621,737	849,508	621,737
Sanitation			278,612	274,621	278,612	274,621
Total expenses	<u>2,931,953</u>	<u>3,006,886</u>	<u>2,028,308</u>	<u>1,821,950</u>	<u>4,960,261</u>	<u>4,828,836</u>
Increase (decrease) in net assets before transfers						
	(80,775)	(623,140)	363,178	(127,736)	282,403	(750,876)
Transfers	(10,596)	184,673	10,596	(184,673)		
Change in net assets	<u>\$ (91,371)</u>	<u>\$ (438,467)</u>	<u>\$ 373,774</u>	<u>\$ (312,409)</u>	<u>\$ 282,403</u>	<u>\$ (750,876)</u>

FINANCIAL ANALYSIS OF THE INDIVIDUAL FUNDS

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

Governmental Funds

The focus of the Town's governmental funds 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. In particular, unassigned fund balance may serve as a useful measure of the Town's net resources available for spending at the end of the year.

At the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$1,574,348, a decrease of \$274,792 or 15% in comparison with the prior year. Approximately \$921,832 is assigned and \$24,441 is restricted. The remaining \$628,075 of this total amount constitutes *unassigned fund balance*, which is available for spending at the Town's discretion.

The General Fund is the chief operating fund for the Town. Unassigned fund balance was \$628,075 at the end of the current fiscal year, compared to \$924,267 at December 31, 2016.

Proprietary Funds

The Town's proprietary funds provide the same type of information as the government-wide financial statements, but in more detail. The proprietary fund financial statements provide separate information for the Water, Sewer, and Sanitation operations, which are considered to be major funds of the Town. The Town's proprietary funds consist of enterprise funds which report the same functions presented as business-type activities in the government-wide financial statements.

At the end of the current fiscal year, the Town's proprietary funds reported combined ending net position of \$5,074,749, an increase of \$373,774 in comparison with the prior year's ending net position of \$4,700,975. The Water Fund had an increase in net position of \$66,268, the Sewer Fund had an increase in net position of \$297,022, and the Sanitation Fund had an increase in net position of \$10,484. \$3,766,233 represents investment in capital assets net of accumulated depreciation and related outstanding debt. A total of \$217,770 is reported as restricted for debt service, with a balance of \$1,090,746 classified as unrestricted.

GENERAL FUND BUDGETARY HIGHLIGHTS

Formal budgetary integration is employed as a management control device during the fiscal 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. 39:1301 et seq.).

The Town's General Fund budget was amended one time during 2017.

The actual revenues were \$184,345 over the budgeted amounts and the actual expenditures were \$75,750 less than the budgeted amounts.

CAPITAL ASSET ADMINISTRATION

At the end of December 31, 2017, the Town of Haughton had invested \$12,332,036 in capital assets. See Table below:

	Capital Assets at Year End (Net of Depreciation)					
	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 387,518	\$ 387,518	\$ 17,200	\$ 17,200	\$ 404,718	\$ 404,718
Construction in progress	357,016	184,066	3,385,526	65,819	3,742,542	249,885
Buildings	764,010	799,784			764,010	799,784
Improvements other than buildings	670,624	582,039			670,624	582,039
Equipment	662,211	631,533	273,898	273,898	936,109	905,431
Water system and equipment			2,263,481	2,370,068	2,263,481	2,370,068
Sewer plant			3,550,552	3,744,796	3,550,552	3,744,796
Total assets	\$ 2,841,379	\$ 2,584,940	\$ 9,490,657	\$ 6,471,781	\$ 12,332,036	\$ 9,056,721

This year's major additions included:

Equipment	\$ 123,948	\$
Construction in process	357,016	3,388,725
Water system and and equipment		24,478
Sewer plant than buildings		4,115
	<u>\$ 480,964</u>	<u>\$ 3,417,318</u>

More detailed information about the capital assets are presented in Note 6 to the financial statements.

DEBT ADMINISTRATION

At the end of 2017 the Town had \$9,103,787 in long-term liabilities including utility revenue bonds and net pension liability, as described below:

Outstanding Debt At Year End

	<u>Governmental Activites</u>		<u>Business-Type Activites</u>		<u>Totals</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Net Pension Liability	\$ 2,761,824	\$ 2,791,283	\$ 778,945	\$ 765,403	\$ 3,540,769	\$ 3,556,686
Compensated Absences	25,346	19,975			25,346	19,975
Sewer Revenue Bonds			5,537,672	2,558,672	5,537,672	2,558,672
	<u>\$ 2,787,170</u>	<u>\$ 2,811,258</u>	<u>\$ 6,316,617</u>	<u>\$ 3,324,075</u>	<u>\$ 9,103,787</u>	<u>\$ 6,135,333</u>

State law restricts the amount of debt that the Town of Haughton may issue. The aggregate principal amount of debt may not exceed 10% of the assessed valuation for property tax purposes all real and personal property located within the parish. The Town of Haughton’s total debt outstanding at year-end was well below this limitation.

More detailed information about the debt is presented in Note 13 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

The following economic factors were considered when the budget for the fiscal year ended December 31, 2017 was prepared:

- Operating revenues are expected to remain consistent with the prior year.
- Operating expenditures are expected to remain consistent with the prior year.

REQUESTS FOR INFORMATION

The financial report is designed to provide a general overview of the finances of the Town and seeks to demonstrate the Town’s accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Town of Haughton, P.O. Box 729, Haughton, Louisiana 71037 or by calling (318) 949-9401.

Town of Haughton
Haughton, Louisiana
Statement of Net Position
December 31, 2017

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 1,323,312	\$ 1,212,778	\$ 2,536,090
Investments	262,841	33,797	296,638
Receivables	260,156	362,742	622,898
Prepaid expenses	27,532	4,586	32,118
Restricted assets:			
Cash and cash equivalents	24,441	321,701	346,142
Investments		74,794	74,794
Internal balances	(143,918)	143,918	
Capital assets			
Depreciable (net)	2,096,845	6,087,931	8,184,776
Non-depreciable	744,534	3,402,726	4,147,260
Total assets	<u>4,595,743</u>	<u>11,644,973</u>	<u>16,240,716</u>
Deferred outflows of resources - pension related	<u>739,989</u>	<u>227,263</u>	<u>967,252</u>
Liabilities			
Accounts payable and accrued expenses	152,484	276,631	429,115
Payable from restricted assets:			
Customer deposits		178,725	178,725
Non-current liabilities			
Due within one year	25,346	322,000	347,346
Due in more than one year	2,761,824	5,994,617	8,756,441
Total liabilities	<u>2,939,654</u>	<u>6,771,973</u>	<u>9,711,627</u>
Deferred inflows of resources - pension related	<u>244,596</u>	<u>25,514</u>	<u>270,110</u>
Net Position (Deficit)			
Net investment in capital assets	2,809,102	3,766,233	6,575,335
Restricted			
Debt Service		217,770	217,770
Parks and recreation	24,441		24,441
Unrestricted (deficit)	(682,061)	1,090,746	408,685
Total net position (deficit)	<u>\$ 2,151,482</u>	<u>\$ 5,074,749</u>	<u>\$ 7,226,231</u>

The accompanying notes are an integral part of this statement.

Town of Haughton
Haughton, Louisiana
Statement of Activities
For the Year Ended December 31, 2017

Functions / Programs:	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Capital Grants and Contributions	Operating Grants and Contributions	Governmental Activities	Business-type Activities
Governmental Activities						
General government	\$ 513,997	\$ 210,823	\$ 283,241	\$ 3,895	\$ (16,038)	\$ (16,038)
Public safety	2,300,404	225,352	25,323	202,947	(1,846,782)	(1,846,782)
Street and drainage	117,552				(117,552)	(117,552)
Total governmental activities	2,931,953	436,175	308,564	206,842	(1,980,372)	(1,980,372)
Business-type Activities						
Water	900,188	917,526		6,032		23,370
Sewer	849,508	967,851		6,037		124,380
Sanitation	278,612	293,855				15,243
Total business-type activities	2,028,308	2,179,232		12,069		162,993
Total Government	\$ 4,960,261	\$ 2,615,407	\$ 308,564	\$ 218,911	(1,980,372)	162,993
General revenues:						
Taxes -						
Ad valorem taxes				98,937	187,309	286,246
Gaming taxes				247,557		247,557
Sales tax				1,331,054		1,331,054
Other taxes				11,731		11,731
Franchise tax				140,126		140,126
Fire insurance rebate				17,204		17,204
Investment earnings				1,868	3,338	5,206
Miscellaneous				51,120	9,538	60,658
Transfers				(10,596)	10,596	
Total general revenues				1,889,001	210,781	2,099,782
Change in net assets				(91,371)	373,774	282,403
Net position - beginning				2,242,853	4,700,975	6,943,828
Net position - ending				\$ 2,151,482	\$ 5,074,749	\$ 7,226,231

The accompanying notes are an integral part of this statement.

Town of Haughton
 Haughton, Louisiana
 Balance Sheet
 Governmental Funds
 December 31, 2017

	<u>General</u>
Assets	
Cash and cash equivalents	\$ 1,323,312
Investments	262,841
Receivables	260,156
Due from other funds	24,633
Restricted cash	24,441
Total assets	\$ 1,895,383
 Liabilities and Fund Balances	
Liabilities:	
Accounts payable and accrued expenses	\$ 152,484
Due to other funds	168,551
Total liabilities	321,035
 Fund balances:	
Restricted	
Parks and recreation	24,441
Assigned:	
Capital projects	563,604
Public safety	176,470
Parks and recreation	181,758
Unassigned	628,075
Total fund balances	1,574,348
Total liabilities and fund balances	\$ 1,895,383

The accompanying notes are an integral part of this statement.

Town of Haughton
 Haughton, Louisiana
 Reconciliation of the Balance Sheet of Governmental Funds
 to the Statement of Net Position
 December 31, 2017

Fund balances - total governmental funds	\$ 1,574,348
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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 funds.	2,841,379
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The nonallocation method of accounting for prepayments is used in the fund statements, since the prepayment does not provide expendable financial resources.	27,532
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Other long-term assets and other amounts are not available to pay for current-period expenditures and therefore are unavailable in the funds.	
Deferred outflows - pension related	739,989

Long-term liabilities and other amounts, including compensated absences payable and pension liability, are not due and payable in the current period and therefore are not reported in the funds.	
Net pension liability	(2,761,824)
Accrued leave	(25,346)
Deferred inflows - pension related	(244,596)

Net position of governmental activities	\$ <u>2,151,482</u>
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The accompanying notes are an integral part of this statement.

Town of Haughton
Haughton, Louisiana
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2017

Revenues:	<u>General</u>
Ad valorem taxes	\$ 98,937
Franchise taxes	140,126
Sales taxes	1,331,054
Gaming taxes	247,557
Other taxes	11,731
Licenses and permits	210,823
Intergovernmental	443,818
Investment earnings	1,868
Fines and forfeitures	225,352
Other	51,120
Total revenues	<u>2,762,386</u>
Expenditures:	
Current:	
General government	377,924
Public safety	2,066,767
Streets and drainage	100,927
Capital outlay	480,964
Total expenditures	<u>3,026,582</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(264,196)</u>
Other financing sources (uses):	
Transfers in	17,175
Transfers out	(27,771)
Total other financing sources (uses)	<u>(10,596)</u>
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	(274,792)
Fund balances at beginning of year	<u>1,849,140</u>
Fund balances at end of year	<u>\$ 1,574,348</u>

The accompanying notes are an integral part of this statement.

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

Net change in fund balances - total governmental funds \$ (274,792)

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. This is the amount by which capital outlays (\$480,964) exceeded depreciation expense (\$224,525) in the current period. 256,439

The nonallocation method of accounting for prepayments is used in the fund statements, since the prepayment does not provide expendable financial resources. 11,872

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Non-employer contributions to cost-sharing pension plan 83,792

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Compensated absences (5,371)

Pension expense (163,311)

Change in net position of governmental activities \$ (91,371)

The accompanying notes are an integral part of this statement.

Town of Haughton
Haughton, Louisiana
Statement of Net Position
Proprietary Funds
December 31, 2017

	Business-type Activities - Enterprise Funds			
	Water Fund	Sewer Fund	Sanitation Fund	Total
Assets				
Current assets:				
Cash and cash equivalents	\$ 702,406	\$ 419,645	\$ 90,727	\$ 1,212,778
Investments			33,797	33,797
Prepays	3,127	1,459		4,586
Receivables				
Accounts	114,176	134,135	49,377	297,688
Ad valorem taxes		64,260		64,260
Other	581		213	794
Due from other funds	166,735	57,145	53,497	277,377
Total current assets	<u>987,025</u>	<u>676,644</u>	<u>227,611</u>	<u>1,891,280</u>
Noncurrent assets:				
Restricted				
Cash and cash equivalents	103,931	217,770		321,701
Investments	74,794			74,794
Capital assets:				
Land	17,200			17,200
Construction in Process		3,385,526		3,385,526
Plant and equipment	5,343,372	6,527,644		11,871,016
Less: accumulated depreciation	(3,020,365)	(2,762,720)		(5,783,085)
Total noncurrent assets	<u>2,518,932</u>	<u>7,368,220</u>		<u>9,887,152</u>
Total assets	<u>3,505,957</u>	<u>8,044,864</u>	<u>227,611</u>	<u>11,778,432</u>
Deferred outflows of resources - pension related	142,055	85,208		227,263
Liabilities				
Current liabilities:				
Accounts payable and accrued expenses	24,440	219,208	32,983	276,631
Due to other funds	107,566	25,893		133,459
Revenue bonds		322,000		322,000
Total current liabilities	<u>132,006</u>	<u>567,101</u>	<u>32,983</u>	<u>732,090</u>
Noncurrent liabilities:				
Payable from restricted assets:				
Customer deposits	178,725			178,725
Revenue bonds		5,215,672		5,215,672
Net pension liability	465,285	313,660		778,945
Total noncurrent liabilities	<u>644,010</u>	<u>5,529,332</u>		<u>6,173,342</u>
Total liabilities	<u>776,016</u>	<u>6,096,433</u>	<u>32,983</u>	<u>6,905,432</u>
Deferred inflows of resources - pension related	15,210	10,304		25,514
Net position				
Net investment in capital assets	2,340,207	1,426,026		3,766,233
Restricted - debt service		217,770		217,770
Unrestricted	516,579	379,539	194,628	1,090,746
Total net position	<u>\$ 2,856,786</u>	<u>\$ 2,023,335</u>	<u>\$ 194,628</u>	<u>\$ 5,074,749</u>

The accompanying notes are an integral part of this statement.

Town of Haughton
Haughton, Louisiana
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2017

	Business-type Activities - Enterprise Funds			
	Water Fund	Sewer Fund	Sanitation Fund	Total
Operating revenues:				
Charges for service -				
Water sales	\$ 917,526	\$	\$	\$ 917,526
Sewerage service charges		967,851		967,851
Solid waste collection			293,855	293,855
Total operating revenues	<u>917,526</u>	<u>967,851</u>	<u>293,855</u>	<u>2,179,232</u>
Operating expenses:				
Salaries	173,398	171,832		345,230
Payroll taxes and benefits	91,680	91,737		183,417
Contractual Services	18,992	16,135	274,057	309,184
Supplies and materials	195,097	31,736		226,833
Utilities	45,925	44,282		90,207
Insurance	68,991	68,991		137,982
Repairs and Maintenance	54,915	53,004		107,919
Bond issuance costs		43,894		43,894
Depreciation	200,083	198,359		398,442
Other	51,107	3,447	4,555	59,109
Total operating expenses	<u>900,188</u>	<u>723,417</u>	<u>278,612</u>	<u>1,902,217</u>
Operating income (loss)	<u>17,338</u>	<u>244,434</u>	<u>15,243</u>	<u>277,015</u>
Non-operating revenues (expenses):				
Interest income	1,044	1,887	407	3,338
Miscellaneous	9,482	56		9,538
Ad valorem taxes		187,309		187,309
Non-employer contributions-pension related	6,032	6,037		12,069
Interest expense		(126,091)		(126,091)
Total non-operating revenues (expenses)	<u>16,558</u>	<u>69,198</u>	<u>407</u>	<u>86,163</u>
Other financing sources (uses):				
Transfer in	43,212	14,592	4,317	62,121
Transfers out	(10,840)	(31,202)	(9,483)	(51,525)
Total other financing sources (uses)	<u>32,372</u>	<u>(16,610)</u>	<u>(5,166)</u>	<u>10,596</u>
Change in net position	66,268	297,022	10,484	373,774
Net position - beginning of year	<u>2,790,518</u>	<u>1,726,313</u>	<u>184,144</u>	<u>4,700,975</u>
Net position - end of year	<u>\$ 2,856,786</u>	<u>\$ 2,023,335</u>	<u>\$ 194,628</u>	<u>\$ 5,074,749</u>

The accompanying notes are an integral part of this statement.

Town of Haughton
Haughton, Louisiana
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2017

	Business-type Activities - Enterprise Funds			
	Water Fund	Sewer Fund	Sanitation Fund	Total
Cash Flows From Operating Activities				
Receipts from customers	\$ 894,425	\$ 893,723	\$ 290,559	\$ 2,078,707
Cash payments to suppliers for goods and services	(393,890)	(211,352)	(278,667)	(883,909)
Cash payments to employees for services	(264,691)	(263,182)		(527,873)
Net cash provided (used) by operating activities	<u>235,844</u>	<u>419,189</u>	<u>11,892</u>	<u>666,925</u>
Cash Flows From Non-Capital Financing Activities				
Advances to other funds	(166,735)	(15,170)	(4,159)	(186,064)
Advances from other funds	(58,288)	2,684		(55,604)
Transfers from other funds	43,212	14,592	4,317	62,121
Transfers to other funds	(10,840)	(31,202)	(9,483)	(51,525)
Property taxes		140,991		140,991
Other	9,482	56		9,538
Net cash provided (used) by non-capital financing activities	<u>(183,169)</u>	<u>111,951</u>	<u>(9,325)</u>	<u>(80,543)</u>
Cash Flows From Capital and Related Financing Activities				
Proceeds from capital debt		3,300,000		3,300,000
Principal paid on capital debt		(321,000)		(321,000)
Interest paid on capital debt		(115,424)		(115,424)
Acquisition and construction of capital assets	(27,678)	(3,203,375)		(3,231,053)
Net cash (used) by capital and related financing activities	<u>(27,678)</u>	<u>(339,799)</u>		<u>(367,477)</u>
Cash Flows From Investing Activities				
Interest received	1,044	1,887	407	3,338
Purchase of investments	(74,794)		(33,797)	(108,591)
Sale of investments	74,533		33,479	108,012
Net cash provided by investing activities	<u>783</u>	<u>1,887</u>	<u>89</u>	<u>2,759</u>
Net increase in cash and cash equivalents	25,780	193,228	2,656	221,664
Cash, Beginning of year	780,557	444,187	88,071	1,312,815
Cash, End of year	<u>\$ 806,337</u>	<u>\$ 637,415</u>	<u>\$ 90,727</u>	<u>\$ 1,534,479</u>
Cash and cash equivalents are reflected on the Statement of Net Position as follows:				
Cash and cash equivalents	\$ 702,406	\$ 419,645	\$ 90,727	\$ 1,212,778
Cash and cash equivalents - restricted	103,931	217,770		321,701
Total	<u>\$ 806,337</u>	<u>\$ 637,415</u>	<u>\$ 90,727</u>	<u>\$ 1,534,479</u>
Reconciliation of Operating Income to Net Cash Provided (Used) By Operating Activities:				
Operating income (loss)	\$ 17,338	\$ 244,434	\$ 15,243	\$ 277,015
Adjustments to reconcile operating (loss) to net cash provided (used) by operating activities:				
Depreciation expense	200,083	198,359		398,442
Customer deposits	8,564			8,564
Accounts receivable	(31,665)	(74,128)	(3,296)	(109,089)
Accounts payable and accrued expenses	1,711	9,005	(55)	10,661
Prepaid	(3,127)	(1,459)		(4,586)
Pension related	42,940	42,978		85,918
Net Cash Flows From Operating Activities	<u>\$ 235,844</u>	<u>\$ 419,189</u>	<u>\$ 11,892</u>	<u>\$ 666,925</u>
Non-cash investing and financing transaction:				
Acquisition of property				
Cost of property and equipment	\$	\$ 3,389,640	\$	\$
Vendor payable for property and equipment		(186,265)		
Cash down payment for property and equipment	<u>\$</u>	<u>\$ 3,203,375</u>	<u>\$</u>	<u>\$</u>

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

Town of Haughton
Haughton, Louisiana
Notes to Financial Statements
December 31, 2017

INTRODUCTION

The Town of Haughton is incorporated under the provisions of the Lawrason Act. The Town operates under a Mayor–Board of Aldermen form of government.

(1) Summary of Significant Accounting Policies

The Town of Haughton's financial statements are prepared in conformity with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the Town of Haughton are discussed below.

A. Reporting Entity

As the municipal governing authority, for reporting purposes, the Town of Haughton is considered a separate financial reporting entity. The financial reporting entity consists of (a) the primary government (the Town of Haughton), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which nature and significance of their relationship with the Town of Haughton are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The Governmental Accounting Standards Board (GASB), established criteria for determining which component units should be considered part of the Town of Haughton for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

1. Appointing a voting majority of an organization's governing body, and
 - a. The ability of the Town to impose its will on that organization and/or
 - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the Town.
2. Organizations for which the Town does not appoint a voting majority but are fiscally dependent on the Town.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

In addition, the GASB states that a legally separate, tax-exempt organization should be reported as a component unit of a reporting entity if *all* of the following criteria are met:

1. The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents.

(Continued)

Town of Haughton
Haughton, Louisiana
Notes to Financial Statements
December 31, 2017
(Continued)

2. The primary government is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.
3. The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government.

In addition, other organizations should be evaluated as potential component units if they are closely related to, or financially integrated with, the primary government.

There were no entities that were determined to be component units of the Town of Haughton.

B. Basic Financial Statements – Government-Wide Statements

The Town of Haughton's basic financial statements include both government-wide (reporting the funds maintained by the Town of Haughton as a whole) and fund financial statements (reporting the Town of Haughton's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The Town's general fund is classified as governmental activities. The Town's water, sewer, and sanitation services are classified as business-type activities.

In the government-wide Statement of Net Position, both the governmental activities and business-type activities columns are presented on a consolidated basis by column and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables, as well as long-term debt and obligations. The Town of Haughton's net position is reported in three parts – net investment in capital assets, restricted, and unrestricted net position.

The government-wide Statement of Activities reports both the gross and net cost of each of the Town of Haughton's functions. The functions are also supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating, and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, including non-employer contributions to cost-sharing pension plans, and 3) capital grants and contributions. 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 the proprietary fund's principal ongoing operations of providing water, sewer, and sanitation services. Non-operating revenues consist of ad valorem taxes, interest income, and other miscellaneous revenues.

The net costs (by function) are normally covered by general revenue (property, sales and use taxes, certain intergovernmental revenues, interest income, etc.).

(Continued)

Town of Haughton
Haughton, Louisiana
Notes to Financial Statements
December 31, 2017
(Continued)

This government-wide focus is more on the sustainability of the Town of Haughton as an entity and the change in the Town of Haughton's net position resulting from the current year's activities.

C. Basic Financial Statements – Fund Financial Statements

The financial transactions of the Town of Haughton are recorded in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the Town of Haughton:

1. Governmental Funds – the focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Town of Haughton:
 - a. General fund is the general operating fund of the Town of Haughton. It is used to account for all financial resources except those required to be accounted for in another fund.
 - b. Capital projects fund are used to account for financial resources to be used for the acquisition or construction of equipment and / or major capital facilities. No projects were accounted for in a capital projects fund during 2017.
2. Proprietary Funds – the focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the Town:
 - a. Enterprise funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges, or (c) establishes fees and charges based on a pricing policy designed to recover similar costs.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues, or expenditures/expenses of fund category) for the determination of major funds.

The following major funds are presented in the fund financial statements:

General Fund – accounts for all financial resources except those required to be accounted for in another fund.

(Continued)

Town of Haughton
Haughton, Louisiana
Notes to Financial Statements
December 31, 2017
(Continued)

Water fund – accounts for the provision of water services to the residents of the Town.

Sewer fund – accounts for the provision of sewer services to the residents of the Town.

Sanitation fund - accounts for the provision of sanitation services to the residents of the Town.

D. Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

1. Accrual:

Both governmental and business-type activities in the government-wide financial statements and the proprietary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

2. Modified Accrual:

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under modified accrual basis of accounting, revenues are recorded when susceptible to accrual: i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

E. Budget and Budgetary Accounting

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

1. The Mayor prepares a proposed budget and submits same to Board of Aldermen no later than fifteen days prior to the beginning of each fiscal year.
2. A summary of the proposed budget is published and the public notified that the proposed budget is available for public inspection. At the same time, a public hearing is called.
3. A public hearing is held on the proposed budget after publication of the call for the hearing.
4. After the holding of the public hearing and completion of all action necessary to finalize and implement the budget, the budget is adopted through passage of an ordinance prior to the commencement of the fiscal year for which the budget is being adopted.

(Continued)

Town of Haughton
Haughton, Louisiana
Notes to Financial Statements
December 31, 2017
(Continued)

5. The budget ordinance is structured such that revenues are budgeted by source and appropriations are budgeted by department and by principal object of expenditure. The Board of Aldermen may revise or amend the budget at its discretion during legally convened sessions. Management may amend the budget only below the department level.
6. All budgetary appropriations lapse at the end of each fiscal year.
7. Budgets for all funds are adopted on a cash basis. Budgeted amounts in the accompanying statements are as originally adopted, or as amended by the Board of Aldermen. There was one amendment to the budget during the year.

F. Cash, Cash Equivalents, and Investments

Cash includes amounts in petty cash, demand deposits, interest bearing demand deposits, and time deposits. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the Town may deposit funds in demand deposits, interest bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

Investments are limited by R.S. 33:2955 and the Town's investment policy. If the original maturities of investments exceed 90 days, they are classified as investments; however, if the original maturities are 90 days or less, they are classified as cash equivalents.

G. Capital Assets

Capital assets purchased or acquired with an original cost of \$2,500 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at acquisition value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	20–40 years
Equipment	5–15 years
Infrastructure	20–50 years
Land improvements	20 years
Building improvements	10–30 years
Water, sewer, and drainage systems	15–40 years

GASB requires the Town to report and depreciate new infrastructure assets effective January 1, 2004. Infrastructure assets include roads, bridges, traffic signals, etc. These infrastructure assets are likely to be the largest asset class of the Town. Neither their historical cost nor related depreciation has historically been reported in the financial statements. The retroactive reporting of infrastructure is not required.

(Continued)

Town of Haughton
Haughton, Louisiana
Notes to Financial Statements
December 31, 2017
(Continued)

H. Revenues

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. The Town bills and collects its own property taxes, using the assessed values determined by the tax assessor of Bossier Parish. Sales tax revenues are recorded in the period in which the underlying exchange has occurred. Fines, forfeitures, licenses, and permits are recognized in the period they are collected. Interest income on demand and time deposits is recorded when earned. Federal and state grants are recorded when the Town is entitled to the funds.

I. Net Position

Net Position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net investment in capital assets, net of related debt, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Restricted net position consists of assets that are restricted by limitations imposed on their use either through constitutional provisions or enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. All other net position is reported as unrestricted net position. When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the Town's policy is to first apply the expense toward restricted resources and then toward unrestricted resources.

J. Sales Taxes

The General Fund accounts for the collection of a two and one-half cent sales and use tax for the following purposes:

One cent sales tax issued in 1980 to be used for any lawful purpose of the Town, and the avails or proceeds of the tax to be subject to funding into negotiable bonds of the Town for any municipal purpose.

One cent sales tax issued in 1987 to be used for any lawful purpose of the Town, including constructing, acquiring, extending, and/or improving public works or capital improvements for Town including necessary sites, equipment or furnishings and for the purpose of paying any bonds or debt obligation the Town has issued for such purpose.

A half-cent sales tax issued in 1990 to be used for the purpose of acquiring, constructing, improving, maintaining, purchasing and/or operating fire protection facilities and equipment in the Town, including all related payroll costs, the cost of obtaining water for fire protection purposes, and the cost of hydrant rentals and services, and authorized to fund the proceeds of the tax into bonds to pay the cost of acquiring, constructing, improving and or purchasing fire protection facilities and equipment.

The City of Bossier City, Louisiana collects and distributes to the Town it's two and one-half cent sales and use tax. The City of Bossier City, Louisiana charges a collection fee of 1% of the sales tax collected for these services.

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Town of Haughton
Haughton, Louisiana
Notes to Financial Statements
December 31, 2017
(Continued)

K. Compensated Absences

The Town's policy allows annual leave based upon years of service. Unused leave balances at the employee's anniversary date are forfeited. Unused annual leave accumulated by an employee at the time of termination shall be paid in a lump sum with the employee's final pay.

The Town's policy allows sick leave based upon time worked. Employees may carryover unused sick leave, but will not be paid for unused sick leave upon separation from employment.

L. Interfund Activity

Interfund activity is reported as either loans, reimbursements, or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. Transfers between governmental funds are netted as part of the reconciliation to the government-wide financial statements.

M. Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Actual results could differ from those estimates.

N. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities in the statement of net position.

O. Bad Debts

Uncollectible amounts due for ad valorem taxes, customer's utility receivables, and special assessments 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. There is no allowance reflected in the accompanying financial statements.

P. Capitalized Interest

The Town capitalizes net interest costs and interest earned as part of the cost of constructing various water and sewer projects when material.

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Town of Haughton
Haughton, Louisiana
Notes to Financial Statements
December 31, 2017
(Continued)

Q. Statement of Cash Flows

For the purposes of the Statement of Cash Flows, the Enterprise Fund considers all highly liquid investments (including restricted assets) with a maturity of less than three months when purchased to be cash equivalents.

R. Postretirement Benefits

The Town provides no postretirement benefits to its employees.

S. Fund Balance

In the governmental fund financial statements, fund balances are classified as follows:

1. Nonspendable - amounts that cannot be spent either because they are not in spendable form or because they are legally or contractually required to be maintained intact.
2. Restricted – amounts that can be spent only for specific purpose due to constraints placed on the use of resources that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
3. Committed – amounts that can be used only for the specific purpose as a result of constraints imposed by the Town Council (the Town's highest level of decision making authority). Committed amounts cannot be used for any other purpose unless the Town removes those constraints by taking the same type of action (i.e. legislation, resolution, or ordinance).
4. Assigned – amounts that are constrained by the Town's intent to be used for specific purposes, but are neither restricted nor committed.
5. Unassigned – all amounts not included in other spendable classifications.

The Town's policy is to apply expenditures against restricted fund balance and then to other, less-restricted classifications – committed and then assigned fund balances before using unassigned fund balances.

The calculation of fund balance amounts begins with the determination of nonspendable fund balances. Then restricted fund balances for specific purposes are determined (not including non-spendable amounts). Then any remaining fund balance amounts for the non-general funds are classified as assigned fund balance. It is possible for the non-general funds to have negative unassigned fund balance when non-spendable amounts plus the restricted fund balances for specific purpose amounts exceeds the positive fund balance for the non-general fund.

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Town of Haughton
Haughton, Louisiana
Notes to Financial Statements
December 31, 2017
(Continued)

T. Deferred Inflows / Outflows of Resources

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element *deferred inflows of resources* represents an acquisition of fund balance that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Town currently has deferred inflows of resources related to pension's reported in the government-wide statement of net position and the statement of net position for proprietary funds.

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town currently has deferred outflows of resources related to pensions reported in the government-wide statement of net position and the statement of net position for proprietary funds.

U. Fair Value Measurements

Generally accepted accounting principles require disclosure to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels:

Level 1 inputs – The valuation is based on quoted market prices for identical assets or liabilities traded in active markets;

Level 2 inputs – The valuation is based on quoted market prices for similar instruments traded in active markets, quoted prices for identical or similar instruments in markets that are not active, and inputs other than quoted prices that are observable for the asset or liability;

Level 3 inputs – The valuation is determined by using the best information available under the circumstances and might include the government's own data but should adjust those data if (a) reasonably available information indicates that other market participants would use different data or (b) there is something particular to the government that is not available to other market participants.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on lowest level of any input that is significant to the fair value measurement.

(2) Levied Taxes

Ad valorem taxes are assessed on a calendar year basis and attach as an enforceable lien and become due and payable on the date the tax rolls are filed with the recorder of mortgages. State law requires that the tax roll be filed on or before November 15 of each year. Ad valorem taxes become delinquent if not paid by December 31.

(Continued)

Town of Haughton
 Haughton, Louisiana
 Notes to Financial Statements
 December 31, 2017
 (Continued)

The following is a summary of authorized and levied ad valorem taxes for the year:

	Authorized Millage	Levied Millage	Expiration Date
General	4.59	4.59	N/A
Sewerage system	8.69	8.69	2035

Approximately 14% of the Town's ad valorem tax revenues are derived from 10 taxpayers.

(3) Cash, Cash Equivalents, and Investments

At December 31, 2017, the Town has cash, cash equivalents, and investments (book balances) totaling \$3,253,664 as detailed below:

A. Cash and Cash Equivalents

Cash and cash equivalents at December 31, 2017 (book balances) totaled \$2,882,232, of which \$346,142 is shown as restricted. 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.

B. Investments

The investments are presented in the financial statements at fair value using level 2 fair value measure. At December 31, 2017, the Town had investments totaling \$371,432, of which \$74,794 is shown as restricted, consisting of certificates of deposit with initial maturities of 90 days or greater. The certificates of deposits are carried at cost, which approximates market.

C. Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of December 31, 2017, \$2,867,369 of the Town's bank balance of \$3,367,369 was exposed to custodial credit risk as follows:

Uninsured and collateral held by the
 pledging bank's trust department, not
 in the Town's name:

Cash and cash equivalents	\$ 2,484,797
Certificates of deposit	<u>382,572</u>
	<u>\$ 2,867,369</u>

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 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 that the fiscal agent has failed to pay deposited funds upon demand.

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Town of Haughton
 Haughton, Louisiana
 Notes to Financial Statements
 December 31, 2017
 (Continued)

(4) Receivables

The following is a summary of receivables at December 31, 2017:

Class of Receivable		
Governmental activities –		
Property taxes	\$	26,500
Sales taxes		144,031
Gaming taxes		41,036
Franchise taxes		34,057
Miscellaneous		9,870
Grants		<u>4,662</u>
		<u>260,156</u>
Business-type activities –		
Accounts receivable – water, sewer, and and sanitation charges		298,269
Property taxes		64,260
Other		<u>213</u>
		<u>362,742</u>
Total	\$	<u>622,898</u>

(5) Restricted Assets

Restricted assets were applicable to the following at December 31, 2017:

Governmental activities:		
Parks and recreation	\$	24,441
Business-type activities:		
Debt service		217,770
Customer deposits		<u>178,725</u>
		<u>396,495</u>
Total	\$	<u>420,936</u>

(Continued)

Town of Haughton
Haughton, Louisiana
Notes to Financial Statements
December 31, 2017
(Continued)

(6) Capital Assets

Capital asset activity for the year ended December 31, 2017, was as follows:

	Balance at Jan. 1, 2017	Additions	Deletions	Transfers	Balance at Dec. 31, 2017
<u>Governmental Activities:</u>					
Capital assets, not being depreciated:					
Land	\$ 387,518	\$	\$	\$	\$ 387,518
Construction in process	184,066	357,016		(184,066)	357,016
Total capital assets, not being depreciated	<u>571,584</u>	<u>357,016</u>		<u>(184,066)</u>	<u>744,534</u>
Capital assets, being depreciated:					
Buildings	1,139,933				1,139,933
Improvements other than buildings	1,471,243			158,446	1,629,689
Equipment	2,790,274	123,948	(51,416)	25,620	2,888,426
Total capital assets, being depreciated, at historical cost	<u>5,401,450</u>	<u>123,948</u>	<u>(51,416)</u>	<u>184,066</u>	<u>5,658,048</u>
Less accumulated depreciation:					
Buildings	(340,149)	(35,774)			(375,923)
Improvements other than buildings	(889,204)	(69,861)			(959,065)
Equipment	(2,158,741)	(118,890)	51,416		(2,226,215)
Total accumulated depreciation	<u>(3,388,094)</u>	<u>(224,525)</u>	<u>51,416</u>		<u>(3,561,203)</u>
Total capital assets, being depreciated, net	<u>2,013,356</u>	<u>(100,577)</u>		<u>184,066</u>	<u>2,096,845</u>
Governmental activities capital assets, net	<u>\$ 2,584,940</u>	<u>\$ 256,439</u>	<u>\$</u>	<u>\$</u>	<u>\$ 2,841,379</u>

(Continued)

Town of Haughton
Haughton, Louisiana
Notes to Financial Statements
December 31, 2017
(Continued)

	Balance at Jan. 1, 2017	Additions	Deletions	Transfers	Balance at Dec. 31, 2017
<u>Business-Type Activities:</u>					
Capital assets, not being depreciated:					
Land	\$ 17,200	\$	\$	\$	\$ 17,200
Construction in process	65,819	3,388,725		(69,018)	3,385,526
Total capital assets, not being depreciated, at historical cost	<u>83,019</u>	<u>3,388,725</u>		<u>(69,018)</u>	<u>3,402,726</u>
Capital assets, being depreciated:					
Buildings	10,359				10,359
Equipment	501,724				501,724
Water system and equipment	5,182,609	24,478		69,018	5,276,105
Sewer plant	6,078,713	4,115			6,082,828
Total capital assets, being depreciated, at historical cost	<u>11,773,405</u>	<u>28,593</u>		<u>69,018</u>	<u>11,871,016</u>
Less accumulated depreciation:					
Buildings	(10,359)				(10,359)
Equipment	(227,826)				(227,826)
Water system and equipment	(2,812,541)	(200,083)			(3,012,624)
Sewer plant	(2,333,917)	(198,359)			(2,532,276)
Total accumulated depreciation	<u>(5,384,643)</u>	<u>(398,442)</u>			<u>(5,783,085)</u>
Total capital assets, being depreciated, net	<u>6,388,762</u>	<u>(369,849)</u>		<u>69,018</u>	<u>6,087,931</u>
Business-type activities capital assets, net	<u>\$ 6,471,781</u>	<u>\$ 3,018,876</u>	<u>\$</u>	<u>\$</u>	<u>\$ 9,490,657</u>

Depreciation expense was charged to Governmental and Business-type Activities as follows:

	Governmental Activities	Business-type Activities	Total
General Government	\$ 76,912	\$	\$ 76,912
Public Safety	125,264		125,264
Streets and Drainage	22,349		22,349
Water		200,083	200,083
Sewer		198,359	198,359
Total	<u>\$ 224,525</u>	<u>\$ 398,442</u>	<u>\$ 622,967</u>

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Town of Houghton
Houghton, Louisiana
Notes to Financial Statements
December 31, 2017
(Continued)

(7) Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses at December 31, 2017, consisted of the following:

<u>Class of Payable</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Accounts	\$ 88,787	\$ 245,984	\$ 334,771
Accrued leave	5,503	6,976	12,479
Payroll liabilities	58,194	23,671	81,865
Total	<u>\$ 152,484</u>	<u>\$ 276,631</u>	<u>\$ 429,115</u>

(8) Customers' Deposits

Deposits held for customers that are currently active on the water system total \$178,725 at December 31, 2017.

(9) Interfund Transfers

Interfund transfers for the year ended December 31, 2017 consisted of the following:

	<u>Transfer To</u>	<u>Transfer From</u>	<u>Net</u>
Governmental Funds:			
General fund	\$ 17,175	\$(27,771)	\$(10,596)
Enterprise Funds:			
Water	43,212	(10,840)	32,372
Sewer	14,592	(31,202)	(16,610)
Sanitation	4,317	(9,483)	(5,166)
Total Enterprise funds	<u>62,121</u>	<u>51,525</u>	<u>10,596</u>
	<u>\$ 79,296</u>	<u>\$(79,296)</u>	<u>\$</u>

The Town uses transfers to move unrestricted receipts so that they may be used for various functions in other funds.

(10) 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; injuries to employees; and natural disasters. The Town maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Town.

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Town of Haughton
Haughton, Louisiana
Notes to Financial Statements
December 31, 2017
(Continued)

(11) Interfund Balances

Interfund balances at December 31, 2017 consisted of the following:

	<u>Due From Other Fund</u>	<u>Due To Other Fund</u>	<u>Net</u>
Governmental Funds:			
General	<u>\$ 24,633</u>	<u>\$ (168,551)</u>	<u>\$ (143,918)</u>
Enterprise Funds:			
Water	166,735	(107,566)	59,169
Sewer	57,145	(25,893)	31,252
Sanitation	<u>53,497</u>	<u>53,497</u>	<u>53,497</u>
Total Enterprise Funds	<u>277,377</u>	<u>(133,459)</u>	<u>143,918</u>
Total	<u>\$ 302,010</u>	<u>\$ (302,010)</u>	<u>\$</u>

The interfund balances are the result of the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

(12) Deferred Inflows and Deferred Outflows of Resources

The Statement of Net Position reports deferred inflows of resources at December 31, 2017, consisting of the following:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Pension related - MERS	\$ 10,004	\$ 25,514	\$ 35,518
Pension related - MPERS	99,116		99,116
Pension related - Firefighters	<u>135,476</u>		<u>135,476</u>
	<u>\$ 244,596</u>	<u>\$ 25,514</u>	<u>\$ 270,110</u>

The Statement of Net Position reports deferred outflows of resources at December 31, 2017, consisting of the following:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Pension related - MERS	\$ 93,843	\$ 227,263	\$ 321,106
Pension related - MPERS	284,594		284,594
Pension related - Firefighters	<u>361,552</u>		<u>361,552</u>
	<u>\$ 739,989</u>	<u>\$ 227,263</u>	<u>\$ 967,252</u>

Information about each retirement plan is detailed in Note 15.

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Town of Houghton
Houghton, Louisiana
Notes to Financial Statements
December 31, 2017
(Continued)

(13) Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2017, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
Long-term liabilities					
Net pension liability - MERS	\$ 301,725	\$ 4,371	\$	\$ 306,096	\$
Net pension liability - MPERS	1,282,173		(1,726)	1,280,447	
Net pension liability - Firefighters	1,207,385		(32,104)	1,175,281	
Compensated absences	27,025	62,591	(58,767)	30,849	30,849
<hr/>					
Total - Governmental Activities long-term liabilities	<u>\$ 2,818,308</u>	<u>\$ 66,962</u>	<u>\$ (92,597)</u>	2,792,673	30,849
Less amounts due within period of availability				(5,503)	(5,503)
Total long-term liabilities, Government-wide Statements				<u>\$ 2,787,170</u>	<u>\$ 25,346</u>
Business-type Activities:					
Long-term liabilities					
Revenue Bonds:					
Utility revenue bonds series 2013	\$ 2,558,672	\$	\$ (141,000)	\$ 2,417,672	\$ 142,000
Sales tax bonds series 2016		3,300,000	(180,000)	3,120,000	180,000
Total revenue bonds	2,558,672	3,300,000	(321,000)	5,537,672	322,000
<hr/>					
Other long-term liabilities:					
Net pension liability - MERS	765,403	13,542		778,945	
<hr/>					
Total - Business-type Activities long-term liabilities	<u>\$ 3,324,075</u>	<u>\$ 3,313,542</u>	<u>\$ (321,000)</u>	<u>\$ 6,316,617</u>	<u>\$ 322,000</u>

Information about each retirement plan is detailed in Note 15.

(Continued)

Town of Haughton
Haughton, Louisiana
Notes to Financial Statements
December 31, 2017
(Continued)

Business-type activities utility revenue bonds consist of the following issues:

Series 2013, Sewer Revenue Bonds, total amount available \$3,000,000 for constructing and acquiring improvements, and replacements to the sewerage system of the Town, including equipment and furnishings; interest rate of .95% payable solely from the income and revenue derived or to be derived from the operation of said revenue producing utility. \$ 2,417,672

Series 2016, Sales Tax Bonds, total amount available \$3,300,000 for constructing and acquiring improvements, and replacements to the sewerage system of the Town, including equipment and furnishings; interest rate of 3.10% payable solely from the dedication of a one percent (1%) sales and use tax levied on October 27, 1979. \$ 3,120,000

Debt service requirements at December 31, 2017, were as follows:

Fiscal Year	Sewer Revenue Bonds		
	Principle	Interest	Total
2018	\$ 322,000	\$ 107,280	\$ 429,280
2019	329,000	101,056	430,056
2020	340,000	94,671	434,671
2021	346,000	87,972	433,972
2022	353,000	81,110	434,110
2023-2027	1,884,000	296,059	2,180,059
2028-2032	1,826,000	93,185	1,919,185
2033-2037	137,672	310	137,982
	\$ 5,537,672	\$ 861,643	\$ 6,399,315

(14) Leases

For the year ended December 31, 2017, the Town had two operating leases for property utilized by the Town. Lease payments on these leases for the year ended December 31, 2017 totaled \$1,200. If the Town abandons the property, or does not use said property, for use of water production or water storage, the lease automatically expires and reverts to owner after a period of 2 years. Both leases are for 99 years, with future maturities of \$1,200 per year through 2101, and \$600 per year for 2102 through 2106.

The Town also entered into a lease for equipment to be utilized by the Town. Lease payments on this lease for the year ended December 31, 2017 were \$1,269. Future minimum lease payments under the lease are as follows:

(Continued)

Town of Haughton
 Haughton, Louisiana
 Notes to Financial Statements
 December 31, 2017
 (Continued)

<u>Year Ending</u> <u>December 31,</u>		
2018	\$	1,652
2019		1,652
2020		1,652
2021		1,652
2022		1,239
	<u>\$</u>	<u>7,847</u>

(15) Pension Plans

Employees of the Town are members of the Municipal Employees Retirement System, Municipal Police Employees Retirement System (police department employees), or State of Louisiana Firefighters' Retirement System (fire department employees).

MUNICIPAL EMPLOYEES RETIREMENT SYSTEM

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. Effective October 1, 1978, under Act 788, the "regular plan" and the "supplemental plan" were replaced, and are now known as Plan "A" and Plan "B". Plan A combines the original plan and the supplemental plan for those municipalities participating in both plans, while Plan B participates in only the original plan. 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. Employees of the Town are members of Plan A.

Plan Description

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

1. Any age with twenty-five (25) or more years of creditable service.
2. Age 60 with a minimum of ten (10) years of creditable service.
3. Any age with five (5) years of creditable service eligible for disability benefits.
4. Survivor's benefits require five (5) years creditable service at death of member.
5. Any age with 20 years of creditable service, exclusive of military service with an actuarially reduced early benefit.

Eligibility for retirement for Plan A 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

(Continued)

Town of Haughton
Haughton, Louisiana
Notes to Financial Statements
December 31, 2017
(Continued)

4. Any age with twenty five (25) years of creditable service, exclusive of military service and unused side leave. However, any member retiring under this subsection 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 A shall consist of an amount equal to three 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 A 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 A, 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 who is eligible to retire may elect to participate in the deferred retirement option plan (DROP) for up to three years and defer the receipt of benefits. During participation in the plan, employer contributions are payable but employee contributions cease. The monthly retirement benefits that would be payable, had the person elected to cease employment and receive a service retirement allowance, are paid into the DROP Fund. Interest is earned when the member has completed DROP participation. Interest earnings are based upon the actual rate of return on the investments identified as DROP funds for the period. In addition, no cost-of-living increases are payable to participants until employment which made them eligible to become members of the System has been terminated for at least one full year. Upon termination of employment prior to or at the end of the specified period of participation, a participant in the DROP may receive, at his option, a lump sum from the account equal to the payments into the account, a true annuity based upon his account balance in that fund, or any other method of payment if approved by the board of trustees. If a participant dies during participation in the DROP, a lump sum equal to the balance in his account shall be paid to his named beneficiary or, if none, to his estate. If employment is not terminated at the end of the three years, payments into the DROP fund cease and the person resumes active contributing membership in the System.

Disability Benefits:

For Plan A, a member shall be eligible to retire and receive a disability benefit if he has at least five 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 A shall be paid a disability benefit equal to the lesser of forty-five percent of his final average compensation or three percent of his final average compensation multiplied by his years of creditable service whichever is greater or an amount equal to three percent of the member's final average compensation multiplied by his years of creditable service projected to his earliest normal retirement age.

(Continued)

Town of Haughton
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Notes to Financial Statements
December 31, 2017
(Continued)

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

Contributions for all members are established by statute. Member contributions are at 9.5% of earnable compensation for Plan A. According to state statute, contribution requirements for all employers are actuarially determined each year. For the plan year ending June 30, 2017, the actual employer contribution rate was 22.75% for Plan A. The Town's contributions to the System for the years ended December 31, 2017, 2016, and 2015 were \$106,985, \$102,903, and \$83,694, respectively. Included in contributions for the year ended December 31, 2017, are contributions for the month of December 2017 totaling \$9,185 which were paid subsequent to December 31, 2017.

Non-Employer Contributions

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 totaling \$15,964 are recognized as revenue during the year ended December 31, 2017 and excluded from pension expense.

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

At December 31, 2017, the Town reported a liability of \$1,085,041 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The historical employer contributions are used to determine the proportionate relationship of each employer to all employers of Municipal Employees' Retirement System. The employer's proportion was determined on a basis that is consistent with the manner in which contributions to the pension plan are determined. The allocation percentages were used in calculating each employer's proportionate share of the pension amounts. The allocation method used in determining each employer's proportion was based on each employer's contributions to the System during the fiscal year ended June 30, 2017 as compared to the total of all employers' contributions received by the System during the fiscal year ended June 30, 2017. The Town's proportion as measured at June 30, 2017, was .2593670%, which was a decrease of .000099% from its proportion measured as of June 30, 2016.

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Town of Haughton
Haughton, Louisiana
Notes to Financial Statements
December 31, 2017
(Continued)

For the year ended December 31, 2017, the Town recognized pension expense of \$221,461, plus employer's amortization of change in proportionate share and the difference between employer contributions and proportionate share of contributions, \$(107,810).

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

	Deferred Inflows of Resources	
	Governmental Activities	Business-type Activities
Differences between expected and actual experience	\$ 7,931	\$ 25,115
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,073	399
Total	\$ 10,004	\$ 25,514

	Deferred Outflows of Resources	
	Governmental Activities	Business-type Activities
Changes of assumptions	\$ 4,354	\$ 13,789
Net difference between projected and actual earnings on pension plan investments	52,512	166,288
Changes in proportion and differences between employer contributions and proportionate share of contributions	23,829	5,550
Employer contributions subsequent to the measurement Date	13,148	41,636
Total	\$ 93,843	\$ 227,263

The Town reported a total of \$54,784 as deferred outflow of resources related to pension contributions made subsequent to the measurement period of June 30, 2017, which will be recognized as a reduction in net pension liability in the year ended December 31, 2018.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expenses as follows:

Year	Amount
2017	\$ 86,526
2018	86,188
2019	47,874
2020	10,216
Total	\$ 230,804

(Continued)

Town of Haughton
 Haughton, Louisiana
 Notes to Financial Statements
 December 31, 2017
 (Continued)

Actuarial Methods and Assumptions

The net pension liability was measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service, less the amount of the pension plan's fiduciary net position. A summary of the actuarial methods and assumptions used in determining the total pension liability as of June 30, 2017 are as follows:

Valuation Date	June 30, 2017
Actuarial Cost Method	Entry Age Normal Cost
Actuarial Assumptions:	
Investment Rate of Return	7.4%
Inflation Rate	2.775%
Projected Salary Increases	5.0%
Annuitant and beneficiary mortality	For annuitant and beneficiary mortality tables used were: RP-2000 Healthy Annuitant Sex Distinct Mortality Tables set forward 2 years for males and 1 year for females projected to 2028 using scale AA.
Employee mortality	For employees, the RP-2000 Employees Sex Distinct Table set back 2 years for both males and females.
Disabled lives mortality	For disabled annuitants, RP-2000 Disabled Lives Mortality Tables set back 5 years for males and 3 years for females.
Expected Remaining Service Lives	3 years

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about future employment mortality and future salary increases. Actuarially determined amounts regarding the net pension liability are subject to continual revision as actual results are compared to past expectations, and new estimates are made about the future. The actuarial assumptions used in the June 30, 2017 valuation was based on the results of an experience study, for the period July 1, 2009 to June 30, 2014.

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

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

(Continued)

Town of Houghton
Houghton, Louisiana
Notes to Financial Statements
December 31, 2017
(Continued)

	<u>Target Asset Allocation</u>	<u>Long-Term Expected Portfolio Real Rate of Return</u>
Public equity	50%	2.3%
Public fixed income	35%	1.6%
Alternatives	<u>15%</u>	<u>.7%</u>
Totals	<u>100%</u>	<u>4.6%</u>
Inflation		2.6%
Expected Arithmetic Nominal Return		7.2%

The discount rate used to measure the total pension liability was 7.4%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made at the actuarially determined rates approved by the Board of Trustees and PRSAC taking into consideration the recommendation of the System's actuary. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity to Changes in Discount Rate

The following presents the net pension liability of the participating employers calculated using the discount rate of 7.4%, as well as what the employers' net pension liability would be if it were calculated using a discount rate that is one percentage point lower, or one percentage point higher than the current rate as of June 30, 2017:

	<u>Changes in Discount Rate</u>		
	1% Decrease	Current Discount Rate	1% Increase
Net Pension Liability	\$1,382,704	\$1,085,041	\$ 831,144

Changes in Net Pension Liability

The changes in the net pension liability for the year ended December 31, 2017 were recognized in the current reporting period except as follows:

Differences between Expected and Actual Experience:

The differences between expected and actual experience with regard to economic or demographic factors in the measurement of the total pension liability were recognized as pension benefit using the straight-line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the pension plan.

Differences between Projected and Actual Investment Earnings:

The differences between projected and actual investment earnings on pension plan investments were recognized in pension expense using the straight-line amortization method over a closed five-year period.

(Continued)

Town of Haughton
Haughton, Louisiana
Notes to Financial Statements
December 31, 2017
(Continued)

Changes of Assumptions:

The changes of assumptions about future economic or demographic factors were recognized in pension expense using the straight-line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the pension plan.

Changes in Proportion:

Changes in the employer's proportionate share of the collective net pension liability and collective deferred outflows of resources and deferred inflows of resources since the prior measurement date were recognized in employer's pension expense (benefit) using the straight-line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided pensions through the pension plan. The unamortized amounts arising from changes in proportion are presented in the Schedule of Pension Amounts as deferred outflows or deferred inflows as of December 31, 2017.

Contributions – Proportionate Share

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

Pension Plan Fiduciary Net Position

Plan fiduciary net position is a significant component of the System's collective net pension liability. The System's plan fiduciary net position was determined using the accrual basis of accounting. The System's assets, liabilities, revenues and expenses were recorded with the use of estimates and assumptions in conformity with accounting principles generally accepted in the United States of America. Such estimates primarily related to unsettled transactions and events as of the date of the financial statements and estimates over the determination of the fair market value of the System's investments. Accordingly, actual results may differ from estimated amounts. The Plan's fiduciary net position has been determined on the same basis as that used by the plan.

Detailed information about the fiduciary net position is available in a stand-alone audit report on their financial statements for the year ended June 30, 2017. Access to these reports can be found on the Louisiana Legislative Auditor's website, www.la.la.gov.

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM

The Municipal Police Employees' Retirement System (System) is a cost-sharing multiple-employer defined benefit plan administered by a separate board of trustees. The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Municipal Police Employees' Retirement System, 7722 Office Park Boulevard, Suite 200, Baton Rouge, Louisiana, 70809.

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Town of Haughton
Haughton, Louisiana
Notes to Financial Statements
December 31, 2017
(Continued)

Plan Description

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

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

Membership Prior to January 1, 2013

A member is eligible for regular retirement after he has been a member of the System and has 25 years of creditable service at any age or has 20 years of creditable service and is age 50 or has 12 years creditable service and is age 55. A member is eligible for early retirement after he has been a member of the System for 20 years of creditable service at any age with an actuarially reduced benefit. Benefit rates are three and one-third percent of average final compensation (average monthly earnings during the highest 36 consecutive months or joined months if service was interrupted) per number of years of creditable service not to exceed 100% of final salary. Upon the death of an active contributing member, or disability retiree, the plan provides for surviving spouses and minor children. Under certain conditions outlined in the statutes, the benefits range from forty to sixty percent of the member's average final compensation for the surviving spouse. In addition, each child under age eighteen receives benefits equal to ten percent of the member's average final compensation or \$200.00 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.

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Town of Haughton
Haughton, Louisiana
Notes to Financial Statements
December 31, 2017
(Continued)

Cost of Living Adjustments

The Board of Trustees is authorized to provide annual cost-of-living adjustments computed on the amount of the current regular retirement, disability, beneficiary or survivor's benefit, not to exceed 3% in any given year. The Board is authorized to provide an additional 2% COLA, computed on the member's original benefit, to all regular retirees, disability, survivors and beneficiaries who are 65 years of age or older on the cut-off date which determines eligibility. No regular retiree, survivor or beneficiary shall be eligible to receive a cost-of-living adjustment until benefits have been received at least one full fiscal year and the payment of such COLA, when authorized, shall not be effective until the lapse of at least one-half of the fiscal year. Members who elect early retirement are not eligible for a cost of living adjustment until they reach regular retirement age.

Deferred Retirement Option Plan

A member is eligible to elect to enter the deferred retirement option plan (DROP) when he is eligible for regular retirement based on the members' sub plan participation. Upon filing 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

Contributions for all members are actuarially determined as required by state law but cannot be less than 9% of the employees' earnable compensation excluding overtime but including state supplemental pay. For the year ended June 30, 2017, total contributions due from employers and employees was 41.75%. The employer and employee contribution rates for all members hired prior to January 1, 2013 and Hazardous Duty members hired after January 1, 2013 were 31.75% and 10%, respectively. The employer and employee contribution rates for all Non-Hazardous Duty members hired after January 1, 2013 were 33.75% and 8%, respectively. The employer and employee contribution rates for all members whose earnable compensation is less than or equal to the poverty guidelines issued by the United States Department of Health and Human Services

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Town of Haughton
 Haughton, Louisiana
 Notes to Financial Statements
 December 31, 2017
 (Continued)

were 34.25% and 7.5%, respectively. The Town contributions to the System for the years ended December 31, 2017, 2016, and 2015 were \$145,369, \$124,649, and \$122,490, respectively. Included in contributions for the year ended December 31, 2017, are contributions for the month of December 2017 totaling \$12,180 which were paid subsequent to December 31, 2017.

Non-Employer Contributions

The System also receives insurance premium tax monies as additional employer contributions. The tax is considered support from a non-contributing entity and appropriated by the legislature each year based on an actuarial study. Non-employer contributions totaling \$27,999 are recognized as revenue during the year ended December 31, 2017 and excluded from pension expense.

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

At December 31, 2017, the Town reported a liability of \$1,280,447 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on the employer's contributions to the System during the year ended June 30, 2017, as compared to the total of all employers' contributions to the System for the year ended June 30, 2017. At June 30, 2017, the Town's proportion was .1466650%, which was an increase of .009868% from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017, the Town recognized pension expense of \$183,594, plus employer's amortization of change in proportionate share and the difference between employer contributions and proportionate share of contributions, \$17,564.

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

	<u>Governmental Activities</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 8,384	\$ 9,842
Changes of assumptions	91,111	
Net difference between projected and actual earnings on pension plan investments	56,053	
Changes in proportion and differences between employer contributions and proportionate share of contributions	56,429	89,274
Employer contributions subsequent to the measurement date	72,617	
Total	<u>\$ 284,594</u>	<u>\$ 99,116</u>

(Continued)

Town of Haughton
 Haughton, Louisiana
 Notes to Financial Statements
 December 31, 2017
 (Continued)

The Town reported a total of \$72,617 as deferred outflow of resources related to pension contributions made subsequent to the measurement period of June 30, 2017, which will be recognized as a reduction in net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expenses as follows:

Year	Amount
2018	\$ 27,693
2019	50,693
2020	64,520
2021	(30,045)
Total	\$ 112,861

Actuarial Methods and Assumptions

The actuarial assumptions used in the June 30, 2017 valuation were based on the assumptions used in the June 30, 2017 actuarial funding valuation, and were based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014. In cases where benefit structures were changed after the study period, assumptions were based on estimates of future experience. A summary of the actuarial methods and assumptions used in determining the total pension liability as of June 30, 2017 are as follows:

Valuation Date	June 30, 2017
Actuarial Cost Method	Entry Age Normal Cost
Investment Rate of Return	7.325%, net of investment expense
Expected Remaining Service Lives	4 years
Inflation Rate	2.7%

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

Mortality	<p>RP-2000 Combined Healthy with Blue Collar Adjustment Sex Distinct Tables projected to 2029 by Scale AA (set back 1 year for females) for healthy annuitants and beneficiaries.</p> <p>RP-2000 Disabled Lives Table set back 5 years for males and set back 3 years for females for disabled annuitants.</p> <p>RP-2000 Employee Table set back 4 years for males and 3 years for females for active members.</p>
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Cost-of-Living Adjustments	The present value of future retirement benefits is based on benefits currently being paid by the System and includes previously granted cost-of-living increases. The present values do not include provisions for potential future increases not yet authorized by the Board of Trustees.
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Town of Haughton
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Notes to Financial Statements
December 31, 2017
(Continued)

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

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

The discount rate used to measure the total pension liability was 7.325%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made at the actuarially determined rates approved by PRSAC taking into consideration the recommendation of the System's actuary. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The mortality rate assumption used was set based upon an experience study performed by the prior actuary on plan data for the period July 1, 2009 through June 30, 2014 and review of similar law enforcement mortality. The data was then assigned credibility weighting and combined with a standard table to produce current levels of mortality. This mortality was then projected forward to a period equivalent to the estimated duration of the System's liabilities. Annuity values calculated based on this mortality were compared to those produced by using a setback of standard tables. The result of the procedure indicated that the tables used would produce liability values approximating the appropriate generational mortality tables.

Sensitivity to Changes in Discount Rate

The following presents the net pension liability of the participating employers calculated using the discount rate of 7.325%, as well as what the employers' net pension liability would be if it were calculated using a discount rate that is one percentage point lower 6.325% or one percentage point higher 8.325% than the current rate.

	<u>Changes in Discount Rate</u>		
	1% Decrease <u>6.325%</u>	Current Discount Rate <u>7.325%</u>	1% Increase <u>8.325%</u>
Net Pension Liability	\$1,769,062	\$ 1,280,447	\$ 870,535

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Town of Haughton
Haughton, Louisiana
Notes to Financial Statements
December 31, 2017
(Continued)

Change in Net Pension Liability

The changes in the net pension liability for the year ended December 31, 2017 were recognized in the current reporting period as pension expense except as follows:

Differences between Expected and Actual Experience:

Differences between expected and actual experience with regard to economic or demographic factors in the measurement of the total pension liability were recognized in pension expense using the straight-line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the pension plan.

Differences between Projected and Actual Investment Earnings:

Differences between projected and actual investment earnings on pension plan investments were recognized in pension expense using the straight-line amortization method over a closed five-year period.

Changes of Assumptions or Other Inputs:

Changes of assumptions about future economic or demographic factors or of other inputs were recognized in pension expense using the straight-line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the pension plan.

Change in Proportion:

Changes in the employer's proportionate shares of the collective net pension liability and collective deferred outflows of resources and deferred inflows of resources since the prior measurement date were recognized in employer's pension expense (benefit) using a the straight-line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided pensions through the pension plan.

Contributions – Proportionate Share

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

Pension Plans Fiduciary Net Positions

Plan fiduciary net position is a significant component of the System's collective net pension liability. The System's plan fiduciary net position was determined using the accrual basis of accounting. The System's assets, liabilities, revenues and expenses were recorded with the use of estimates and assumptions in conformity with accounting principles generally accepted in the United States of America. Such estimates primarily related to unsettled transactions and events as of the date of the financial statements and estimates over the determination of the fair market value of the System's investments. Accordingly, actual results may differ from estimated amounts. The Plan's fiduciary net position has been determined on the same basis as that used by the plan. Detailed information about the fiduciary net position is available in a stand-alone audit report on their financial statements for the year ended June 30, 2017. Access to these reports can be found on the Louisiana Legislative Auditor's website, www.la.la.gov.

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Town of Haughton
Haughton, Louisiana
Notes to Financial Statements
December 31, 2017
(Continued)

STATE OF LOUISIANA FIREFIGHTERS' RETIREMENT SYSTEM

The Town participates in the State of Louisiana Firefighters' Retirement System (System), a cost-sharing multiple-employer defined benefit pension plan established by Act 434 of 1979 to provide retirement, disability and survivor benefits to firefighters in Louisiana.

Plan Description

Benefit provisions are authorized within Act 434 of 1979 and amended by LRS 11:2251-11:2272. The following is a brief description of the plan and its benefits and is provided for general information purposes only. Participants should refer to the appropriate statutes for more complete information.

Eligibility Requirements

Any person who becomes an employee as defined in RS 11:2252 on and after January 1, 1980 shall become a member as a condition of employment. Membership in the System is a condition of employment for any full-time firefighters who earn at least \$375 per month and are employed by any municipality, parish, or fire protection district of the State of Louisiana in addition to employees of the Firefighters' Retirement System.

No person who has attained age fifty or over shall become a member of the System, unless the person becomes a member by reason of a merger or unless the System received an application for membership before the applicant attained the age of fifty. No person who has not attained the age of eighteen years shall become a member of the System.

Any person who has retired from service under any retirement system or pension fund maintained basically for public officers and employees of the state, its agencies or political subdivisions, and who is receiving retirement benefits therefrom may become a member of this System, provided the person meets all other requirements for membership. Service credit from the retirement system or pension plan from which the member is retired shall not be used for reciprocal recognition of service with this System, or for any other purpose in order to attain eligibility or increase the amount of service credit in this System.

Retirement Benefits

Employees with 20 or more years of service who have attained age 50, or employees who have 12 years of service who have attained age 55, or 25 years or service at any age are entitled to annual pension benefits equal to 3.333% of their average final compensation based on the 36 consecutive months of highest pay multiplied by their total years of service, not to exceed 100%. Employees may elect to receive their pension benefits in the form of a joint and survivor annuity.

If employees terminate before rendering 12 years of service, they forfeit the right to receive the portion of their accumulated plan benefits attributable to their employer's contributions.

Benefits are payable over the employees' lives in the form of a monthly annuity. An employee may elect an unreduced benefit or any of seven options at retirement.

See R.S. 11:2256(A) for additional details on retirement benefits.

(Continued)

Town of Haughton
Haughton, Louisiana
Notes to Financial Statements
December 31, 2017
(Continued)

Disability Benefits

A member who acquires a disability, and who files for disability benefits while in service, and who upon medical examination and certification as provided for in Title 11, is found to have a total disability solely as the result of injuries sustained in the performance of his official duties, or for any cause, provided the member has at least five years of creditable service and provided that the disability was incurred while the member was an active contributing member in active service, shall be entitled to disability benefits under the provisions of R.S. 11:2258(B).

Death Benefits

Benefits shall be payable to the surviving eligible spouse or designated beneficiary of a deceased member as specified in R.S. 11:2256(B) and (C).

Deferred Retirement Option Plan

After completing 20 years of creditable service and age 50 or 25 years at any age, a member may elect to participate in the deferred retirement option plan (DROP) for up to 36 months. Upon commencement of participation in the deferred retirement option plan, employer and employee contributions to the System cease.

The monthly retirement benefit that would have been payable is paid into the deferred retirement option plan account. Upon termination of employment, a participant in the program has several options to receive their DROP benefit. A member may (1) elect to roll over all or a portion of their DROP balance into another eligible qualified plan, (2) receive a lump-sum payment from the account, (3) receive single withdrawals at the discretion of the member, (4) receive monthly or annual withdrawals, or (5) receive an annuity based on the deferred retirement option plan account balance. These withdrawals are in addition to his regular monthly benefit.

If employment is not terminated at the end of the 36 months, the participant resumes regular contributions to the System. No payments may be made from the deferred retirement option plan account until the participant retires.

Initial Benefit Option Plan

Effective June 16, 1999, members eligible to retire and who do not choose to participate in DROP may elect to receive, at the time of retirement, an initial benefit option (IBO) in an amount up to 36 months of benefits, with an actuarial reduction of their future benefits. Such amounts may be withdrawn or remain in the IBO account earning interest at the same rate as the DROP account.

Cost of Living Adjustments (COLAs)

Under the provisions of R.S. 11:246 and 11:2260(A)(7), the board of trustees is authorized to grant retired members and widows of members who have retired an annual cost of living increase of up to 3% of their current benefit, and all retired members and widows who are 65 years of age and older a 2% cost of living increase in their original benefit.

Contributions

Contribution requirements for employers, non-employer contributing entities, and employees are established and may be amended in accordance with Title 11 and Title 22 of the Louisiana Revised Statutes.

(Continued)

Town of Haughton
Haughton, Louisiana
Notes to Financial Statements
December 31, 2017
(Continued)

Employer and Employee Contributions

According to State statute, employer contributions are actuarially determined each year. For the year ended June 30, 2017, employer and employee contributions for members above the poverty line were 25.25% and 10.0%, respectively. The employer and employee contribution rates for those members below the poverty line were 27.25% and 8.0%, respectively. The Town's contributions to the System for the years ended December 31, 2017, 2016, and 2015 were \$128,437, \$117,597, and \$112,947, respectively. Included in contributions for the year ended December 31, 2017, are contributions for the month of December 2017 totaling \$11,820 which were paid subsequent to December 31, 2017.

Non-employer contributions

The System also receives insurance premium tax monies as additional employer contributions. The tax is considered support from a non-contributing entity and appropriated by the legislature each year based on an actuarial study. Non-employer contributions are recognized as revenue during the year ended June 30, 2017 and were excluded from pension expense. Non-employer contributions received by the System and attributable to the Town during the year ended June 30, 2017 were \$51,898.

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

At December 31, 2017, the Town reported a liability of \$1,175,281 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on the historical employer contributions. The employer's proportion was determined on a basis that is consistent with the manner in which contributions to the pension plan are determined. The allocation percentages were used in calculating each employer's proportionate share of the pension amounts.

The allocation method used in determining each employer's proportion was based on the combined contributions to the System during the year ended June 30, 2017 as compared to the total of all combined contributions to the System during the fiscal year ended June 30, 2017. At June 30, 2017, the Town's proportion was .205044%, which was an increase of .020454% from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017, the Town recognized pension expense of \$207,942, plus employer's amortization of change in proportionate share and the difference between employer contributions and proportionate share of contributions, \$286.

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

(Continued)

Town of Haughton
 Haughton, Louisiana
 Notes to Financial Statements
 December 31, 2017
 (Continued)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$	\$ 65,542
Changes of assumptions	49,157	280
Net difference between projected and actual earnings on pension plan investments	101,108	
Changes in proportion and differences between employer contributions and proportionate share of contributions	144,356	69,654
Employer contributions subsequent to the measurement date	66,931	
Total	<u>\$ 361,552</u>	<u>\$ 135,476</u>

The Town reported a total of \$64,836 as deferred outflow of resources related to pension contributions made subsequent to the measurement period of June 30, 2017, which will be recognized as a reduction in net pension liability in the year ended December 31, 2018.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expenses as follows:

<u>Year</u>	<u>Amount</u>
2018	\$ 45,449
2019	65,695
2020	20,840
2021	(9,356)
2022	18,725
2023	17,792
Total	<u>\$ 159,145</u>

Actuarial Methods and Assumptions

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

In February of 2017, the Board of Trustees adopted a recommendation to reduce the long-term rate of return assumption. The recommendation was formed after an analysis of the system's portfolio along with expected long-term rates of return, standard deviations of return, and correlations between asset classes collected from a number of investment consulting firms in addition to the system's investment consultants. Based on this analysis and after discussions with the Board, a plan was approved to reduce the 7.5% valuation interest rate in effect for the fiscal 2016 actuarial funding valuation to 7.0% over the coming five actuarial valuations with reductions of .10% per year. Therefore, the assumed rate of return for the fiscal 2017 actuarial funding valuation was set at 7.4%. In addition, the inflation rate will be reduced over the coming valuations. For 2017, an assumed rate of inflation of 2.775% was implicit in the assumed rate of return.

(Continued)

Town of Haughton
Haughton, Louisiana
Notes to Financial Statements
December 31, 2017
(Continued)

The actuarial assumptions used in the June 30, 2017 valuation were based on the assumptions used in the June 30, 2017 actuarial funding valuation, and were based on results of an actuarial experience study for the period July 1, 2009 - June 30, 2014. In cases where benefit structures were changed after the study period, assumptions were based on estimates of future experience. A summary of the actuarial methods and assumptions used in determining the total pension liability as of June 30, 2017 are as follows:

Valuation Date	June 30, 2017
Actuarial Cost Method	Entry Age Normal Cost
Estimated Remaining Service Life	7 years closed period
Investment Rate of Return	7.4% per annum (net of investment expenses, including inflation) (decreased from 7.5% in 2016)
Inflation Rate	2.775% per annum (decreased from 2.875% in 2016)
Salary increases	Vary from 15.0% in the first two years of service to 4.75% after 25 years
Cost of Living Adjustments	Only those previously granted

The mortality rate assumption used was set based upon an experience study performed on plan data for the period July 1, 2009 through June 30, 2014. The data was then assigned credibility weighting and combined with a standard table to produce current levels of mortality. This mortality was then projected forward to a period equivalent to the estimated duration of the System's liabilities. The RP-2000 Combined Healthy with Blue Collar Adjustment Sex Distinct Tables projected to 2031 using Scale AA were selected for employee, annuitant, and beneficiary mortality. The RP-2000 Disabled Lives Mortality Table set back five years for males and set back three years for females was selected for disabled annuitants. Setbacks in these tables were used to approximate mortality improvement.

The estimated 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. The long term expected nominal rate of return was 8.29% as of June 30, 2017. Best estimates of real rates of return for each major asset class included in System's target asset allocation as of June 30, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Real Rates of Return</u>
Fixed income	23%	2.04%
Equity	57%	6.81%
Alternatives	10%	6.67%
Other	10%	4.59%
Totals	<u>100%</u>	

(Continued)

Town of Haughton
 Haughton, Louisiana
 Notes to Financial Statements
 December 31, 2017
 (Continued)

The discount rate used to measure the total pension liability was 7.4%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made at the actuarially determined rates approved by PRSAC taking into consideration the recommendation of the System's actuary. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity to Changes in Discount Rate

The following presents the net pension liability of the participating employers calculated using the discount rate of 7.4%, as well as what the employers' net pension liability would be if it were calculated using a discount rate that is one percentage point lower 6.4% or one percentage point higher 8.4% than the current rate as of June 30, 2017.

	Changes in Discount Rate		
	1% Decrease	Current Discount Rate	1% Increase
	6.4%	7.40%	8.40%
Net Pension Liability	\$ 1,688,834	\$1,175,281	\$ 743,567

Change in Net Pension Liability

The changes in the net pension liability for the year ended June 30, 2017 were recognized in the current reporting period as pension expense except as follows:

Differences between Expected and Actual Experience:

The differences between expected and actual experience with regard to economic or demographic factors in the measurement of the total pension liability were recognized as pension expense using the straight-line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the pension plan.

Differences between Projected and Actual Investment Earnings:

The differences between projected and actual investment earnings on pension plan investments were recognized in pension expense using the straight-line amortization method over a closed five-year period.

Changes of Assumptions:

The changes of assumptions about future economic or demographic factors were recognized in pension expense using the straight-line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the pension plan.

Change in Proportion:

Changes in the employer's proportionate shares of the collective net pension liability and collective deferred outflows of resources and deferred inflows of resources since the prior measurement date were recognized in employer's pension expense (benefit) using the straight-line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided pensions through the pension plan.

(Continued)

Town of Haughton
Haughton, Louisiana
Notes to Financial Statements
December 31, 2017
(Continued)

Contributions – Proportionate Share

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

Plan Fiduciary Net Position

Plan fiduciary net position is a significant component of the System's collective net pension liability. The System's plan fiduciary net position was determined using the accrual basis of accounting. The System's assets, liabilities, revenues and expenses were recorded with the use of estimates and assumptions in conformity with accounting principles generally accepted in the United States of America. Such estimates primarily related to unsettled transactions and events as of the date of the financial statements and estimates over the determination of the fair market value of the System's investments. Accordingly, actual results may differ from estimated amounts.

The Plan's fiduciary net position has been determined on the same basis as that used by the plan. Detailed information about the fiduciary net position is available in a stand-alone audit report on their financial statements for the year ended June 30, 2017. Access to these reports can be found on the Louisiana Legislative Auditor's website, www.la.gov.

Retirement System Audit Report

Firefighters' Retirement System issued a stand-alone audit report on its financial statements for the year ended June 30, 2017. Access to the audit report can be found on the System's website: www.ffret.com or on the Office of Louisiana Legislative Auditor's official website: www.la.gov.

(16) On-behalf Payments

The Town received a total of \$64,800 in police supplemental pay and a total of \$58,250 in firemen supplemental pay from the State of Louisiana. The Town recognizes this supplemental pay received by the employees as revenues and expenditures of the Town. The revenue is reported in the General Fund under intergovernmental revenues and the expenditure is reported as public safety expenditures.

(17) Commitments

The Town signed contracts for a splash pad and restroom facility at a park located in the Town, for \$516,577. As of December 31, 2017, the town has incurred \$352,850 under these contracts. The remaining \$163,727, will be paid in the subsequent year.

(18) Subsequent Events

In March 2018, the Town sign a contract for emergency repairs to the existing wastewater treatment plant in the amount of \$91,500.

In May 2018, the Town authorized a purchase of a ladder firetruck for \$135,000.

Subsequent events have been evaluated through June 28, 2018, the date the financial statements were available to be issued.

Town of Haughton
Haughton, Louisiana
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2017

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 265,000	\$ 98,293	\$ 95,757	\$ (2,536)
Franchise taxes	155,000	135,000	138,422	3,422
Sales taxes	1,210,000	1,210,000	1,318,167	108,167
Licenses and permits	293,000	203,000	216,141	13,141
Grant revenue	285,000	262,905	444,061	181,156
Intergovernmental	280,000	387,000	241,990	(145,010)
Interest	1,500	1,500	1,868	368
Fines and forfeits	220,000	210,000	224,665	14,665
Other	33,000	21,500	32,472	10,972
Total revenues	2,742,500	2,529,198	2,713,543	184,345
Expenditures:				
Current:				
General government	742,200	626,350	389,577	236,773
Public safety	1,980,050	2,153,417	2,008,505	144,912
Street and drainage	149,400	116,250	95,899	20,351
Capital outlay	140,000	90,000	416,286	(326,286)
Total expenditures	3,011,650	2,986,017	2,910,267	75,750
Excess (deficiency) of revenues over (under) expenditures	(269,150)	(456,819)	(196,724)	260,095
Other financing sources (uses):				
Transfers in			17,175	17,175
Transfers out		(26,652)	(27,771)	(1,119)
Total other financing sources (uses)		(26,652)	(10,596)	16,056
Excess (deficiency) of revenues and other sources over expenditures and other uses	(269,150)	(483,471)	(207,320)	276,151
Fund balances at beginning of year	2,846,379	1,603,205	1,603,205	
Fund balances at end of year	\$ 2,577,229	\$ 1,119,734	\$ 1,395,885	\$ 276,151

Town of Haughton
 Haughton, Louisiana
 Notes to Required Supplementary Information
 December 31, 2017

The Town's budget is adopted on a cash basis for all funds. There was one amendment to the 2017 budget. Budget comparison statements included in the accompanying financial statements include the original and adopted budgets and all amendments. The schedule below reconciles excess (deficiency) of revenues and other sources over expenditures and other uses on the budget basis with GAAP basis:

	General Fund
Excess of revenues and other sources over expenditures and other uses (budget basis)	\$(207,320)
Adjustments:	
Revenue accruals – net	48,844
Expenditure accruals – net	(116,316)
Excess of revenues and other sources over expenditures and other uses (GAAP) basis	\$ (274,792)

Town of Haughton
Haughton, Louisiana
Schedule of Proportionate Share of Net Pension Liability
For the Year Ended December 31, 2017

Municipal Employees Retirement System of Louisiana (System)

	2015	2016	2017
Proportion of the net pension liability	0.230660%	0.260360%	0.259370%
Proportionate share of the net pension liability	\$ 823,954	\$ 1,067,128	\$ 1,085,041
Covered-employee payroll	\$ 389,691	\$ 465,086	\$ 471,028
Proportionate share of the net pension liability as a percentage of covered employee payroll	211.44%	229.45%	230.36%
Plan fiduciary net position as a percentage of the total pension liability	66.18%	62.11%	62.49%

Municipal Police Employees Retirement System of Louisiana (System)

	2015	2016	2017
Proportion of the net pension liability	0.158967%	0.136800%	0.146670%
Proportionate share of the net pension liability	\$ 1,245,340	\$ 1,282,173	\$ 1,280,447
Covered-employee payroll	\$ 422,377	\$ 383,197	\$ 470,714
Proportionate share of the net pension liability as a percentage of covered employee payroll	294.84%	334.60%	272.02%
Plan fiduciary net position as a percentage of the total pension liability	70.73%	66.04%	70.08%

Firefighters Retirement System (System)

	2015	2016	2017
Proportion of the net pension liability	0.180519%	0.184590%	0.205044%
Proportionate share of the net pension liability	\$ 974,281	\$ 1,207,385	\$ 1,175,281
Covered-employee payroll	\$ 383,637	\$ 415,759	\$ 479,453
Proportionate share of the net pension liability as a percentage of covered employee payroll	253.96%	290.41%	245.13%
Plan fiduciary net position as a percentage of the total pension liability	72.45%	68.16%	73.55%

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

Town of Haughton
Haughton, Louisiana
Schedule of Contributions
For the Year Ended December 31, 2017

Municipal Employees Retirement System of Louisiana (System)

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Contractually required contribution	\$ 83,694	\$ 102,903	\$ 106,985
Contributions in relation to the contractually required contribution	<u>83,694</u>	<u>102,903</u>	<u>106,985</u>
Contribution deficiency (excess)			
Covered-employee payroll	423,765	484,331	450,803
Contributions as a percentage of covered-employee payroll	19.75%	21.25%	23.73%

Municipal Police Employees Retirement System of Louisiana (System)

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Contractually required contribution	\$ 122,490	\$ 124,649	\$ 145,369
Contributions in relation to the contractually required contribution	<u>122,490</u>	<u>124,649</u>	<u>145,369</u>
Contribution deficiency (excess)			
Covered-employee payroll	400,839	403,356	465,291
Contributions as a percentage of covered-employee payroll	30.50%	30.90%	31.24%

Firefighters Retirement System (System)

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Contractually required contribution	\$ 112,947	\$ 117,597	\$ 128,437
Contributions in relation to the contractually required contribution	<u>112,947</u>	<u>117,597</u>	<u>128,437</u>
Contribution deficiency (excess)			
Covered-employee payroll	399,963	449,514	496,156
Contributions as a percentage of covered-employee payroll	28.25%	26.25%	25.89%

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

Town of Haughton
Haughton, Louisiana
Schedule of Compensation Paid to Board Members
For the Year Ended December 31, 2017

Mayor Jack Hicks	\$ 30,000
Town Council:	
K. W. Gaspard	7,200
Jo Anne Keith	6,000
Martha McGee	6,000
Phillip Smith	6,000
Jonathan Phillips	<u>6,000</u>
	<u>\$ 61,200</u>

Town of Haughton
Haughton, Louisiana
Schedule of Compensation, Benefits, and Other Payments to Agency Head
For the Year Ended December 31, 2017

Agency Head: Jack Hicks, Mayor

Purpose	Amount
Salary	\$ 30,000
Benefits-insurance	2,850
Per diem	150
Reimbursements	44
Registration fees	200
Travel	622

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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*

Independent Auditor's Report

Town of Haughton
Haughton, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, and each major fund of the Town of Haughton, Louisiana, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Town of Haughton's basic financial statements, and have issued our report thereon dated June 28, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Haughton'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 of Haughton's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Haughton's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. Given this limitation, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying Summary Schedule of Current Year Audit Findings as item 2017-002, that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Haughton'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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Summary Schedule of Current Year Audit Findings as item 2017-001.

Town of Haughton's Response to Finding

Town of Haughton's response to the findings identified in our audit is described in the accompanying Summary Schedule of Current Year Audit Findings. Town of Haughton's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



Cook & Morehart
Certified Public Accountants
June 28, 2018

Town of Haughton
Haughton, Louisiana
Summary Schedule of Audit Findings
December 31, 2017

Summary Schedule of Prior Audit Findings

There were two findings for the prior year audit for the year ended December 31, 2016.

2016-001 - Budget

Finding: The Town did not amend its budget for the General Fund in accordance with the Local Government Budget Act. Total expenditures and other financing uses for the General Fund were greater than budgeted amounts by more than five percent for the year ended December 31, 2016. In addition, the budget ordinance was introduced at the November 2015 council meeting and was adopted at the December 2015 council meeting. However, the Town did not advertise the availability of the budget for public inspection prior to the public hearing held to adopt the budget.

Recommendation: We recommend that the Town monitor its budget throughout the year and appropriately amend the budget when actual plus projected expenditures and other financing uses are expected to exceed budgeted amounts by five percent or more. We further recommend that the Town advertise the availability of the budget for public inspection prior to adoption, as required by the Local Government Budget Act.

Current Status: See repeat finding in current year audit.

2016-002 – Accounting Records

Significant Deficiency: During our audit, we noted that some bank accounts were not reconciled correctly during the year. We also noted significant posting errors in the Town's general ledger.

Recommendation: We recommend the Town establish controls to ensure that the general ledger – accounting records are properly posted during the year, to include ensuring that bank accounts are properly reconciled. We further recommend that the Town review its' general ledger on a monthly basis to identify and correct posting errors.

Current Status: See repeat finding in current year audit.

Summary Schedule of Current Year Audit Findings

There are two findings for the current year audit for the year ended December 31, 2017.

2017-001 - Budget

Criteria: The Local Government Budget Act sets forth the requirements for adopting and amending the Town's budget.

Finding: The budget ordinance was introduced at the November 2016 council meeting and was adopted at the December 2016 council meeting. However, the Town did not advertise the availability of the budget for public inspection prior to the public hearing held to adopt the budget.

Cause: The Town inadvertently did not publish the advertisement regarding the availability of the budget for public inspection prior to the public hearing to adopt.

(Continued)

Town of Haughton
Haughton, Louisiana
Summary Schedule of Audit Findings
December 31, 2017
(Continued)

Effect: The Town was not in compliance with the Local Government Budget Act.

Recommendation: We recommend that the Town advertise the availability of the budget for public inspection prior to adoption, as required by the Local Government Budget Act.

Management's Response: The Town of Haughton has made arrangements to advertise the availability of the budget for public inspection prior to adoption, as required by the Local Government Budget Act.

2017-002 – Accounting Records

Criteria: Internal controls should be in place to ensure that a material misstatement of the Town's financial statements will be prevented, or detected and corrected on a timely basis.

Significant Deficiency: During our audit, we noted that some bank accounts were not reconciled correctly during the year. We also noted significant posting errors in the Town's general ledger.

Cause: The Town's accounting records were not reviewed on a periodic basis to ensure accounts were in balance and properly posted.

Effect: Significant adjustments to the Town's accounting records had to be made to correct various accounts.

Recommendation: We recommend the Town establish controls to ensure that the general ledger – accounting records are properly posted during the year, to include ensuring that bank accounts are properly reconciled. We further recommend that the Town review its' general ledger on a monthly basis to identify and correct posting errors.

Management's Response: The Town of Haughton has established controls to ensure that the general ledger/accounting records are properly posted during the year and that the bank accounts are properly reconciled. The Town of Haughton will begin reviewing its' general ledger on a monthly basis to identify and correct any errors.

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Independent Accountants' Report on Applying Agreed-Upon Procedures

To the Board of Alderman
Town of Haughton
Haughton, Louisiana
and the Louisiana Legislative Auditor

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

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

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain the entity's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the entity does not have any written policies and procedures), as applicable:
 - a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget
 - 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.
 - c) ***Disbursements***, including processing, reviewing, and approving
 - d) ***Receipts***, including receiving, recording, and preparing deposits
 - e) ***Payroll/Personnel***, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
 - 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

- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers, and (5) monitoring card usage
- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers
- 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.
- j) **Debt Service**, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

The Town provided written policies and procedures addressing all of the above.

Board (or Finance Committee, if applicable)

- 2. Obtain and review the board/committee minutes for the fiscal period, and:
 - a) Report whether the managing board met (with a quorum) at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document.

The Board of Alderman of the Town met on a monthly basis.

- b) Report whether the minutes referenced or included monthly budget-to-actual comparisons on the General Fund and any additional funds identified as major funds in the entity's prior audit (GAAP-basis).
 - If the budget-to-actual comparisons show that management was deficit spending during the fiscal period, report whether there is a formal/written plan to eliminate the deficit spending for those entities with a fund balance deficit. If there is a formal/written plan, report whether the meeting minutes for at least one board meeting during the fiscal period reflect that the board is monitoring the plan.

Exception: The minutes of the board of alderman did not reference monthly budget to actual comparisons for any funds.

Management's Response: The Town will present budgetary financial statements at future council meetings and will document such review in the minutes.

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

The minutes of the Board of Alderman of the Town did reference non-budgetary financial information for at least one meeting during the fiscal period.

Bank Reconciliations

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

Management provided the requested information, along with management's representation that the listing is complete.

- 4. Using the listing provided by management, select all of the entity's bank accounts (if five accounts or less) or one-third of the bank accounts on a three year rotating basis (if more than 5 accounts). For

each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal period and report whether:

- a) Bank reconciliations have been prepared;

Bank reconciliations were prepared for each month examined.

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

Exception: For the bank reconciliations selected for testing, there were no attributes indicating a member of management reviewed the bank reconciliation.

Management's Response: Management did physically approve bank statements. Management will begin reviewing bank reconciliations and document such review.

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

Exception: There was no indication that management had researched 46 outstanding items that were more than 6 months old on two (2) of the bank accounts selected for testing.

Management's Response: Management will research old outstanding items and will document such review in the future.

Collections

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

Management provided the requested information, along with management's representation that the listing is complete.

6. Using the listing provided by management, select all of the entity's cash collection locations (if five locations or less) or one-third of the collection locations on a three year rotating basis (if more than 5 locations). For each cash collection location selected:

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

The persons responsible for collecting cash were insured under a blanket crime insurance policy. Each person responsible for collecting cash was not responsible for depositing cash in the bank, recording the related transaction, or reconciling the related bank account. Each person responsible for collecting cash was not required to share the same cash register or drawer with another employee.

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

The Town has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers by a person who is not responsible for cash collections.

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

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

For the week selected, deposits were processed within one day of collection.

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

For the week selected, daily cash collections were completely supported by collection documentation.

7. Obtain existing written documentation (e.g. policy manual, written procedure) and report whether the entity has a process specifically defined (identified as such by the entity) to determine completeness of all collections, including electronic transfers, for each revenue source and agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation) by a person who is not responsible for collections.

The Town has a process specifically defined to determine completeness of collections by a person who is not responsible for collections.

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

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

Management provided the requested information, along with management's representation that the listing is complete.

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

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

Purchases were initiated using a purchase order system that separates initiation from approval functions, except as noted below.

Exception: The individual who issues the purchase orders did not physically sign the purchase orders. That individual is also responsible for approving purchases and signing checks.

Management's Response: All checks require two signatures. Supporting documentation, including purchase orders and invoices, are attached to all payments when presented for signature.

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

Exception: The individual who issues purchase orders is also responsible for approving purchases and signing checks.

Management's Response: All checks require two signatures. Supporting documentation, including purchase orders and invoices, are attached to all payments when presented for signature.

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

Payments for purchases were not processed without an approved requisition and/or purchase order, or electronic equivalent; a receiving report showing receipt of goods purchased, or electronic equivalent; and an approved invoice, except as noted below

Exception: Eleven (11) of the twenty-five (25) disbursements selected for testing required a purchase order. All eleven (11) purchase orders were not physically approved.

Management's Response: All checks require two signatures. Supporting documentation, including purchase orders and invoices, are attached to all payments when presented for signature.

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

The Town's policy is that new vendors can only be added to the purchase/disbursement system after approval by the Mayor or Mayor Pro-tem. The Mayor and the Mayor Pro-tem are not responsible for processing payments.

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

Persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases.

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

Exception: Unused checks are maintained in a locked location; however individuals with signatory authority have access to unused checks.

Management's Response: All checks require two signatures.

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

Persons with signatory authority do not use a signature stamp or signature machine. Signed checks are maintained under the control of the signer until mailed.

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

14. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards), including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

Management provided the requested information, along with management's representation that the listing is complete.

15. Using the listing prepared by management, randomly select 10 cards (or at least one-third of the cards if the entity has less than 10 cards) that were used during the fiscal period, rotating cards each year. Obtain the monthly statements, or combined statements if multiple cards are on one statement, for the selected cards. Select the monthly statement or combined statement with the largest dollar activity for each card (for a debit card, select the monthly bank statement with the largest dollar amount of debit card purchases) and:

- a) Report whether there is evidence that the monthly statement or combined statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder.

For each card selected for testing, there were attributes indicating that someone other than the authorized card holder reviewed and approved the monthly statements and supporting documentation for the items selected for testing.

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

There were no finance charges or late fees assessed on the cards selected for testing.

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

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

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

Transactions tested were supported by original itemized receipts.

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

Transactions tested contained documentation of business purpose.

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

No other documentation is required by the Town's written credit card policy.

- b) For each transaction, compare the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the entity's written purchasing/disbursement policies and

the Louisiana Public Bid Law (i.e. transaction is a large or recurring purchase requiring the solicitation of bids or quotes) and report any exceptions.

We compared each transaction tested to the agency's written policies and public bid law. There were no exceptions noted.

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

The Town's documentation met the requirements of Article 7, Section 14.

Travel and Expense Reimbursement

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

Management provided the requested information, along with management's representation that the listing is complete.

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

The rates established in the Town's policy do not exceed the GSA per diem or mileage rates.

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

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

The reimbursements selected were supported with documentation in accordance with Town's written policies.

- b) Report whether each expense is supported by:

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

Expenses selected for testing contained receipts listing precisely what was purchased.

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

The business purpose was documented on each invoice selected for testing.

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

Other documentation as required by the Town's written policy was attached to items selected for testing.

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

The Town's documentation met the requirements of Article 7, Section 14.

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

For each expense selected for testing, the expense and related documentation was reviewed and approved in writing by someone other than the person receiving reimbursement.

Contracts

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

Management provided the requested information, along with management's representation that the listing is complete.

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

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

There were formal, written contracts supporting the services arrangement and the amounts paid for the contracts selected for testing.

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

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

Three (3) of the five (5) contracts selected for testing were subject to the Louisiana Public Bid Law or Procurement Code. The Town complied with the Louisiana Public Bid Law for those purchases.

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

Exception: For two (2) of the contracts selected for testing, the Town did not solicit quotes as best practice. Those contracts were for waste management and professional services.

Management's Response: The Town will solicit quotes as a best practice when deemed feasible and practical.

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

One of the contracts selected for testing was amended two times. One amendment reduced the scope of the contract by \$714,200. The other amendment increased the contract by \$129,297 for additional items needed. That amendment did not change the scope of the contract.

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

The largest payment selected for testing from each of the five vendor contracts was supported by invoices that agreed with the terms of the contract.

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

Contracts selected for testing were approved by the Town Council, in accordance with the Town's policy.

Payroll and Personnel

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

Management provided the requested information, along with management's representation that the listing is complete.

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

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

Payment was made in accordance with the terms of approved pay rates.

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

Changes made to hourly pay rates/salaries during the fiscal period were approved in writing and in accordance with the Town's written policy.

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

- a) Report whether all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory).

For transactions selected for testing, daily attendance and leave were documented.

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

Transactions selected for testing had evidence that supervisors approved the attendance and leave of the selected employees.

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

For the transactions selected for testing, the Town maintained written leave records.

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

For the two transactions selected for testing, the termination benefits were made in accordance with the Town's written procedures.

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

Employee and employer portions of payroll taxes and retirement contributions, as well as required reporting forms were submitted to the applicable agencies by the required deadlines, except as noted below:

Exception: Federal tax payments made did not agree with federal form 941 schedule B for two quarters.

Management Response: The Town's contract accountant now reviews all payroll tax payments to ensure they are properly paid and reported. All payroll taxes due were paid.

Exception: Two (2) of four (4) state unemployment tax payments were paid late.

Management Response: The Town's contract accountant now reviews to ensure payroll tax payments are remitted timely.

Ethics (excluding nonprofits)

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

The Town maintained documentation to demonstrate that required ethics training was completed.

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

There were no alleged ethics violations reported to management.

Debt Service (excluding nonprofits)

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

The Town obtained State Bond Commission approval on the Series 2016 debt issued during the fiscal year.

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

The Town made the required debt service payments and maintained debt reserves as required by the covenants.

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

The Town did not have any tax millages relating to debt service.

Other

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

Management is not aware of any misappropriation of public funds or assets.

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

The Town has posted on its premises and website the notice required by R.S. 24:523.1.

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

We have not observed or identified any exceptions regarding management's representations in the above procedures.

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

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



Cook & Morehart
Certified Public Accountants
June 28, 2018