

**Town of Haughton
Haughton, Louisiana
Financial Statement with Auditors' Report
As of and For the Year Ended December 31, 2011**

Town of Haughton
Haughton, Louisiana

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Haughton, Louisiana

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Independent Auditors' Report

Town of Haughton
Haughton, Louisiana

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Haughton, Louisiana, as of and for the year ended December 31, 2011, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Haughton's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Haughton, Louisiana, as of December 31, 2011, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2012, 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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 39 - 40 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 inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 other supplementary information listed in the table of contents and shown on pages 41 - 43 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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.



Cook & Morehart
Certified Public Accountants
September 27, 2012

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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, 2011. 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 assets of our government activities increased by \$449,656 or 8%.

The Town of Haughton's net assets of our business type activities increased by \$56,896 or 2%.

In the Town's governmental activities, total general and program revenues were \$2,292,840 in 2011 compared to \$2,179,464 in 2010. Total expenses, excluding depreciation, totaled \$1,655,053 for the year ended December 31, 2011 compared to \$1,534,748 for 2010.

In the Town's business-type activities, total general and program revenues increased by approximately \$95,299, while total expenses decreased by approximately \$30,676.

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 sets of the Town as well as all liabilities

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(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 assets*** presents all of the Town's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in the Town's net assets 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 assets changed during the most recent year using the full accrual basis of accounting. All changes in net assets 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 assets and changes in them. The Town's net assets – 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 assets 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

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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 has three governmental funds: the General Fund, the Debt Service Fund, and the Capital Project Fund. The Town's general fund is considered a major fund for presentation purposes. Each major fund is presented in a separate column in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances.

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.

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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. 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 Assets

Net assets may serve over time as a useful indicator of the Town's financial position. The Town's combined net assets (governmental and business-type activities) totaled \$9,427,233 and \$8,920,681 as of December 31, 2011 and 2010 respectively, an increase of \$506,552 or 6%.

As of December 31, 2011, \$4,608,200 or 49% of the Town's net assets 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 \$4,503,993 or 50% 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 assets, \$4,770,740 or 51% and \$4,165,580 or 47% as of December 31, 2011 and 2010 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.

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	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and Other						
Assets	\$ 4,381,478	\$ 4,152,950	\$ 642,192	\$ 486,436	\$ 5,023,670	\$ 4,639,386
Capital Assets	1,602,607	1,442,315	3,071,593	3,157,678	4,674,200	4,599,993
Total Assets	<u>5,984,085</u>	<u>5,595,265</u>	<u>3,713,785</u>	<u>3,644,114</u>	<u>9,697,870</u>	<u>9,239,379</u>
Current Liabilities	62,418	91,254	38,469	26,619	100,887	117,873
Long-term Liabilities						
Outstanding	34,000	66,000	135,750	134,825	169,750	200,825
Total Liabilities	<u>96,418</u>	<u>157,254</u>	<u>174,219</u>	<u>161,444</u>	<u>270,637</u>	<u>318,698</u>
Invested in Capital						
Assets - Net						
of Related Debt	1,536,607	1,346,315	3,071,593	3,157,678	4,608,200	4,503,993
Restricted	48,293	251,108	-	-	48,293	251,108
Unrestricted	4,302,767	3,840,588	467,973	324,992	4,770,740	4,165,580
Total Net Assets	<u>\$ 5,887,667</u>	<u>\$ 5,438,011</u>	<u>\$ 3,539,566</u>	<u>\$ 3,482,670</u>	<u>\$ 9,427,233</u>	<u>\$ 8,920,681</u>

Changes in Net Assets

The Town's net assets increased by \$506,552 or 6% during the year ended December 31, 2011 compared to an increase of \$366,162 or 4% in 2010. This increase is primarily due to increased charges for services, increase in property and sales taxes, and a increase in grant revenues.

Approximately \$1,012,067 of the Town's total revenues was derived through charges for services in 2011 compared to \$993,143 in 2010. During the year ended December 31, 2011, approximately \$2,161,969 was derived from general revenues including taxes and interest compared to \$2,224,148 during 2010. The Town received \$379,455 and \$127,525 of its total revenues through program grants and contributions during 2011 and 2010, respectively.

The largest expenses were for public safety, general government, water and sewer. In fiscal year 2011, governmental activity expenses exceeded program revenues resulting in the use of \$1,444,247 in general revenues, mostly taxes. Net expenses from business-type activities in fiscal year 2011 exceeded program revenues by \$211,170.

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	<i>Governmental</i>		<i>Business-type</i>		<i>Total</i>	
	Activities		Activities			
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues:						
Charges for services	\$ 64,482	\$ 60,774	\$ 947,585	\$ 932,369	\$ 1,012,067	\$ 993,143
Operating grants and contributions	111,360	101,875	-	-	111,360	101,875
Capital grants and contributions	223,095	25,650	45,000	-	268,095	25,650
General revenues:						
Taxes	1,814,809	1,788,172	124,924	127,311	1,939,733	1,915,483
Licences and permits	189,344	177,676			189,344	177,676
Interest	7,762	16,375	2,642	2,660	10,404	19,035
Other	22,488	111,954	-	-	22,488	111,954
Total revenues	<u>2,433,340</u>	<u>2,282,476</u>	<u>1,120,151</u>	<u>1,062,340</u>	<u>3,553,491</u>	<u>3,344,816</u>
Expenses:						
General government	319,052	323,893	-	-	319,052	323,893
Public safety	1,386,539	1,297,710	-	-	1,386,539	1,297,710
Streets and drainage	131,863	114,238	-	-	131,863	114,238
Interest on long-term debt	5,730	8,382			5,730	8,382
Water	-	-	533,888	554,367	533,888	554,367
Sewer	-	-	462,789	481,319	462,789	481,319
Sanitation	-	-	207,078	198,745	207,078	198,745
Total expenses	<u>1,843,184</u>	<u>1,744,223</u>	<u>1,203,755</u>	<u>1,234,431</u>	<u>3,046,939</u>	<u>2,978,654</u>
Increase (decrease) in net assets before transfers						
	590,156	538,253	(83,604)	(172,091)	506,552	366,162
Transfers	(140,500)	(103,012)	140,500	103,012	-	-
Change in net assets	<u>449,656</u>	<u>435,241</u>	<u>56,896</u>	<u>(69,079)</u>	<u>506,552</u>	<u>366,162</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, unreserved 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 \$4,346,375, an increase of \$254,679 or 6% in comparison with the prior year. Approximately \$1,467,794 is assigned for capital projects, while approximately \$48,293 is restricted for debt service. The

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remaining \$2,830,288 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 \$2,626,498 at the end of the current fiscal year, compared to the \$3,840,588 unreserved fund balance at December 31, 2010. The primary reason for the General Fund's decrease in unassigned / unreserved fund balance is due to the new fund balance classifications as set forth in GASB Statement 54. The Town implemented GASB 54 effective January 1, 2011.

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 assets of \$3,539,566; an increase of \$56,896 in comparison with the prior year's ending net assets of \$3,482,670. The Water Fund had an increase in net assets of \$96,632, the Sewer Fund had a decrease in net assets of \$62,082, and the Sanitation Fund had an increase in net assets of \$22,346. \$3,071,593 represents investment in capital assets net of accumulated depreciation and related outstanding debt. A balance of \$467,973 is 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 2011.

The actual revenues were \$195,855 above the budgeted amounts and the actual expenditures were \$140,063 less than the budgeted amounts.

Actual transfers from the General Fund (other financing uses) exceeded the final budgeted amount by \$148,036.

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CAPITAL ASSET ADMINISTRATION

At the end of December 31, 2011, the Town of Haughton had invested \$4,674,200 in capital assets. See Table below:

Capital Assets at Year End
(Net of Depreciation)

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$ 111,518	\$ 111,518	\$ 17,200	\$ 17,200	\$ 128,718	\$ 128,718
Construction in progress		12,700	118,658	110,202	118,658	122,902
Buildings	599,022	624,313	260	426	599,282	624,739
Improvements other than buildings	620,454	509,603			620,454	509,603
Equipment	271,613	184,181	100,461	92,415	372,074	276,596
Water system and equipment			1,435,717	1,499,651	1,435,717	1,499,651
Sewer plant			1,399,297	1,437,784	1,399,297	1,437,784
Total assets	<u>\$ 1,602,607</u>	<u>\$ 1,442,315</u>	<u>\$ 3,071,593</u>	<u>\$ 3,157,678</u>	<u>\$ 4,674,200</u>	<u>\$ 4,599,993</u>

This year's major additions included:

Improvements	\$ 150,390
Equipment	218,397
Construction in process	118,658
Water system	5,449
Sewer plant	5,550
	<u>\$ 498,444</u>

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

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DEBT ADMINISTRATION

At year-end, the Town had \$66,000 in sales tax refunding bonds outstanding, verses \$96,000 in prior year a decrease of 31%.

Outstanding Debt At Year End

	<u>Governmental Activites</u>	
	<u>2011</u>	<u>2010</u>
Sales tax refunding bonds	66,000	96,000

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 12 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, 2012 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 Assets
December 31, 2011

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 2,646,308	\$ 725,000	\$ 3,371,308
Certificates of deposit	716,686	288,323	1,005,009
Receivables	305,867	139,444	445,311
Prepaid expenses	4,685		4,685
Restricted assets:			
Cash and cash equivalents	48,293	149,064	197,357
Internal balances	659,639	(659,639)	
Capital assets, net	1,602,607	3,071,593	4,674,200
Total assets	5,984,085	3,713,785	9,697,870
 Liabilities			
Accounts payable and accrued expenses	30,418	38,469	68,887
Current portion of bonds payable	32,000		32,000
Payable from restricted assets:			
Customer deposits		135,750	135,750
Non-current liabilities:			
Bonds payable	34,000		34,000
Total liabilities	96,418	174,219	270,637
 Net Assets			
Invested in capital assets, net of related debt	1,536,607	3,071,593	4,608,200
Restricted for debt service	48,293		48,293
Unrestricted	4,302,767	467,973	4,770,740
Total net assets	\$ 5,887,667	\$ 3,539,566	\$ 9,427,233

The accompanying notes are an integral part of this statement.

Town of Haughton
Haughton, Louisiana
Statement of Activities
For the Year Ended December 31, 2011

Functions / Programs:	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities							
General government	\$ 319,052	\$ 64,482	\$ 2,134	\$ 84,105	\$ (316,918)	\$	\$ (316,918)
Public safety	1,386,539		99,650		(1,138,302)		(1,138,302)
Street and drainage	131,863		9,576	138,990	16,703		16,703
Interest on long-term debt	5,730				(5,730)		(5,730)
Total governmental activities	1,843,184	64,482	111,360	223,095	(1,444,247)		(1,444,247)
Business-type Activities							
Water	533,888	488,423		10,000		(35,465)	(478,423)
Sewer	462,789	230,512		35,000		(197,277)	(195,512)
Sanitation	207,078	228,650				21,572	21,572
Total business-type activities	1,203,755	947,585		45,000		(211,170)	(211,170)
Total Government	\$ 3,046,939	\$ 1,012,067	\$ 111,360	\$ 268,095	(1,444,247)	(211,170)	(1,655,417)
General revenues:							
Taxes -							
Ad valorem taxes					65,985	124,924	190,909
Gaming taxes					325,972		325,972
Sales Tax					1,281,655		1,281,655
Other taxes					141,197		141,197
Fire insurance rebate					13,046		13,046
Licenses and permits					169,344		169,344
Investment earnings					7,762	2,642	10,404
Miscellaneous					9,442		9,442
Transfers					(140,500)	140,500	
Total general revenues					1,893,903	288,066	2,181,969
Change in net assets					449,656	56,896	506,552
Net assets - beginning					5,438,011	3,482,670	8,920,681
Net assets - ending					\$ 5,887,667	\$ 3,539,566	\$ 9,427,233

The accompanying notes are an integral part of this statement.

Town of Haughton
 Haughton, Louisiana
 Balance Sheet
 Governmental Funds
 December 31, 2011

	General	Nonmajor Governmental Funds	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 2,616,223	\$ 30,085	\$ 2,646,308
Certificates of deposit	716,686		716,686
Receivables	305,867		305,867
Due from other funds	634,764	176,886	811,650
Restricted assets:			
Cash and cash equivalents		48,293	48,293
Total assets	\$ 4,273,540	\$ 255,264	\$ 4,528,804
Liabilities and Fund Balances			
Liabilities:			
Accounts payable and accrued expenses	\$ 30,418	\$	\$ 30,418
Due to other funds	148,830	3,181	152,011
Total liabilities	179,248	3,181	182,429
Fund balances:			
Restricted for debt service		48,293	48,293
Assigned for capital projects	1,467,794		1,467,794
Unassigned	2,626,498	203,790	2,830,288
Total fund balances	4,094,292	252,083	4,346,375
Total liabilities and fund balances	\$ 4,273,540	\$ 255,264	\$ 4,528,804

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 Assets
December 31, 2011

Fund balances - total governmental funds	\$ 4,346,375
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	1,602,607
The nonallocation method of accounting for prepayments is used in the fund statements, since the prepayment does not provide expendable financial resources.	4,685
Long-term liabilities, including bonds and notes payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(66,000)</u>
Net assets of governmental activities	<u>\$ 5,887,667</u>

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, 2011

	General	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:			
Ad valorem taxes	\$ 65,985	\$	\$ 65,985
Franchise taxes	129,601		129,601
Sales taxes	1,281,655		1,281,655
Other taxes	11,596		11,596
Licenses and permits	189,344		189,344
Intergovernmental	534,483	138,990	673,473
Investment earnings	7,594	168	7,762
Fines and forfeitures	64,482		64,482
Other	9,442		9,442
Total revenues	<u>2,294,182</u>	<u>139,158</u>	<u>2,433,340</u>
Expenditures:			
Current:			
General government	291,773		291,773
Public safety	1,264,585		1,264,585
Streets and drainage	96,650		96,650
Capital outlay	209,433	138,990	348,423
Debt service:			
Principal retirement		30,000	30,000
Interest and other charges		6,730	6,730
Total expenditures	<u>1,862,441</u>	<u>175,720</u>	<u>2,038,161</u>
Excess (deficiency) of revenues over (under) expenditures	<u>431,741</u>	<u>(36,562)</u>	<u>395,179</u>
Other financing sources (uses):			
Transfers in		37,537	37,537
Transfers out	(178,037)		(178,037)
Total other financing sources (uses)	<u>(178,037)</u>	<u>37,537</u>	<u>(140,500)</u>
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	253,704	975	254,679
Fund balances at beginning of year	<u>3,840,588</u>	<u>251,108</u>	<u>4,091,696</u>
Fund balances at end of year	<u>\$ 4,094,292</u>	<u>\$ 252,083</u>	<u>\$ 4,346,375</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, 2011

Net change in fund balances - total governmental funds \$ 254,679

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 outlay (\$348,423) exceeded depreciation (\$188,131) in the current period. 160,292

The nonallocation method of accounting for prepayments is used in the fund statements, since the prepayment does not provide expendable 4,685

The repayment of principal of long-term debt consumes current financial resources of governmental funds. 30,000

Change in net assets of governmental activities \$ 449,656

The accompanying notes are an integral part of this statement.

Town of Haughton
Haughton, Louisiana
Balance Sheet
Proprietary Funds
December 31, 2011

	<u>Business-type Activities - Enterprise Funds</u>			
	Water Fund	Sewer Fund	Sanitation Fund	Total
Assets				
Current assets:				
Cash and cash equivalents	\$ 541,500	\$ 138,386	\$ 45,114	\$ 725,000
Certificates of deposit	257,023		31,300	288,323
Receivables				
Accounts	47,222	30,860	31,047	109,129
Ad valorem taxes		29,521		29,521
Accrued interest	581		213	794
Due from other funds	32	46,150	190,043	236,225
Total current assets	<u>846,358</u>	<u>244,917</u>	<u>297,717</u>	<u>1,388,992</u>
Noncurrent assets:				
Restricted				
Cash and cash equivalents	139,064		10,000	149,064
Capital assets:				
Land	17,200			17,200
Plant and equipment	3,699,134	3,355,050		7,054,184
Less: accumulated depreciation	<u>(2,084,746)</u>	<u>(1,915,045)</u>		<u>(3,999,791)</u>
Total noncurrent assets	<u>1,770,652</u>	<u>1,440,005</u>	<u>10,000</u>	<u>3,220,657</u>
Total assets	<u>\$ 2,617,010</u>	<u>\$ 1,684,922</u>	<u>\$ 307,717</u>	<u>\$ 4,609,649</u>
Liabilities				
Current liabilities:				
Accounts payable and accrued expenses	\$ 3,425	\$ 8,107	\$ 26,937	\$ 38,469
Due to other funds	423,282	469,822	2,760	895,864
Total current liabilities	<u>426,707</u>	<u>477,929</u>	<u>29,697</u>	<u>934,333</u>
Noncurrent liabilities:				
Payable from restricted assets:				
Customer deposits	135,750			135,750
Total noncurrent liabilities	<u>135,750</u>			<u>135,750</u>
Total liabilities	<u>562,457</u>	<u>477,929</u>	<u>29,697</u>	<u>1,070,083</u>
Net assets				
Invested in capital assets	1,631,588	1,440,005		3,071,593
Unrestricted	422,965	(233,012)	278,020	467,973
Total net assets	<u>2,054,553</u>	<u>1,206,993</u>	<u>278,020</u>	<u>3,539,566</u>
Total liabilities and net assets	<u>\$ 2,617,010</u>	<u>\$ 1,684,922</u>	<u>\$ 307,717</u>	<u>\$ 4,609,649</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 Assets
Proprietary Funds
For the Year Ended December 31, 2011

	Business-type Activities - Enterprise Funds			Total
	Water Fund	Sewer Fund	Sanitation Fund	
Operating revenues:				
Charges for service -				
Water sales	\$ 487,681			\$ 487,681
Sewerage service charges		223,203		223,203
Solid waste collection			223,210	223,210
Other charges and fees	742	7,309	5,440	13,491
Total operating revenues	<u>488,423</u>	<u>230,512</u>	<u>228,650</u>	<u>947,585</u>
Operating expenses:				
Salaries	113,619	113,619		227,238
Payroll taxes and benefits	24,204	24,204		48,408
Contractual Services	13,513	12,325	207,078	232,916
Supplies and materials	61,584	28,157		89,741
Utilities	44,827	12,119		56,946
Insurance	62,778	61,847		124,625
Repairs and Maintenance	69,948	104,048		173,996
Depreciation	129,635	106,470		236,105
Other	13,780			13,780
Total operating expenses	<u>533,888</u>	<u>462,789</u>	<u>207,078</u>	<u>1,203,755</u>
Operating income (loss)	<u>(45,465)</u>	<u>(232,277)</u>	<u>21,572</u>	<u>(256,170)</u>
Non-operating revenues (expenses):				
Interest income	1,779	89	774	2,642
Ad valorem taxes		124,924		124,924
Total non-operating revenues (expenses)	<u>1,779</u>	<u>125,013</u>	<u>774</u>	<u>127,566</u>
Other financing sources (uses):				
Capital contributions	10,000	35,000		45,000
Transfers in	130,318	10,182		140,500
Total other financing sources (uses)	<u>140,318</u>	<u>45,182</u>		<u>185,500</u>
Change in net assets	96,632	(62,082)	22,346	56,896
Net assets - beginning of year	<u>1,957,921</u>	<u>1,269,075</u>	<u>255,674</u>	<u>3,482,670</u>
Net assets - end of year	<u>\$ 2,054,553</u>	<u>\$ 1,206,993</u>	<u>\$ 278,020</u>	<u>\$ 3,539,566</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, 2011

	Business-type Activities - Enterprise Funds			
	Water Fund	Sewer Fund	Sanitation Fund	Total
Cash Flows From Operating Activities				
Receipts from customers	485,553	228,626	228,789	942,968
Cash payments to suppliers for goods and services	(248,589)	(214,427)	(206,979)	(669,995)
Cash payments to employees for services	(137,823)	(137,823)		(275,646)
<i>Net cash provided by (used in) operating activities</i>	<u>99,141</u>	<u>(123,624)</u>	<u>21,810</u>	<u>(2,673)</u>
Cash Flows From Non-Capital Financing Activities				
Advances to other funds		(762)	(10,080)	(10,842)
Advances from other funds	57,853	40,744		98,597
Transfers from other funds	130,318	10,182		140,500
Property taxes		111,280		111,280
<i>Net cash from non-capital financing activities</i>	<u>188,171</u>	<u>161,444</u>	<u>(10,080)</u>	<u>339,535</u>
Cash Flows From Capital and Related Financing Activities				
Capital grants	10,000	35,000		45,000
Acquisition and construction of capital assets	(134,289)	(15,732)		(150,021)
<i>Net cash from capital and related financing activities</i>	<u>(124,289)</u>	<u>19,268</u>		<u>(105,021)</u>
Cash Flows From Investing Activities				
Interest received	1,779	89	774	2,642
Proceed from sale and maturity of investments	255,920		30,588	286,508
Purchase of investments	(257,023)		(31,299)	(288,322)
<i>Net cash provided by investing activities</i>	<u>676</u>	<u>89</u>	<u>63</u>	<u>828</u>
Net increase in cash and cash equivalents	<u>163,699</u>	<u>57,177</u>	<u>11,793</u>	<u>232,669</u>
Cash, Beginning of year	<u>516,865</u>	<u>81,209</u>	<u>43,321</u>	<u>641,395</u>
Cash, End of year	<u>\$ 680,564</u>	<u>\$ 138,386</u>	<u>\$ 55,114</u>	<u>\$ 874,064</u>
Reconciliation of Operating Income to Net Cash Provided				
Used By Operating Activities:				
Operating income (loss)	\$ (45,465)	\$ (232,277)	\$ 21,572	\$ (256,170)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:				
Depreciation expense	129,635	106,470		236,105
Customer deposits	10,925		(10,000)	925
Accounts receivable	2,870	1,886	(139)	4,617
Accounts payable and accrued expenses	1,176	297	10,377	11,850
<i>Net Cash Flows From Operating Activities</i>	<u>\$ 99,141</u>	<u>\$ (123,624)</u>	<u>\$ 21,810</u>	<u>\$ (2,673)</u>

The accompanying notes are an integral part of this statement.

Town of Haughton
Haughton, Louisiana
Notes to Financial Statements
December 31, 2011

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.

GASB Statement No. 14, as amended by GASB Statement No. 39, 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 39 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, 2011
(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 debt service fund, capital projects fund, and general fund are 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 Assets, 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 assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

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, 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.

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, 2011
(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 assets 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, reserves, 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. *Debt service funds are used to account for all financial resources for, and the payment of, general long-term debt principal and interest.*
 - c. 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.
2. Proprietary Funds – the focus of proprietary fund measurement is upon determination of operating income, changes in net assets, 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.*

(Continued)

Town of Haughton
Haughton, Louisiana
Notes to Financial Statements
December 31, 2011
(Continued)

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.

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.

(Continued)

Town of Haughton
Haughton, Louisiana
Notes to Financial Statements
December 31, 2011
(Continued)

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.
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 fair market 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:

(Continued)

Town of Haughton
 Haughton, Louisiana
 Notes to Financial Statements
 December 31, 2011
 (Continued)

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

GASBS No. 34 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.*

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 Assets

Net assets represent the difference between assets and liabilities. Net assets invested 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. Net assets are reported as restricted when there are 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. The Town's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

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.

(Continued)

Town of Haughton
Haughton, Louisiana
Notes to Financial Statements
December 31, 2011
(Continued)

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 1% of the sales tax collected for these services.

K. Compensated Absences

The Town's policy allows annual leave based upon years of service. Employees must use all annual leave during the year in which it is earned. 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 and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Actual results could differ from those estimates.

(Continued)

Town of Haughton
Haughton, Louisiana
Notes to Financial Statements
December 31, 2011
(Continued)

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 assets.

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.

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 three months or less when purchased to be cash equivalents.

R. Postretirement Benefits

The Town provides no postretirement benefits to its employees.

S. Fund Balance

GASB has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which defines the different types of fund balances that a governmental entity must use for financial reporting purposes. GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories list below.

1. Nonspendable fund balances are amounts that cannot be spent because they are either (a) not in spendable form, such as inventory or prepaid expenses, or (b) legally or contractually required to be maintained intact, such as a trust that must be retained in perpetuity.

2. Restricted fund balances are restricted when constraints placed on the use of resources 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.

(Continued)

(Continued)
Town of Haughton
Haughton, Louisiana
Notes to Financial Statements
December 31, 2011
(Continued)

3. Committed fund balances include amounts that can be used only for the specific purposes 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 fund balances are amounts that are constrained by the Town's intent to be used for specific purposes, but are neither restricted nor committed.

5. Unassigned fund balance are the residual classification for the Town's general fund and include all spendable amounts not contained in the other classifications.

When both restricted and unrestricted fund balances are available for use, it is the Town's policy to use restricted fund balance first, then unrestricted fund balance. Furthermore, committed fund balances are reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

(2) New Accounting Standards

Effective January 1, 2011, the Town implemented GASB Statement No. 54, "*Fund Balance Reporting and Government Fund Type Definitions*." The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The categories of fund balance presented in the Town's financial statements changed as a result of implementing this Statement.

(Continued)

Town of Haughton
Haughton, Louisiana
Notes to Financial Statements
December 31, 2011
(Continued)

(3) 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.

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 16% of the Town's ad valorem tax revenues are derived from 10 taxpayers.

(4) Cash, Cash Equivalents, and Investments

At December 31, 2011, the Town has cash, cash equivalents, and investments (book balances) totaling \$4,573,674 as detailed below:

A. Cash and Cash Equivalents

Cash and cash equivalents at December 31, 2011 (book balances) totaled \$3,568,665, of which \$197,357 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

At December 31, 2011, the Town had investments totaling \$1,005,009 consisting of certificates of deposit with initial maturities greater than 90 days. 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, 2011, \$3,644,785 of the Town's bank balance of \$4,644,785 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	\$ 2,623,415
Certificates of deposit	<u>1,021,370</u>
	<u>\$ 3,644,785</u>

(Continued)

Town of Haughton
 Haughton, Louisiana
 Notes to Financial Statements
 December 31, 2011
 (Continued)

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.

(5) Receivables

The following is a summary of receivables at December 31, 2011:

Class of Receivable		
Governmental activities –		
Property taxes	\$	13,556
Sales taxes		224,788
Gaming taxes		29,733
Franchise taxes		27,619
Permits		<u>10,171</u>
		<u>305,867</u>
Business-type activities –		
Accounts receivable – water, sewer, and and sanitation charges		109,129
Property taxes		29,521
Miscellaneous		<u>794</u>
		<u>139,444</u>
 Total	 \$	 <u>445,311</u>

(Continued)

Town of Haughton
 Haughton, Louisiana
 Notes to Financial Statements
 December 31, 2011
 (Continued)

(6) Capital Assets

Capital asset activity for the year ended December 31, 2011, was as follows:

	Balance at Jan. 1, 2011	Additions	Deletions	Transfers	Balance at Dec. 31, 2011
Governmental Activities:					
Capital assets, not being depreciated:					
Construction in process	\$ 12,700	\$		\$ (12,700)	\$
Land	111,518				111,518
Total capital assets, not being depreciated	<u>124,218</u>			<u>(12,700)</u>	<u>111,518</u>
Capital assets, being depreciated:					
Buildings	806,499				806,499
Improvements other than buildings	1,060,171	150,390		12,700	1,223,261
Equipment	1,898,931	198,033	(15,159)		2,081,805
Total capital assets, being depreciated, at historical cost	<u>3,765,601</u>	<u>348,423</u>	<u>(15,159)</u>	<u>12,700</u>	<u>4,111,565</u>
Less accumulated depreciation:					
Buildings	(182,186)	(25,291)			(207,477)
Improvements other than buildings	(550,568)	(52,239)			(602,807)
Equipment	(1,714,750)	(110,601)	15,159		(1,810,192)
Total accumulated depreciation	<u>(2,447,504)</u>	<u>(188,131)</u>	<u>15,159</u>		<u>(2,620,476)</u>
Total capital assets, being depreciated, net	<u>1,318,097</u>	<u>160,292</u>			<u>1,478,389</u>
Governmental activities capital assets, net	<u>\$ 1,442,315</u>	<u>\$ 160,292</u>	<u>\$</u>	<u>\$</u>	<u>\$ 1,602,607</u>

(Continued)

Town of Haughton
Haughton, Louisiana
Notes to Financial Statements
December 31, 2011
(Continued)

	Balance at Jan. 1, 2011	Additions	Deletions	Transfers	Balance at Dec. 31, 2011
Business-Type Activities:					
Capital assets, not being depreciated:					
Land	\$ 17,200	\$	\$		\$ 17,200
Construction in progress	110,202	118,658		(110,202)	118,658
Total capital assets, not being depreciated, at historical cost	<u>127,402</u>	<u>118,658</u>		<u>(110,202)</u>	<u>135,858</u>
Capital assets, being depreciated:					
Buildings	10,359				10,359
Equipment	228,041	20,364			248,405
Water system and equipment	3,447,019	5,449		60,252	3,512,720
Sewer plant	3,108,542	5,550		49,950	3,164,042
Total capital assets, being depreciated, at historical cost	<u>6,793,961</u>	<u>31,363</u>		<u>110,202</u>	<u>6,935,526</u>
Less accumulated depreciation:					
Buildings	(9,933)	(166)			(10,099)
Equipment	(135,626)	(12,318)			(147,944)
Water system	(1,947,368)	(129,635)			(2,077,003)
Sewer plant	(1,670,758)	(93,987)			(1,764,745)
Total accumulated depreciation	<u>(3,763,685)</u>	<u>(236,106)</u>			<u>(3,999,791)</u>
Total capital assets, being depreciated, net	<u>3,030,276</u>	<u>(204,743)</u>		<u>110,202</u>	<u>2,935,735</u>
Business-type activities capital assets, net	<u>\$ 3,157,678</u>	<u>\$ (86,085)</u>	<u>\$</u>	<u>\$</u>	<u>\$ 3,071,593</u>

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

	Governmental Activities	Business-type Activities	Total
General Government	\$ 188,131		\$ 188,131
Water, sewer, and sanitation		236,106	236,106
Total	<u>\$ 188,131</u>	<u>\$ 236,106</u>	<u>\$ 424,237</u>

(Continued)

Town of Haughton
Haughton, Louisiana
Notes to Financial Statements
December 31, 2011
(Continued)

(7) Restricted Assets

Restricted assets were applicable to the following at December 31, 2011:

Governmental activities – debt service fund:	
Reserve funds - sales tax refunding bonds	\$ 42,300
Sinking funds – sales tax refunding bonds	<u>5,993</u>
	<u>48,293</u>
Business-type activities:	
Customer deposits	<u>149,064</u>
Total	<u>\$ 197,357</u>

(8) Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses at December 31, 2011, consisted of the following:

<u>Class of Payable</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Accounts	\$ 3,391	\$ 38,469	\$ 41,860
Payroll liabilities	<u>27,027</u>		<u>27,026</u>
Total	<u>\$ 30,418</u>	<u>\$ 38,469</u>	<u>\$ 68,887</u>

(9) Customers' Deposits

Deposits held for customers that are currently active on the water system total \$135,750 at December 31, 2011.

(10) Interfund Transfers

Interfund transfers for the year ended December 31, 2011 consisted of the following:

	<u>Transfer To</u>	<u>Transfer From</u>
Governmental Funds:		
General fund	\$	\$ 178,037
Non-major governmental	<u>37,537</u>	
	<u>37,537</u>	<u>178,037</u>
Enterprise Funds:		
Water	130,318	
Sewer	10,182	
Sanitation	<u>140,500</u>	
	<u>\$ 178,037</u>	<u>\$ 178,037</u>

Transfers are used to move revenues from the fund that the statute or budget requires to collect them to the fund that statute or budget requires to expend them.

(Continued)

Town of Haughton
Haughton, Louisiana
Notes to Financial Statements
December 31, 2011
(Continued)

(11) Interfund balances at December 31, 2011 consisted of the following:

	<u>Due From Other Fund</u>	<u>Due To Other Fund</u>	<u>Net</u>
Governmental Funds:			
General	\$ 634,764	\$ 148,830	\$ 485,934
Non-major governmental	176,886	3,181	173,705
Total Governmental Funds	<u>811,650</u>	<u>152,011</u>	<u>659,639</u>
Enterprise Funds:			
Water	32	423,282	(423,250)
Sewer	46,150	469,822	(423,672)
Sanitation	190,043	2,760	187,283
Total Enterprise Funds	<u>236,225</u>	<u>895,864</u>	<u>(659,639)</u>
Total	<u>\$ 1,047,875</u>	<u>\$ 1,047,875</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) Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2011, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
Sales tax refunding bonds	\$ 96,000	\$ —	\$ (30,000)	\$ 66,000	\$ 32,000

Bonds payable at December 31, 2011, consist of the following:

Sales tax refunding bonds, Series 1994, due in annual installments of \$12,000 to \$34,000 through November, 2013; interest at 5.9% to 6.0%. \$ 66,000

The annual requirement to amortize the outstanding debt as of December 31, 2011, including interest payments of \$6,000 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 32,000	\$ 3,960	\$ 35,960
2013	<u>34,000</u>	<u>2,040</u>	<u>36,040</u>
	<u>\$ 66,000</u>	<u>\$ 6,000</u>	<u>\$ 72,000</u>

(Continued)

Town of Haughton
Haughton, Louisiana
Notes to Financial Statements
December 31, 2011
(Continued)

(13) 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.

(14) Pension Plans

Municipal Employees Retirement System of Louisiana (System) Employees of the Town (except for police employees) are members of The Municipal Employees Retirement System of Louisiana. The System is a cost-sharing, multiple-employer, defined benefit pension plan administered by a separate board of trustees. Pertinent information relative to the Plan follows:

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

All permanent employees working at least 35 hours per week who are not covered by another pension plan and are paid wholly or in part from municipal funds and all elected municipal officials are eligible to participate in the System.

Under Plan A, employees who retire at or after age 60 with at least 10 years of creditable service, at or after age 55 with at least 30 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 2 percent of their final-average monthly salary in excess of \$100 for each year of creditable service. Furthermore, employees with at least 10 years of creditable service, but less than 30 years, may take early retirement benefits commencing at or after age 60, with the basic benefit reduced 3 percent for each year retirement precedes age 62, unless he has at least 30 years of creditable service. In any case, monthly retirement benefits paid under Plan B cannot exceed 100 percent of final-average salary. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Municipal Employees Retirement System of Louisiana, 7937 Office Park Boulevard, Baton Rouge, Louisiana 70809, or by calling (225) 925-4810.

Under Plan B, members are required by state statute to contribute 9.25 percent of their annual covered salary and the Town is required to contribute at an actuarially determined rate. The current rate was 14.25 percent from January through June 2011 and 16.75 percent from July to December 2011. Contributions to the System also include one-fourth of one percent (except Orleans and East Baton Rouge parishes) of the taxes shown to be collectible by the tax rolls of each parish. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. The contribution requirements of plan members and the Town are established and may be amended by state statute.

(Continued)

Town of Haughton
Haughton, Louisiana
Notes to Financial Statements
December 31, 2011
(Continued)

As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on results of the valuation for the prior fiscal year. The Town contributions to the System under Plan B for the years ending December 31, 2011, 2010, and 2009 were \$49,234, \$43,338, and \$43,664, respectively, equal to the required contributions for each year.

Municipal Police Employees Retirement System of Louisiana (System) Police employees of the Town are members of Municipal Police Employee's Retirement System of Louisiana. This is a statewide retirement system. This system is a cost-sharing, multiple-employer, defined benefit pension plan administered by a separate board of trustees. Pertinent information relative to the plan follows:

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

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Municipal Police Employees Retirement System of Louisiana, 8401 United Plaza Boulevard, Baton Rouge, Louisiana 70809-2250, or by calling (225) 929-7411.

Plan members are required by state statute to contribute 7.5 percent of their annual covered salary for January through June 2011, increasing to 10.00 percent effective July 1, 2011. The Town is required to contribute at an actuarially determined rate of 25.00 percent for January through June, 2011, increasing to 26.50 percent effective July 1, 2011. The contribution requirements of plan members and the Town are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Town contributions to the System for the years ending December 31, 2011, 2010, and 2009 were \$76,851, \$49,158, and \$28,116, respectively, equal to the required contributions for each year.

Firefighters' Retirement System of Louisiana

Membership in the Louisiana Firefighters Retirement System is mandatory for all full-time firefighters employed by a municipality, parish, or fire protection district that did not enact an ordinance prior to January 1, 1980, exempting itself from participation in the System. Employees are eligible to retire at or after age 55 with at least 12 years of creditable service or at or after age 50 with at least 20 years of creditable service. Upon retirement, members are entitled to a retirement benefit, payable monthly for life, equal to three and one-third per cent of their final-average salary for each year of credible service, not to exceed 100 percent of their final average salary. Final-average salary is the employee's average salary over the 36 consecutive months or joined months that produce the highest average. Employees who terminate with at least 12 years of service, and who do not

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Town of Haughton
Haughton, Louisiana
Notes to Financial Statements
December 31, 2011
(Continued)

withdraw their employee contributions, may retire at or after age 55 (or at or after age 50 with at least 20 years of creditable service at termination) and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the Firefighters' Retirement System, Post Office Box 94095, Baton Rouge, Louisiana 70804, or by calling (504) 925-4060.

Plan members are required by state statute to contribute 8.0 percent of their annual covered salary for January through June 2011, increasing to 10.00 percent effective July 1, 2011. The Town is required to contribute at an actuarially determined rate of 21.50 percent for January through June, 2011, and increasing to 23.25 percent effective July 1, 2011. The contribution requirements of plan members and the District are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The District's contributions to the System, which began in October, 2007, for the year ending December 31, 2011, 2010 and 2009 were \$74,159, \$55,558 and \$36,761.

(15) On-behalf Payments

The Town received a total of \$45,000 in police supplemental pay and a total of \$47,250 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.

(16) Commitments

The Town has tentative plans to issue sewer revenue bonds, not to exceed \$3,300,000, pending the results of a special election to be held in November 2012. Proceeds of the bonds would be used for the purpose of constructing and acquiring improvements and replacements to the sewerage system of the Town.

The Town signed a contract for water system improvements for \$37,200. As of December 31, 2011, the Town has made payments of \$15,500, with a remaining balance on the contract of \$21,700.

(17) Subsequent events

Subsequent events have been evaluated through September 27, 2012, the date the financial statements were available to be issued.

(18) Contingency

The Town is the defendant in a lawsuit, the ultimate outcome of which is not presently determinable. However, the Town does not believe that the outcome will have a material adverse effect on the accompanying financial statements.

Town of Haughton
Haughton, Louisiana
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2011

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 55,000	\$ 55,000	\$ 65,985	\$ 10,985
Franchise taxes	201,000	201,000	129,601	(71,399)
Sales taxes	1,119,000	1,119,000	1,241,649	122,649
Licenses and permits	168,000	168,000	193,245	25,245
Grant revenue			103,215	103,215
Intergovernmental	408,000	408,000	433,642	25,642
Interest	22,000	22,000	7,594	(14,406)
Fines and forfeits	79,000	79,000	64,482	(14,518)
Other			8,442	8,442
Total revenues	2,052,000	2,052,000	2,247,855	195,855
Expenditures:				
Current:				
General government	316,000	282,000	312,224	(30,224)
Public safety	1,248,000	1,363,000	1,286,522	76,478
Street and drainage	74,000	255,000	98,758	156,242
Capital outlay	147,000	147,000	209,433	(62,433)
Total expenditures	1,785,000	2,047,000	1,906,937	140,063
Excess (deficiency) of revenues over (under) expenditures	267,000	5,000	340,918	335,918
Other financing sources (uses):				
Sale of assets	2,000	2,000	1,000	(1,000)
Transfers in	30,000	30,000		(30,000)
Transfers out	(30,000)	(30,000)	(178,036)	(148,036)
Total other financing sources (uses)	2,000	2,000	(177,036)	(179,036)
Excess (deficiency) of revenues and other sources over expenditures and other uses	269,000	7,000	163,882	156,882
Fund balances at beginning of year	3,590,808	3,590,808	3,657,746	66,938
Fund balances at end of year	\$ 3,859,808	\$ 3,597,808	\$ 3,821,628	\$ 223,820

Town of Haughton
 Haughton, Louisiana
 Notes to Required Supplementary Information
 December 31, 2011

The Town's budget is adopted on a cash basis for all funds. There was one amendment to the 2011 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:

	<u>General Fund</u>
Excess of revenues and other sources over expenditures and other uses (budget basis)	\$ 163,882
Adjustments:	
Revenue accruals – net	45,327
Expenditure accruals – net	<u>44,495</u>
Excess of revenues and other sources over expenditures and other uses (GAAP) basis	<u>\$ 253,704</u>

Town of Haughton
 Haughton, Louisiana
 Combining Balance Sheet
 Nonmajor Governmental Funds
 December 31, 2011

	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Nonmajor Governmental Funds</u>
Assets			
Cash and cash equivalents	\$ 30,084	\$ 1	\$ 30,085
Due from other funds	176,886		176,886
Restricted assets:			
Cash and cash equivalents	48,293		48,293
Total assets	<u><u>\$ 255,263</u></u>	<u><u>\$ 1</u></u>	<u><u>\$ 255,264</u></u>
Liabilities and Fund Balances			
Liabilities:			
Due to other funds	\$ 3,180	\$ 1	\$ 3,181
Total liabilities	<u>3,180</u>	<u>1</u>	<u>3,181</u>
Fund balances:			
Restricted for debt service	48,293		48,293
Unassigned	203,790		203,790
Total fund balances	<u>252,083</u>		<u>252,083</u>
Total liabilities and fund balances	<u><u>\$ 255,263</u></u>	<u><u>\$ 1</u></u>	<u><u>\$ 255,264</u></u>

Town of Haughton
 Haughton, Louisiana
 Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Year Ended December 31, 2011

	Debt Service	Capital Projects	Total Nonmajor Governmental Funds
Revenues:			
Grant revenue	\$	\$ 138,990	\$ 138,990
Investment earnings	168		168
Total revenues	<u>168</u>	<u>138,990</u>	<u>139,158</u>
Expenditures:			
Debt service:			
Principal retirement	30,000		30,000
Interest and other charges	6,730		6,730
Capital outlay		138,990	138,990
Total expenditures	<u>36,730</u>	<u>138,990</u>	<u>175,720</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(36,562)</u>		<u>(36,562)</u>
Other financing sources (uses):			
Transfers in	37,537		37,537
Total other financing sources (uses)	<u>37,537</u>		<u>37,537</u>
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	975		975
Fund balances at beginning of year	<u>251,108</u>		<u>251,108</u>
Fund balances at end of year	<u>\$ 252,083</u>	<u>\$</u>	<u>\$ 252,083</u>

Town of Haughton
Haughton, Louisiana
Schedule of Compensation Paid to Board Members
For the Year Ended December 31, 2011

Mayor Anderson	\$ 24,000
Alderman Grappe	5,400
Alderman Hicks	5,400
Alderman McGee	5,400
Alderman Small	5,400
Alderman Winnfield	<u>5,400</u>
	<u>\$ 51,000</u>

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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

Town of Haughton
Haughton, Louisiana

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Haughton, Louisiana, as of and for the year ended December 31, 2011, which collectively comprise the Town of Haughton's basic financial statements and have issued our report thereon dated September 27, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying corrective action plan for current year audit findings as items 2011-2, 2011-3, 2011-4, 2011-5, 2011-6, and 2011-7 that we consider to be significant deficiencies in internal control over financial reporting. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Haughton, Louisiana's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial 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 corrective action plan for current year audit findings as item 2011-1.

The Town of Haughton's response to the findings identified in our audit is described in the accompanying corrective action plan for current year audit findings. We did not audit the Town of Haughton's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.



Cook & Morehart
Certified Public Accountants
September 27, 2012

Town of Haughton
Haughton, Louisiana
Summary Schedule of Prior Year Audit Findings
Schedule For Louisiana Legislative Auditor
December 31, 2011

There were two findings, five significant deficiencies, and one material weakness for the prior year audit for the year ended December 31, 2010. The current status of those findings is as follows:

2010-1 Finding – Late Submission of Audit

Finding: The Town's audit for fiscal year ended December 31, 2010, was not submitted timely in accordance with state law.

Recommendation: We recommend that the Town submit its audit timely in the future.

Current Status: See repeat finding in current year audit.

2010-2 Finding – Budget

Finding: The Town did not amend its budget for the General fund in accordance with state law. Actual expenditures and other uses exceeded budgeted amounts by more than 5 percent.

Recommendation: We recommend that the Town properly monitor and amend its budget as needed in the future, in accordance with state law.

Current Status: No finding noted in current year audit.

2010-3 Significant Deficiency - Utility Fund Collections

Condition: The Town does not reconcile an aged accounts receivable trial balance to the general ledger on a monthly basis. In addition, controls are not in place to ensure that all adjustments posted to customer accounts in the billing software are reviewed and approved.

Recommendation: We recommend that the Town implement controls to review and monitor accounts receivable postings and balances on a daily basis. We further recommend that the Town print all adjustments from the billing software on a routine, current basis to ensure no authorized adjustments have been entered.

Current Status: See repeat deficiency in current year audit.

2010-4 Significant Deficiency – Police Department Receipts

Condition: There is not an adequate tracking system in place over the issuance and collection of tickets to ensure that all tickets are properly accounted for.

Recommendation: We recommend that the Town implement controls for monitoring traffic tickets issued and the subsequent disposition of each ticket. We recommend that someone independent of the receipt function and computer processing function account for the sequence of the tickets and the subsequent collections thereof.

Current Status: Some improvement noted. See deficiency in current year audit.

(Continued)

Town of Haughton
Haughton, Louisiana
Summary Schedule of Prior Year Audit Findings
Schedule For Louisiana Legislative Auditor
December 31, 2011
(Continued)

2010-5 Significant Deficiency – Accounting Records

Condition: During our audit, we noted that the Town's accounting records were not maintained on a current basis, including bank reconciliations, monthly general ledgers, and monthly financial statements.

Recommendation: We recommend that financial statements and general ledgers be prepared on a monthly basis. We also recommend that all bank statements be reviewed and reconciled on a monthly basis.

Current Status: See repeat deficiency in current year audit.

2010-6 Significant Deficiency – Payroll Direct Deposit

Condition: During our audit, we noted that direct deposit withdrawals per the agency's bank statements were not reconciled to direct deposit reports for each payroll by someone independent of the payroll preparation process.

Recommendation: We recommend that the Town implement internal controls whereby all direct deposit payroll withdrawals appearing on the Town's bank statements be reconciled to a detailed direct deposit report for each pay period by someone independent of the payroll preparation process.

Current Status: See repeat deficiency in current year audit.

2010-7 Material Weakness – Interagency Accounts and Transfers

Condition: The balances in the due to / due from accounts between the various funds of the Town are significant. In addition, significant audit adjustments were required to adjust the balances in the due to / due from accounts and transfer accounts between funds.

Recommendation: We recommend that controls be implemented for ensuring that amounts posted to the due to / due from accounts and transfer accounts on the Town's general ledger are properly posted as to temporary interagency loans or budgeted transfers. Amounts due between the funds should be repaid / cleared on a timely basis. Current balances in the due to / due from accounts should be analyzed to determine if such balances will be repaid or if corrections are needed to adjust those account balances.

Current Status: Some improvement noted. See deficiency in current year audit.

2010-8 Significant Deficiency – Accrued Leave

Condition: During our audit, we noted that procedures are not in place for tracking and monitoring accrued leave balances for Town employees.

Recommendation: We recommend that the agency implement procedures for tracking and monitoring accrued leave balances for Town employees.

Current Status: See repeat deficiency in current year audit.

Town of Haughton
Haughton, Louisiana
Corrective Action Plan For Current Year Audit Findings
Schedule For Louisiana Legislative Auditor
December 31, 2011

There are six significant deficiencies and one finding for the current year audit for the year ended December 31, 2011, as follows:

2011-1 Finding – Late Submission of Audit

Finding: The Town's audit for fiscal year ended December 31, 2011, was not submitted timely in accordance with state law.

Recommendation: We recommend that the Town submit its audit timely in the future.

Management's Response: The town will make every effort to submit its audit timely in the future.

2011-2 Significant Deficiency - Utility Fund Collections

Condition: The Town does not reconcile an aged accounts receivable trial balance to the general ledger on a monthly basis. In addition, controls are not in place to ensure that all adjustments posted to customer accounts in the billing software are reviewed and approved.

Criteria: Controls should be in place for ensuring that collections are properly posted to customer account balances in the accounts receivable billing software. Controls should also be in place for ensuring that all adjustments to customer accounts are properly approved.

Cause: The Town has procedures in place for reviewing deposit and supporting documentation for utility collections on a daily basis; however, this review does not encompass a review of the accounts receivable aging balance per the billing software. Additionally, the Town has procedures in place over who is authorized to post adjustments to customer account balances in the billing software; however, there is no report printed showing all adjustments posted to customer accounts, to ensure that no unauthorized adjustments were made.

Effect: Without proper controls over posting of deposits and adjustments in the accounts receivable billing software, incorrect information could be entered or errors could be made and not detected by Town personnel.

Recommendation: We recommend that the Town implement controls to review and monitor accounts receivable postings and balances on a daily basis. We further recommend that the Town print all adjustments from the billing software on a routine, current basis to ensure no unauthorized adjustments have been entered.

Management's Response: The Town will work to develop new controls with regards to reviewing and monitoring its accounts receivable postings and balances on a daily basis. The Town will begin printing all adjustments from the billing software on a current basis and reviewing those adjustments for proper approvals.

(Continued)

Town of Haughton
Haughton, Louisiana
Corrective Action Plan For Current Year Audit Findings
Schedule For Louisiana Legislative Auditor
December 31, 2011
(Continued)

2011-3 Significant Deficiency – Police Department Receipts

Condition: There is not an adequate tracking system in place over the disposition of tickets to ensure that all tickets are properly accounted for.

Criteria: Internal controls should be in place to adequately account for traffic ticket collections, including adjustments made in the traffic ticket software.

Cause: The Town requires that any tickets adjusted or otherwise dismissed without full payment be approved by the Mayor through Mayor's court. However, there is currently no review to ensure that all adjustments or dismissals posted in the ticket software were properly approved.

Effect: Without proper controls over the collection, adjustment, and dismissal of traffic tickets, some payments made for fines could be diverted or errors could be made and not detected by Town personnel.

Recommendation: We recommend that the Town implement controls for monitoring the subsequent disposition of each ticket. We recommend that someone independent of the receipt function and computer processing function ensure that all adjustments and dismissals posted in the ticket software were properly approved by the Mayor through Mayor's court.

Management's Response: The Town has plans to purchase a new ticket tracking software program to aid in implementing new controls for reviewing and following up on the disposition of each ticket issued. The Town will work to implement controls for monitoring all adjustments and dismissals posted in the ticket software to ensure proper approvals.

2011-4 Significant Deficiency – Accounting Records

Condition: During our audit, we noted that the Town's accounting records were not maintained on a current basis, including bank reconciliations, monthly general ledgers, and monthly financial statements.

Criteria: Controls and procedures should be in place to allow for a proper monitoring and oversight of the financial activities of the Town on a current basis.

Cause: The Town contracts out these accounting services to a CPA firm. The Town changed CPA firms which provide these services during the year.

Effect: Due to the Town not having current financial statements, general ledgers, and bank reconciliations, the financial activities of the Town could not be efficiently and adequately monitored.

Recommendation: We recommend that financial statements and general ledgers be prepared on a monthly basis. We also recommend that all bank statements be reviewed and reconciled on a monthly basis.

Management's Response: The Town's contracted CPA experienced serious health concerns during the year, which caused significant delays in the Town's receipt of current financial and accounting information. The Town has contracted with a new CPA firm to provide these services. The Town will work to ensure that its accounting records are maintained on a current basis.

(Continued)

Town of Haughton
Haughton, Louisiana
Corrective Action Plan For Current Year Audit Findings
Schedule For Louisiana Legislative Auditor
December 31, 2011
(Continued)

2011-5 Significant Deficiency – Payroll Direct Deposit

Condition: During our audit, we noted that direct deposit withdrawals per the agency's bank statements were not reconciled to direct deposit reports for each payroll by someone independent of the payroll preparation process.

Criteria: Adequate internal controls should be in place to provide for management's review of direct deposit payroll amounts.

Cause: Procedures are not in place for a supervisory review of the payroll amounts transmitted for direct deposit.

Effect: Unauthorized payroll transactions could be processed and not detected by management.

Recommendation: We recommend that the Town implement internal controls whereby all direct deposit payroll withdrawals appearing on the Town's bank statements be reconciled to a detailed direct deposit report for each pay period by someone independent of the payroll preparation process.

Management's Response: The Town will work to develop controls for reconciling all payroll direct deposit withdrawals on the Town's bank statement by someone independent of the payroll preparation process.

2011-6 Material Weakness – Interagency Accounts and Transfers

Condition: The balances in the due to / due from accounts between the various funds of the Town are significant. In addition, audit adjustments were required to correct the posting of various interfund activity during the year.

Criteria: Controls should be in place to ensure proper posting of due to / due from and transfer amounts to the general ledger, and to ensure that interagency balances are cleared on a timely, periodic basis.

Cause: Procedures are not in place to ensure that postings to the due to / due from and transfer accounts are correct and that amounts collected or paid by one fund on behalf of another fund are cleared / transferred properly.

Effect: Significant receivables and payables exist between the various funds of the Town.

Recommendation: We recommend that controls be implemented for ensuring that amounts posted to the due to / due from accounts and transfer accounts on the Town's general ledger are properly posted as to temporary interagency loans or budgeted transfers. Amounts due between the funds should be repaid / cleared on a timely basis. Current balances in the due to / due from accounts should be analyzed to determine if such balances will be repaid or if corrections are needed to adjust those account balances.

Management's Response: The Town will work with its CPA to determine the proper postings for the interagency loans and budgeted transfers, and to repay / clear balances on a timely basis. The Town will also work with its CPA in analyzing the balances in the due to / due from accounts to determine if the balances need to be repaid or if corrections are needed to those accounts.

(Continued)

Town of Haughton
Haughton, Louisiana
Corrective Action Plan For Current Year Audit Findings
Schedule For Louisiana Legislative Auditor
December 31, 2011
(Continued)

2011-7 Significant Deficiency – Accrued Leave

Condition: During our audit, we noted that procedures are not in place for tracking and monitoring accrued leave balances for Town employees.

Criteria: Leave records should be maintained for Town employees so that leave earned and utilized can be properly tracked and monitored.

Cause: Procedures are not in place for tracking and monitoring accrued leave balances.

Effect: Significant time was required to provide accrued leave balances for Town employees. There is not an efficient monitoring of leave accrued and leave taken by Town employees.

Recommendation: We recommend that the agency implement procedures for tracking and monitoring accrued leave balances for Town employees.

Management's Response: The Town will work to develop and implement procedures for tracking and monitoring leave balances for Town employees.