

**Town of Haughton
Haughton, Louisiana**

Financial Statement with Auditors' Report

As of and For the Year Ended December 31, 2016

Town of Haughton
Haughton, Louisiana

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Haughton, Louisiana

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Independent Auditors' Report

Town of Haughton
Haughton, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Haughton, Louisiana, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Town of Haughton's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town of Haughton, Louisiana, as of December 31, 2016, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information


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

Other Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2017, 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* in considering the Town of Haughton's internal control over financial reporting and compliance.


Cook & Morehart
Certified Public Accountants
June 28, 2017

TOWN OF HAUGHTON

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Haughton, Louisiana, we offer the readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town of Haughton as of and for the year ended December 31, 2016. We encourage readers to consider the information presented here in conjunction with the Town's basic financial statements and supplementary information provided in this report in assessing the efficiency and effectiveness of our stewardship of public resources.

FINANCIAL HIGHLIGHTS

The Town of Haughton's net position of our government activities decreased by \$438,467 or 16%.

The Town of Haughton's net position of our business type activities decreased by \$312,409 or 6%.

In the Town's governmental activities, total general and program revenues were \$2,383,746 in 2016 compared to \$2,475,886 in 2015. Total expenses, excluding depreciation, totaled \$2,813,533 for the year ended December 31, 2016 compared to \$2,509,613 for 2015.

In the Town's business-type activities, total general and program revenues increased by approximately \$10,855, while total expenses increased by approximately \$218,233.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Basic Financial Statements

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

Government-wide Financial Statements

The government-wide financial statements provide a broad view of the Town's operations in a manner similar to a private-sector business. The statements provide both short-term and long-term information about the Town's financial position, which assists users in assessing the Town's economic condition at the end of the year. These statements are prepared using the economic resources measurement focus and the accrual basis of accounting similar to methods used by most businesses. These statements report all revenues and expenses connected with

the year even if cash has not been received or paid and include all assets of the Town as well as all liabilities (including long-term debt). Additionally, certain eliminations have occurred as prescribed by GASB 34 in regards to interfund activity, payables, and receivables. The government-wide financial statements include two statements:

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

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

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

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

Business-type Activities – These functions are normally intended to recover all or a significant portion of their costs through user fees and charges to external users of goods and services. The business-type activities of the Town consist of the provision of water, sewer, and sanitation services.

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

Fund Financial Statements

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

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

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

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

Because the focus of the governmental funds financial statements is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, users may better understand the long-term impact of the Town's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and the governmental activities. These reconciliations are presented on the page immediately following each governmental funds financial statement. The Town's general fund is considered a major fund for presentation purposes.

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

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

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

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

Notes to the Financial Statements

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

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

Required Supplementary Information

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

FINANCIAL ANALYSIS OF GOVERNMENT-WIDE ACTIVITIES

Net Position

Net position may serve over time as a useful indicator of the Town's financial position. The Town's combined net position (governmental and business-type activities) totaled \$6,943,828 and \$7,694,704 as of December 31, 2016 and 2015, respectively, a decrease of \$750,876 or 10%.

As of December 31, 2016, \$6,498,049 or 93% of the Town's net position consists of investment in capital assets such as land, buildings, equipment, and water and sewer plant and improvements, less any related debt used to acquire those assets that is still outstanding, compared to \$5,719,211 or 75% of the Town's net assets as of the close of the prior year. The Town uses these capital assets to provide services to the citizens of Haughton; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A portion of the Town's net position, \$178,178 or 3% and \$1,766,581 or 23% as of December 31, 2016 and 2015, respectively, is unrestricted and may be used to meet the Town's ongoing obligations to citizens and creditors at the discretion of the mayor and council of Haughton.

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and Other Assets	\$ 1,926,550	\$ 1,530,412	\$ 1,530,412	\$ 1,801,506	\$ 3,456,962	\$ 3,331,918
Capital Assets	2,584,940	6,471,781	6,471,781	6,606,344	9,056,721	13,078,125
Total Assets	4,511,490	8,002,193	8,002,193	8,407,850	12,513,683	16,410,043
Deferred outflows of resources - pension	900,923	553,324	286,821	161,138	1,187,744	714,462
Current Liabilities	61,750	20,510	239,200	239,499	300,950	260,009
Long-term Liabilities Outstanding						
Due within one year	19,975		141,000	140,000	160,975	140,000
Due in more than one year	2,791,283	2,452,590	3,183,075	3,147,657	5,974,358	5,600,247
Total Liabilities	2,873,008	2,473,100	3,563,275	3,527,156	6,436,283	6,000,256
Deferred inflows of resources - pension	296,552	221,534	24,764	28,448	321,316	249,982
Net investment in capital assets	2,584,940	1,809,539	3,913,109	3,909,672	6,498,049	5,719,211
Restricted - debt service			267,601	208,912	267,601	208,912
Unrestricted	(342,087)	871,781	520,265	894,800	178,178	1,766,581
Total Net Position	\$ 2,242,853	\$ 2,681,320	\$ 4,700,975	\$ 5,013,384	\$ 6,943,828	\$ 7,694,704

Changes in Net position

The Town's net position decreased by \$750,876 during the year ended December 31, 2016 compared to a decrease of \$155,798 or 1% in 2015. This decrease is primarily due to increased personnel and maintenance and repairs costs in 2016.

Approximately \$1,829,147 of the Town's total revenues was derived through charges for services in 2016 compared to \$1,877,654 in 2015. During the year ended December 31, 2016, approximately \$1,958,035 was derived from general revenues including taxes and interest compared to \$2,008,681 during 2015. The Town received \$290,778 and \$272,910 of its total revenues through program grants and contributions during 2016 and 2015, respectively.

The largest expenses were for public safety, general government, water and sewer. In fiscal year 2016, governmental activity expenses exceeded program revenues resulting in the use of \$1,776,924 in general revenues, mostly taxes. Net business-type activity expenses in fiscal year 2016 exceeded program revenues by \$308,847.

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	\$ 327,359	\$ 373,310	\$ 1,501,788	\$ 1,504,344	\$ 1,829,147	\$ 1,877,654
Operating grants and contributions	279,463	235,548	11,315	9,824.00	290,778	245,372
Capital grants and contributions		27,538				27,538
General revenues:						
Taxes	1,697,850	1,795,267	175,951	165,127	1,873,801	1,960,394
Fire insurance rebate	15,899	17,887			15,899	17,887
Interest	2,685	1,872	2,569	2,939	5,254	4,811
Other	60,490	24,464	2,591	1,125	63,081	25,589
Total revenues	2,383,746	2,475,886	1,694,214	1,683,359	4,077,960	4,159,245
Expenses:						
General government	549,265	431,602			549,265	431,602
Public safety	2,334,438	2,148,302			2,334,438	2,148,302
Streets and drainage	123,183	131,422			123,183	131,422
Water			925,592	725,590	925,592	725,590
Sewer			621,737	626,399	621,737	626,399
Sanitation			274,621	251,728	274,621	251,728
Total expenses	3,006,886	2,711,326	1,821,950	1,603,717	4,828,836	4,315,043
Increase (decrease) in net assets before transfers	(623,140)	(235,440)	(127,736)	79,642	(750,876)	(155,798)
Transfers	184,673	(383,928)	(184,673)	383,928		
Change in net assets	\$ (438,467)	\$ (619,368)	\$ (312,409)	\$ 463,570	\$ (750,876)	\$ (155,798)

FINANCIAL ANALYSIS OF THE INDIVIDUAL FUNDS

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

Governmental Funds

The focus of the Town's governmental funds is to provide information on the near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the Town's net resources available for spending at the end of the year.

At the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$1,849,140, a decrease of \$1,134,691 or 38% in comparison with the prior year. Approximately \$924,873 is assigned. The remaining \$924,267 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 \$924,267 at the end of the current fiscal year, compared to \$2,983,831 at December 31, 2015.

Proprietary Funds

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

At the end of the current fiscal year, the Town's proprietary funds reported combined ending net position of \$4,700,975, a decrease of \$312,409 in comparison with the prior year's ending net position of \$5,013,384. The Water Fund had a decrease in net position of \$328,060, the Sewer Fund had an increase in net position of \$12,665, and the Sanitation Fund had an increase in net position of \$2,986. \$3,913,109 represents investment in capital assets net of accumulated depreciation and related outstanding debt. A total of \$267,601 is reported as restricted for debt service, with a balance of \$520,265 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 2016.

The actual revenues were \$48,822 under the budgeted amounts and the actual expenditures were \$279,522 more than the budgeted amounts.

CAPITAL ASSET ADMINISTRATION

At the end of December 31, 2016, the Town of Haughton had invested \$9,056,721 in capital assets. See Table below:

	Capital Assets at Year End (Net of Depreciation)					
	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 387,518	\$ 251,518	\$ 17,200	\$ 17,200	\$ 404,718	\$ 268,718
Construction in progress	184,066	16,300	65,819	65,819	249,885	82,119
Buildings	799,784	497,814			799,784	497,814
Improvements other than buildings	582,039	389,706			582,039	389,706
Equipment	631,533	654,201	273,898	290,156	905,431	944,357
Water system and equipment			2,370,068	2,366,394	2,370,068	2,366,394
Sewer plant			3,744,796	3,866,775	3,744,796	3,866,775
Total assets	<u>\$ 2,584,940</u>	<u>\$ 1,809,539</u>	<u>\$ 6,471,781</u>	<u>\$ 6,606,344</u>	<u>\$ 9,056,721</u>	<u>\$ 8,415,883</u>

This year's major additions included:

Land	\$ 136,000	\$
Equipment	83,572	266,086
Construction in process	167,766	
Buildings	333,434	
Improvements other than buildings	247,982	
	<u>\$ 968,754</u>	<u>\$ 266,086</u>

More detailed information about the capital assets are presented in Note 7 to the financial statements.

DEBT ADMINISTRATION

At the end of 2016 the Town had \$6,135,333 in long-term liabilities including utility revenue bonds and net pension liability, as described below:

	Outstanding Debt At Year End					
	Governmental Activities		Business-Type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Net Pension Liability	\$ 2,791,283	\$ 2,452,590	\$ 765,403	\$ 590,985	\$ 3,556,686	\$ 3,043,575
Compensated Absences	19,975				19,975	
Utility Revenue Bonds			2,558,672	2,696,672	2,558,672	2,696,672
	<u>\$ 2,811,258</u>	<u>\$ 2,452,590</u>	<u>\$ 3,324,075</u>	<u>\$ 3,287,657</u>	<u>\$ 6,135,333</u>	<u>\$ 5,740,247</u>

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

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The following economic factors were considered when the budget for the fiscal year ended December 31, 2016 was prepared:

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

REQUESTS FOR INFORMATION

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

Town of Haughton
Haughton, Louisiana
Statement of Net Position
December 31, 2016

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 1,068,346	\$ 875,053	\$ 1,943,399
Investments	523,195	108,012	631,207
Receivables	221,599	207,335	428,934
Prepaid expenses	15,660		15,660
Restricted assets:			
Cash and cash equivalents		437,762	437,762
Internal balances	97,750	(97,750)	
Capital assets			
Depreciable (net)	2,013,356	6,388,762	8,402,118
Non-depreciable	571,584	83,019	654,603
Total assets	<u>4,511,490</u>	<u>8,002,193</u>	<u>12,513,683</u>
 Deferred outflows of resources - pension related	 <u>900,923</u>	 <u>286,821</u>	 <u>1,187,744</u>
Liabilities			
Accounts payable and accrued expenses	61,750	69,039	130,789
Payable from restricted assets:			
Customer deposits		170,161	170,161
Non-current liabilities			
Due within one year	19,975	141,000	160,975
Due in more than one year	<u>2,791,283</u>	<u>3,183,075</u>	<u>5,974,358</u>
Total liabilities	<u>2,873,008</u>	<u>3,563,275</u>	<u>6,436,283</u>
 Deferred inflows of resources - pension related	 <u>296,552</u>	 <u>24,764</u>	 <u>321,316</u>
Net Position (Deficit)			
Net investment in capital assets	2,584,940	3,913,109	6,498,049
Restricted - debt service		267,601	267,601
Unrestricted (deficit)	(342,087)	520,265	178,178
Total net position (deficit)	<u>\$ 2,242,853</u>	<u>\$ 4,700,975</u>	<u>\$ 6,943,828</u>

The accompanying notes are an integral part of this statement.

Town of Haughton
Haughton, Louisiana
Statement of Activities
For the Year Ended December 31, 2016

Functions / Programs:	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities						
General government	\$ 549,265	\$ 191,118	\$ 59,502	\$ (298,645)	\$	\$ (298,645)
Public safety	2,334,438	136,241	219,961	(1,978,236)		(1,978,236)
Street and drainage	123,183			(123,183)		(123,183)
Total governmental activities	3,006,886	327,359	279,463	(2,400,064)		(2,400,064)
Business-type Activities						
Water	925,592	773,359	6,778		(145,455)	(145,455)
Sewer	621,737	452,833	4,537		(164,367)	(164,367)
Sanitation	274,621	275,596			975	975
Total business-type activities	1,821,950	1,501,788	11,315		(308,847)	(308,847)
Total Government	\$ 4,828,836	\$ 1,829,147	\$ 290,778	(2,400,064)	(308,847)	(2,708,911)
General revenues:						
Taxes -						
Ad valorem taxes				104,635	175,951	280,586
Gaming taxes				243,260		243,260
Sales tax				1,204,982		1,204,982
Other taxes				5,625		5,625
Franchise tax				139,348		139,348
Fire insurance rebate				15,899		15,899
Investment earnings				2,685	2,569	5,254
Miscellaneous				60,490	2,591	63,081
Transfers				184,673	(184,673)	
Total general revenues				1,961,597	(3,562)	1,958,035
Change in net assets				(438,467)	(312,409)	(750,876)
Net position - beginning				2,681,320	5,013,384	7,694,704
Net position - ending				\$ 2,242,853	\$ 4,700,975	\$ 6,943,828

The accompanying notes are an integral part of this statement.

Town of Haughton
Haughton, Louisiana
Balance Sheet
Governmental Funds
December 31, 2016

	General
Assets	
Cash and cash equivalents	\$ 1,068,346
Investments	523,195
Receivables	221,599
Due from other funds	97,750
Total assets	<u>\$ 1,910,890</u>
Liabilities and Fund Balances	
Liabilities:	
Accounts payable and accrued expenses	<u>\$ 61,750</u>
Total liabilities	<u>61,750</u>
Fund balances:	
Assigned:	
Capital projects	552,219
Public safety	129,317
Parks and recreation	243,337
Unassigned	924,267
Total fund balances	<u>1,849,140</u>
 Total liabilities and fund balances	 <u>\$ 1,910,890</u>

The accompanying notes are an integral part of this statement.

Town of Haughton
Haughton, Louisiana
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
December 31, 2016

Fund balances - total governmental funds	\$ 1,849,140
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	2,584,940
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The nonallocation method of accounting for prepayments is used in the fund statements, since the prepayment does not provide expendable	15,660
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Other long-term assets and other amounts are not available to pay for current-period expenditures and therefore are unavailable in the funds.	
Deferred outflows - pension related	900,923

Long-term liabilities and other amounts, including compensated absences payable and pension liability, are not due and payable in the current period and therefore are not reported in the funds.	
Net pension liability	(2,791,283)
Accrued leave	(19,975)
Deferred inflows - pension related	<u>(296,552)</u>

Net position of governmental activities	<u>\$ 2,242,853</u>
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The accompanying notes are an integral part of this statement.

Town of Haughton
Haughton, Louisiana
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2016

Revenues:	General
Ad valorem taxes	\$ 104,635
Franchise taxes	139,348
Sales taxes	1,204,982
Gaming taxes	243,260
Other taxes	5,625
Licenses and permits	191,118
Intergovernmental	137,649
Investment earnings	2,685
Fines and forfeitures	136,241
Grants	72,426
Other	70,039
Total revenues	<u>2,308,008</u>
Expenditures:	
Current:	
General government	527,044
Public safety	2,008,391
Streets and drainage	123,183
Capital outlay	968,754
Total expenditures	<u>3,627,372</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,319,364)</u>
Other financing sources (uses):	
Transfers in	184,673
Total other financing sources (uses)	<u>184,673</u>
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	<u>(1,134,691)</u>
Fund balances at beginning of year	<u>2,983,831</u>
Fund balances at end of year	<u>\$ 1,849,140</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, 2016

Net change in fund balances - total governmental funds	\$ (1,134,691)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$968,754) exceeded depreciation expense (\$193,353) in the current period.	775,401
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The nonallocation method of accounting for prepayments is used in the fund statements, since the prepayment does not provide expendable	6,910
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Non-employer contributions to cost-sharing pension plan	75,736

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.	
Compensated absences	(19,975)
Pension expense	(141,848)

Change in net position of governmental activities	\$ (438,467)
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The accompanying notes are an integral part of this statement.

Town of Haughton
Haughton, Louisiana
Statement of Net Position
Proprietary Funds
December 31, 2016

	Business-type Activities - Enterprise Funds			
	Water Fund	Sewer Fund	Sanitation Fund	Total
Assets				
Current assets:				
Cash and cash equivalents	\$ 610,396	\$ 176,586	\$ 88,071	\$ 875,053
Investments	74,533		33,479	108,012
Receivables				
Accounts	82,511	60,007	46,081	188,599
Ad valorem taxes		17,942		17,942
Accrued interest	581		213	794
Due from other funds		41,975	49,338	91,313
Total current assets	<u>768,021</u>	<u>296,510</u>	<u>217,182</u>	<u>1,281,713</u>
Noncurrent assets:				
Restricted				
Cash and cash equivalents	170,161	267,601		437,762
Capital assets:				
Land	17,200			17,200
Construction in Process		65,819		65,819
Plant and equipment	5,315,694	6,457,711		11,773,405
Less: accumulated depreciation	<u>(2,820,283)</u>	<u>(2,564,360)</u>		<u>(5,384,643)</u>
Total noncurrent assets	<u>2,682,772</u>	<u>4,226,771</u>		<u>6,909,543</u>
Total assets	<u>3,450,793</u>	<u>4,523,281</u>	<u>217,182</u>	<u>8,191,256</u>
Deferred outflows of resources - pension related	<u>171,821</u>	<u>115,000</u>		<u>286,821</u>
Liabilities				
Current liabilities:				
Accounts payable and accrued expenses	22,729	13,272	33,038	69,039
Due to other funds	165,854	23,209		189,063
Revenue bonds		141,000		141,000
Total current liabilities	<u>188,583</u>	<u>177,481</u>	<u>33,038</u>	<u>399,102</u>
Noncurrent liabilities:				
Payable from restricted assets:				
Customer deposits	170,161			170,161
Revenue bonds		2,417,672		2,417,672
Net pension liability	458,517	306,886		765,403
Total noncurrent liabilities	<u>628,678</u>	<u>2,724,558</u>		<u>3,353,236</u>
Total liabilities	<u>817,261</u>	<u>2,902,039</u>	<u>33,038</u>	<u>3,752,338</u>
Deferred inflows of resources - pension related	<u>14,835</u>	<u>9,929</u>		<u>24,764</u>
Net position				
Net investment in capital assets	2,512,611	1,400,498		3,913,109
Restricted - debt service		267,601		267,601
Unrestricted	277,907	58,214	184,144	520,265
Total net position	<u>\$ 2,790,518</u>	<u>\$ 1,726,313</u>	<u>\$ 184,144</u>	<u>\$ 4,700,975</u>

The accompanying notes are an integral part of this statement.

Town of Haughton
Haughton, Louisiana
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2016

	Business-type Activities - Enterprise Funds			
	Water Fund	Sewer Fund	Sanitation Fund	Total
Operating revenues:				
Charges for service -				
Water sales	\$ 773,359	\$	\$	\$ 773,359
Sewerage service charges		452,833		452,833
Solid waste collection			275,596	275,596
Total operating revenues	<u>773,359</u>	<u>452,833</u>	<u>275,596</u>	<u>1,501,788</u>
Operating expenses:				
Salaries	161,625	166,418		328,043
Payroll taxes and benefits	62,424	46,200		108,624
Contractual Services	136,288	25,565	274,151	436,004
Supplies and materials	150,048	16,076		166,124
Utilities	46,564	37,881		84,445
Insurance	68,810	68,760		137,570
Repairs and Maintenance	86,211	26,876		113,087
Depreciation	191,224	209,425		400,649
Other	22,398	338	470	23,206
Total operating expenses	<u>925,592</u>	<u>597,539</u>	<u>274,621</u>	<u>1,797,752</u>
Operating income (loss)	<u>(152,233)</u>	<u>(144,706)</u>	<u>975</u>	<u>(295,964)</u>
Non-operating revenues (expenses):				
Interest income	1,083	1,081	405	2,569
Miscellaneous	985		1,606	2,591
Ad valorem taxes		175,951		175,951
Non-employer contributions-pension related	6,778	4,537		11,315
Interest expense		(24,198)		(24,198)
Total non-operating revenues (expenses)	<u>8,846</u>	<u>157,371</u>	<u>2,011</u>	<u>168,228</u>
Other financing sources (uses):				
Transfers out	(184,673)			(184,673)
Total other financing sources (uses)	<u>(184,673)</u>			<u>(184,673)</u>
Change in net position	(328,060)	12,665	2,986	(312,409)
Net position - beginning of year	<u>3,118,578</u>	<u>1,713,648</u>	<u>181,158</u>	<u>5,013,384</u>
Net position - end of year	<u>\$ 2,790,518</u>	<u>\$ 1,726,313</u>	<u>\$ 184,144</u>	<u>\$ 4,700,975</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, 2016

	Business-type Activities - Enterprise Funds			
	Water Fund	Sewer Fund	Sanitation Fund	Total
Cash Flows From Operating Activities				
Receipts from customers	\$ 770,479	\$ 456,351	\$ 272,992	\$ 1,499,822
Cash payments to suppliers for goods and services	(507,817)	(188,336)	(275,780)	(971,933)
Cash payments to employees for services	(187,039)	(186,775)		(373,814)
Net cash provided (used) by operating activities	75,623	81,240	(2,788)	154,075
Cash Flows From Non-Capital Financing Activities				
Advances to other funds		15,117	(7,203)	7,914
Advances from other funds	(21,835)	(14,321)		(36,156)
Transfers to other funds	(184,673)			(184,673)
Property taxes		183,088		183,088
Other	985	5,759	1,606	8,350
Net cash provided (used) by non-capital financing activities	(205,523)	189,643	(5,597)	(21,477)
Cash Flows From Capital and Related Financing Activities				
Principal paid on capital debt		(138,000)		(138,000)
Interest paid on capital debt		(20,823)		(20,823)
Acquisition and construction of capital assets	(194,898)	(71,188)		(266,086)
Net cash (used) by capital and related financing activities	(194,898)	(230,011)		(424,909)
Cash Flows From Investing Activities				
Interest received	1,083	1,081	405	2,569
Purchase of investments	(9,357)		(33,479)	(42,836)
Sale of investments	184,412		33,162	217,574
Net cash provided by investing activities	176,138	1,081	88	177,307
Net increase (decrease) in cash and cash equivalents	(148,660)	41,953	(8,297)	(115,004)
Cash, Beginning of year	929,217	402,234	96,368	1,427,819
Cash, End of year	\$ 780,557	\$ 444,187	\$ 88,071	\$ 1,312,815
Cash and cash equivalents are reflected on the Statement of Net Position as follows:				
Cash and cash equivalents	\$ 610,396	\$ 176,586	\$ 88,071	\$ 875,053
Cash and cash equivalents - restricted	170,161	267,601		437,762
Total	\$ 780,557	\$ 444,187	\$ 88,071	\$ 1,312,815
Reconciliation of Operating Income to Net Cash Provided Used By Operating Activities:				
Operating income (loss)	\$ (152,233)	\$ (144,706)	\$ 975	\$ (295,964)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:				
Depreciation expense	191,224	209,425		400,649
Customer deposits	397			397
Accounts receivable	(3,277)	(1,019)	(2,604)	(6,900)
Accounts payable and accrued expenses	5,745	(2,544)	(1,159)	2,042
Pension related	33,767	20,084		53,851
Net Cash Flows From Operating Activities	\$ 75,623	\$ 81,240	\$ (2,788)	\$ 154,075

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

Town of Haughton
Haughton, Louisiana
Notes to Financial Statements
December 31, 2016

INTRODUCTION

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

(1) Summary of Significant Accounting Policies

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

A. Reporting Entity

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

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

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

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

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

(Continued)

Town of Haughton
Haughton, Louisiana
Notes to Financial Statements
December 31, 2016
(Continued)

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

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

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

B. Basic Financial Statements – Government-Wide Statements

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

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

The government-wide Statement of Activities reports both the gross and net cost of each of the Town of Haughton's functions. The functions are also supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating, and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, including non-employer contributions to cost-sharing pension plans, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations of providing water, sewer, and sanitation services.

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, 2016
(Continued)

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

C. Basic Financial Statements – Fund Financial Statements

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

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

1. Governmental Funds – the focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental fund of the Town of Haughton:
 - a. General fund is the general operating fund of the Town of Haughton. It is used to account for all financial resources except those required to be accounted for in another fund.
 - b. Capital projects fund are used to account for financial resources to be used for the acquisition or construction of equipment and / or major capital facilities. No projects were accounted for in a capital projects fund during 2016.
2. Proprietary Funds – the focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the Town:
 - a. Enterprise funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges, or (c) establishes fees and charges based on a pricing policy designed to recover similar costs.

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

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

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

(Continued)

Town of Haughton
Haughton, Louisiana
Notes to Financial Statements
December 31, 2016
(Continued)

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

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

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

D. Basis of Accounting

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

1. Accrual:

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

2. Modified Accrual:

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

E. Budget and Budgetary Accounting

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

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

(Continued)

Town of Haughton
Haughton, Louisiana
Notes to Financial Statements
December 31, 2016
(Continued)

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

F. Cash, Cash Equivalents, and Investments

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

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

G. Capital Assets

Capital assets purchased or acquired with an original cost of \$2,500 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at 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:

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

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

(Continued)

Town of Haughton
Haughton, Louisiana
Notes to Financial Statements
December 31, 2016
(Continued)

H. Revenues

Ad valorem taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied by the Town in September or October and are actually billed to the taxpayers in November. Billed taxes become delinquent on January 1 of the following year. Revenues from ad valorem taxes are budgeted in the year billed. The Town bills and collects its own property taxes, using the assessed values determined by the tax assessor of Bossier Parish. Sales tax revenues are recorded in the period in which the underlying exchange has occurred. Fines, forfeitures, licenses, and permits are recognized in the period they are collected. Interest income on demand and time deposits is recorded when earned. Federal and state grants are recorded when the Town is entitled to the funds.

I. Net Position

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

J. Sales Taxes

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

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

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

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

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

(Continued)

Town of Haughton
Haughton, Louisiana
Notes to Financial Statements
December 31, 2016
(Continued)

K. Compensated Absences

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

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

L. Interfund Activity

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

M. Use of Estimates

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

N. Long-Term Obligations

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

O. Bad Debts

Uncollectible amounts due for ad valorem taxes, customer's utility receivables, and special assessments are recognized as bad debts through the establishment of an allowance account at the time information becomes available which would indicate the uncollectibility of the particular receivable. There is no allowance reflected in the accompanying financial statements.

P. Capitalized Interest

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

(Continued)

Town of Haughton
Haughton, Louisiana
Notes to Financial Statements
December 31, 2016
(Continued)

Q. Statement of Cash Flows

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

R. Postretirement Benefits

The Town provides no postretirement benefits to its employees.

S. Fund Balance

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

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

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

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

(Continued)

Town of Haughton
Haughton, Louisiana
Notes to Financial Statements
December 31, 2016
(Continued)

T. Deferred Inflows / Outflows of Resources

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

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

(2) Levied Taxes

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

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 15% of the Town's ad valorem tax revenues are derived from 10 taxpayers.

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Town of Haughton
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Notes to Financial Statements
December 31, 2016
(Continued)

(3) Cash, Cash Equivalents, and Investments

At December 31, 2016, the Town has cash, cash equivalents, and investments (book balances) totaling \$3,012,368 as detailed below:

A. Cash and Cash Equivalents

Cash and cash equivalents at December 31, 2016 (book balances) totaled \$2,381,161, of which \$437,762 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, 2016, the Town had investments totaling \$631,207 consisting of certificates of deposit with initial maturities of 90 days or greater. The certificates of deposits are carried at cost, which approximates market.

C. Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of December 31, 2016, \$2,546,054 of the Town's bank balance of \$3,046,054 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	\$ 2,164,847
Certificates of deposit	<u>381,207</u>
	<u>\$ 2,546,054</u>

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, R.S. 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified that the fiscal agent has failed to pay deposited funds upon demand.

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Town of Haughton
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Notes to Financial Statements
December 31, 2016
(Continued)

(4) Receivables

The following is a summary of receivables at December 31, 2016:

<u>Class of Receivable</u>	
Governmental activities –	
Property taxes	\$ 8,548
Sales taxes	131,144
Gaming taxes	35,469
Franchise taxes	32,352
Miscellaneous	9,181
Grants	<u>4,905</u>
	<u>221,599</u>
Business-type activities –	
Accounts receivable – water, sewer, and and sanitation charges	188,599
Property taxes	17,942
Other	<u>794</u>
	<u>207,335</u>
Total	<u>\$ 428,934</u>

(5) Restricted Assets

Restricted assets were applicable to the following at December 31, 2016:

Business-type activities:	
Debt service	\$ 267,601
Customer deposits	<u>170,161</u>
Total	<u>\$ 437,762</u>

(6) Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses at December 31, 2016, consisted of the following:

<u>Class of Payable</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Accounts	\$ 29,688	\$ 61,549	\$ 91,237
Accrued leave	7,050	6,487	13,537
Payroll liabilities	<u>25,012</u>	<u>1,003</u>	<u>26,015</u>
Total	<u>\$ 61,750</u>	<u>\$ 69,039</u>	<u>\$ 130,789</u>

(Continued)

Town of Haughton
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Notes to Financial Statements
December 31, 2016
(Continued)

(7) Capital Assets

Capital asset activity for the year ended December 31, 2016, was as follows:

	Balance at Jan. 1, 2016	Additions	Deletions	Balance at Dec. 31, 2016
<u>Governmental Activities:</u>				
Capital assets, not being depreciated:				
Land	\$ 251,518	\$ 136,000	\$	\$ 387,518
Construction in process	16,300	167,766		184,066
Total capital assets, not being depreciated	267,818	303,766		571,584
Capital assets, being depreciated:				
Buildings	806,499	333,434		1,139,933
Improvements other than buildings	1,223,261	247,982		1,471,243
Equipment	2,706,702	83,572		2,790,274
Total capital assets, being depreciated, at historical cost	4,736,462	664,988		5,401,450
Less accumulated depreciation:				
Buildings	(308,685)	(31,464)		(340,149)
Improvements other than buildings	(833,555)	(55,649)		(889,204)
Equipment	(2,052,501)	(106,240)		(2,158,741)
Total accumulated depreciation	(3,194,741)	(193,353)		(3,388,094)
Total capital assets, being depreciated, net	1,541,721	471,635		2,013,356
Governmental activities capital assets, net	<u>\$ 1,809,539</u>	<u>\$ 775,401</u>	<u>\$</u>	<u>\$ 2,584,940</u>

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Notes to Financial Statements
December 31, 2016
(Continued)

	Balance at Jan. 1, 2016	Additions	Deletions	Balance at Dec. 31, 2016
Business-Type Activities:				
Capital assets, not being depreciated:				
Land	\$ 17,200	\$	\$	\$ 17,200
Construction in process	65,819			65,819
Total capital assets, not being depreciated, at historical cost	83,019			83,019
Capital assets, being depreciated:				
Buildings	10,359			10,359
Equipment	501,724			501,724
Water system and equipment	4,987,711	194,898		5,182,609
Sewer plant	6,007,525	71,188		6,078,713
Total capital assets, being depreciated, at historical cost	11,507,319	266,086		11,773,405
Less accumulated depreciation:				
Buildings	(10,359)			(10,359)
Equipment	(211,568)	(16,258)		(227,826)
Water system and equipment	(2,621,317)	(191,224)		(2,812,541)
Sewer plant	(2,140,750)	(193,167)		(2,333,917)
Total accumulated depreciation	(4,983,994)	(400,649)		(5,384,643)
Total capital assets, being depreciated, net	6,523,325	(134,563)		6,388,762
Business-type activities capital assets, net	\$ 6,606,344	\$ (134,563)	\$	\$ 6,471,781

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

	Governmental Activities	Business-type Activities	Total
General Government	\$ 37,255	\$	\$ 37,255
Public Safety	133,749		133,749
Streets and Drainage	22,349		22,349
Water		191,224	191,224
Sewer		209,425	209,425
Total	\$ 193,353	\$ 400,649	\$ 594,002

(Continued)

Town of Haughton
Haughton, Louisiana
Notes to Financial Statements
December 31, 2016
(Continued)

(8) Customers' Deposits

Deposits held for customers that are currently active on the water system total \$170,161 at December 31, 2016.

(9) Interfund Transfers

Interfund transfers for the year ended December 31, 2016 consisted of the following:

	Transfer To	Transfer From	Net
Governmental Funds:			
General fund	\$ 184,673	\$ —	\$ 184,673
Enterprise Funds:			
Water	—	(184,673)	(184,673)
	<u>\$ 184,673</u>	<u>\$(184,673)</u>	<u>\$ —</u>

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

(10) Leases

For the year ended December 31, 2016, the Town had two operating leases for property utilized by the Town. Lease payments on these leases for the year ended December 31, 2016 totaled \$1,200. If the Town abandons the property, or does not use said property, for use of water production or water storage, the lease automatically expires and reverts to owner after a period of 2 years. Both leases are for 99 years, with future maturities of \$1,200 per year through 2101, and \$600 per year for 2102 through 2106.

The Town also entered into a lease in December 2012 for equipment to be utilized by the Town. Lease payments on this lease for the year ended December 31, 2016 were \$708. Future minimum lease payments under the lease are as follows:

Year Ending December 31,	
2017	\$ 708
2018	<u>177</u>
	<u>\$ 885</u>

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Town of Haughton
Haughton, Louisiana
Notes to Financial Statements
December 31, 2016
(Continued)

(11) Interfund Balances

Interfund balances at December 31, 2016 consisted of the following:

	Due From Other Fund	Due To Other Fund	Net
Governmental Funds:			
General	\$ 97,750	\$	\$ 97,750
Enterprise Funds:			
Water		165,854	(165,854)
Sewer	41,975	23,209	18,766
Sanitation	49,338		49,338
Total Enterprise Funds	91,313	189,063	(97,750)
Total	\$ 189,063	\$ (189,063)	\$

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

(12) Deferred Inflows and Deferred Outflows of Resources

The Statement of Net Position reports deferred inflows of resources at December 31, 2016, consisting of the following:

	Governmental Activities	Business-type Activities	Total
Pension related - MERS	\$ 9,762	\$ 24,764	\$ 34,526
Pension related - MPERS	146,366	-	146,366
Pension related - Firefighters	140,424	-	140,424
	\$ 296,552	\$ 24,764	\$ 321,316

The Statement of Net Position reports deferred outflows of resources at December 31, 2016, consisting of the following:

	Governmental Activities	Business-type Activities	Total
Pension related - MERS	\$ 113,066	\$ 286,821	\$ 399,887
Pension related - MPERS	361,360	-	361,360
Pension related - Firefighters	426,497	-	426,497
	\$ 900,923	\$ 286,821	\$ 1,187,744

Information about each retirement plan is detailed in Note 15.

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Town of Haughton
Haughton, Louisiana
Notes to Financial Statements
December 31, 2016
(Continued)

(13) Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2016, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
Long-term liabilities					
Net pension					
liability - MERS	\$ 232,969	\$ 68,756	\$	\$ 301,725	\$
Net pension					
liability - MPERS	1,245,340	36,833		1,282,173	
Net pension					
liability - Firefighters	974,281	233,104		1,207,385	
Compensated absences		27,025		27,025	27,025
Total - Governmental Activities					
long-term liabilities	<u>\$ 2,452,590</u>	<u>\$ 365,718</u>	<u>\$</u>	<u>\$ 2,818,308</u>	<u>\$ 27,025</u>
Less amounts due					
within period of					
availability				(7,050)	(7,050)
Total long-term liabilities,					
Government-wide Statements				<u>\$ 2,811,258</u>	<u>\$ 19,975</u>
Business-type Activities:					
Long-term liabilities					
Utility revenue bonds	\$ 2,696,672	\$	\$ (138,000)	\$ 2,558,672	\$ 141,000
Net pension					
liability - MERS	590,985	174,418		765,403	
Total - Business-type Activities					
long-term liabilities	<u>\$ 3,287,657</u>	<u>\$ 174,418</u>	<u>\$ (138,000)</u>	<u>\$ 3,324,075</u>	<u>\$ 141,000</u>

Information about each retirement plan is detailed in Note 15.

(Continued)

Town of Haughton
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Notes to Financial Statements
December 31, 2016
(Continued)

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

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

\$ 2,558,672

Debt service requirements at December 31, 2016, were as follows:

Fiscal Year	Sewer Revenue Bonds		
	Principle	Interest	Total
2017	\$ 141,000	\$ 11,188	\$ 152,188
2018	142,000	10,560	152,560
2019	144,000	9,916	153,916
2020	145,000	9,266	154,266
2021	146,000	8,611	154,611
2022-2026	752,000	33,014	785,014
2027-2031	789,000	15,685	804,685
2032-2033	299,672	1,294	300,966
	<u>\$ 2,558,672</u>	<u>\$ 99,534</u>	<u>\$ 2,658,206</u>

(14) Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Town.

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Town of Haughton
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Notes to Financial Statements
December 31, 2016
(Continued)

(15) Pension Plans

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

MUNICIPAL EMPLOYEES RETIREMENT SYSTEM

The Municipal Employees' Retirement System of Louisiana is the administrator of a cost-sharing, multiple-employer defined benefit pension plan. The System was originally established by Act 356 of the 1954 regular session of the Legislature of the State of Louisiana. Effective October 1, 1978, under Act 788, the "regular plan" and the "supplemental plan" were replaced, and are now known as Plan "A" and Plan "B". Plan A combines the original plan and the supplemental plan for those municipalities participating in both plans, while Plan B participates in only the original plan. The System provides retirement benefits to employees of all incorporated villages, towns and cities within the State which do not have their own retirement system and which elect to become members of the System. Employees of the Town are members of Plan A.

Plan Description

Eligibility Requirements:

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

Retirement Benefits:

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

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

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

1. Age 67 with seven (7) or more years of creditable service
2. Age 62 with ten (10) or more years of creditable service
3. Age 55 with thirty (30) or more years of creditable service
4. Any age with twenty five (25) years of creditable service, exclusive of military service and unused side leave. However, any member retiring under this subsection shall have their benefit actuarially reduced from the earliest age of which the member would be entitled to a vested deferred benefit under any provision of this section, if the member had continued in service to that age.

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Notes to Financial Statements
December 31, 2016
(Continued)

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

Survivor Benefits:

Upon death of any member of Plan A with five (5) or more years of creditable service, not eligible for retirement, the plan provides for benefits for the surviving spouse and/or minor children as outlined in the statutes. Any member of Plan A, who is eligible for normal retirement at time of death and who leaves a surviving spouse, will be deemed to have retired and selected Option 2 benefits on behalf of the surviving spouse on the date of death. Such benefits will begin only upon proper application and are paid in lieu of any other survivor benefits.

DROP Benefits:

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

Disability Benefits:

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

Cost of Living Increases:

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

(Continued)

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Notes to Financial Statements
December 31, 2016
(Continued)

and above equal to 2% of the benefit being received on October 1, 1977, or the original benefit, if retirement commenced after that date.

Deferred Benefits:

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

Contributions

Contributions for all members are established by statute. Member contributions are at 9.5% of earnable compensation for Plan A. According to state statute, contribution requirements for all employers are actuarially determined each year. For the plan year ending June 30, 2016, the actual employer contribution rate was 19.75% for Plan A. The Town's contributions to the System for the years ended December 31, 2016, 2015, and 2014 were \$ 102,903, \$83,694, and \$72,519, respectively.

Non-Employer Contributions

In accordance with state statute, the System receives ad valorem taxes and state revenue sharing funds. These additional sources of income are used as employer contributions and are considered support from non-employer contributing entities, but are not considered special funding situations. Non-employer contributions totaling \$15,776 are recognized as revenue during the year ended December 31, 2016 and excluded from pension expense.

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

At December 31, 2016, the Town reported a liability of \$1,067,128 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The historical employer contributions are used to determine the proportionate relationship of each employer to all employers of Municipal Employees' Retirement System. The employer's proportion was determined on a basis that is consistent with the manner in which contributions to the pension plan are determined. The allocation percentages were used in calculating each employer's proportionate share of the pension amounts. The allocation method used in determining each employer's proportion was based on each employer's contributions to the System during the fiscal year ended June 30, 2016 as compared to the total of all employers' contributions received by the System during the fiscal year ended June 30, 2016. The Town's proportion as measured at June 30, 2016, was .260357%, which was an increase of .0297% from its proportion measured as of June 30, 2015.

For the year ended December 31, 2016, the Town recognized pension expense of \$154,478, plus employer's amortization of change in proportionate share and the difference between employer contributions and proportionate share of contributions, \$28,404.

At December 31, 2016, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

(Continued)

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Notes to Financial Statements
December 31, 2016
(Continued)

	<u>Deferred Inflows of Resources</u>	
	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Differences between expected and actual experience	\$ 9,445	\$ 24,287
Changes in proportion and differences between employer contributions and proportionate share of contributions	317	477
Total	<u>\$ 9,762</u>	<u>\$ 24,764</u>

	<u>Deferred Outflows of Resources</u>	
	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Changes of assumptions	\$ 10,877	\$ 27,969
Net difference between projected and actual earnings on pension plan investments	68,237	175,466
Changes in proportion and differences between employer contributions and proportionate share of contributions	18,564	43,816
Employer contributions subsequent to the measurement Date	15,388	39,570
Total	<u>\$ 113,066</u>	<u>\$ 286,821</u>

The Town reported a total of \$54,958 as deferred outflow of resources related to pension contributions made subsequent to the measurement period of June 30, 2016, which will be recognized as a reduction in net pension liability in the year ended December 31, 2017.

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

<u>Year</u>	<u>Amount</u>
2016	\$ 113,068
2017	81,041
2018	78,806
2019	37,488
Total	<u>\$ 310,403</u>

Actuarial Methods and Assumptions

The net pension liability was measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service, less the amount of the pension plan's fiduciary net position. A summary of the actuarial methods and assumptions used in determining the total pension liability as of June 30, 2016 are as follows:

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(Continued)

Valuation Date	June 30, 2016
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Investment Rate of Return	7.5%
Inflation Rate	2.875%
Projected Salary Increases	5.0%
Annuitant and beneficiary mortality	For annuitant and beneficiary mortality tables used were: RP-2000 Healthy Annuitant Sec Distinct Mortality Tables set forward 2 years for males and 1 year for females projected to 2028 using scale AA.
Employee mortality	For employees, the RP-2000 Disabled Lives Mortality Table set back 2 years for both males and females.
Disables lives mortality	For disable Annuitants, RP-2000 Disabled Lives Mortality Tables set back 5 years for males and 3 years for females.
Expected Remaining Service Lives	3 years

The mortality rate assumption used was verified by combining data from this plan with three other statewide plans which have similar workforce composition in order to produce a credible experience. The aggregated data was collected over the period July 1, 2009 through June 30, 2014. The data was then assigned credibility weighting and combined with a standard table to produce current levels of mortality. This mortality was then projected forward to a period equivalent to the estimated duration of the System's liabilities. Annuity values calculated based on this mortality were compared to those produced by using a setback of standard tables. The result of the procedure indicated that these tables would produce liability values approximating the appropriate generational mortality tables used.

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

Best estimates of arithmetic real rates of return for each major asset class included in the System's target asset allocation as of June 30, 2016 are summarized in the following table:

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(Continued)

	Target Asset <u>Allocation</u>	Long-Term Expected Portfolio Real Rate of <u>Return</u>
Public equity	50%	2.6%
Public fixed income	35%	1.8%
Alternatives	15%	.08%
Totals	<u>100%</u>	<u>5.2%</u>
Inflation		2.5%
Expected Arithmetic Nominal Return		7.6%

The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made at the actuarially determined rates approved by PRSAC taking into consideration the recommendation of the System's actuary. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity to Changes in Discount Rate

The following presents the net pension liability of the participating employers calculated using the discount rate of 7.5%, as well as what the employers' net pension liability would be if it were calculated using a discount rate that is one percentage point lower, or one percentage point higher than the current rate as of June 30, 2016:

	<u>Changes in Discount Rate</u>		
	1% Decrease <u>6.50%</u>	Current Discount Rate <u>7.50%</u>	1% Increase <u>8.50%</u>
Net Pension Liability	\$1,356,518	\$1,067,128	\$ 820,189

Changes in Net Pension Liability

The changes in the net pension liability for the year ended December 31, 2016 were recognized in the current reporting period except as follows:

Differences between Expected and Actual Experience:

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

Differences between Projected and Actual Investment Earnings:

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

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Changes of Assumptions:

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

Changes in Proportion:

Changes in the employer's proportionate share of the collective net pension liability and collective deferred outflows of resources and deferred inflows of resources since the prior measurement date were recognized in employer's pension expense (benefit) using the straight-line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided pensions through the pension plan. The unamortized amounts arising from changes in proportion are presented in the Schedule of Pension Amounts as deferred outflows or deferred inflows as of December 31, 2016.

Contributions – Proportionate Share

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

Pension Plan Fiduciary Net Position

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

Detailed information about the fiduciary net position is available in a stand-alone audit report on their financial statements for the year ended June 30, 2016. Access to these reports can be found on the Louisiana Legislative Auditor's website, www.la.la.gov.

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM

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

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Plan Description

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

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

Membership Prior to January 1, 2013

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

Membership Commencing January 1, 2013

Member eligibility for regular retirement, early retirement, disability and survivor benefits are based on Hazardous Duty and Non Hazardous Duty sub plans. Under the Hazardous Duty sub plan, a member is eligible for regular retirement after he has been a member of the System and has 25 years of creditable service at any age or has 12 years of creditable service at age 55. Under the Non Hazardous Duty sub plan, a member is eligible for regular retirement after he has been a member of the System and has 30 years of creditable service at any age, 25 years of creditable service at age 55, or 10 years of creditable service at age 60. Under both sub plans, a member is eligible for early retirement after he has been a member of the System for 20 years of creditable service at any age, with an actuarially reduced benefit from age 55. Under the Hazardous and Non Hazardous Duty sub plans, the benefit rates are three percent and two and a half percent, respectively, of average final compensation (average monthly earnings during the highest 60 consecutive months or joined months if service was interrupted) per number of years of creditable service not to exceed 100% of final salary. Upon death of an active contributing member, or disability retiree, the plan provides for surviving spouses and minor children. Under certain conditions outlined in the statutes, the benefits range from twenty-five to fifty-five percent of the member's average final compensation for the surviving spouse. In addition, each child under age eighteen receives ten percent of average final compensation or \$200 per month whichever is greater. If deceased member had less than ten years of service, beneficiary will receive a refund of employee contributions only.

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Notes to Financial Statements
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Cost of Living Adjustments

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

Deferred Retirement Option Plan

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

Initial Benefit Option Plan

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

Contributions

Contributions for all members are actuarially determined as required by state law but cannot be less than 9% of the employees' earnable compensation excluding overtime but including state supplemental pay. For the year ended June 30, 2016, total contributions due from employers and employees was 39.5%. The employer and employee contribution rates for all members hired prior to January 1, 2013 and Hazardous Duty members hired after January 1, 2013 were 29.5% and 10%, respectively. The employer and employee contribution rates for all Non-Hazardous Duty members hired after January 1, 2013 were 31.5% and 8%, respectively. The employer and employee contribution rates for all members whose earnable compensation is less than or equal to the poverty guidelines issued by the United States Department of Health and Human Services

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Town of Houghton
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were 32% and 7.5%, respectively. The Town contributions to the System for the years ended December 31, 2016, 2015, and 2015 were \$124,649, \$122,490, and \$131,290, respectively.

Non-Employer Contributions

The System also receives insurance premium tax monies as additional employer contributions. The tax is considered support from a non-contributing entity and appropriated by the legislature each year based on an actuarial study. Non-employer contributions totaling \$25,451 are recognized as revenue during the year ended December 31, 2016 and excluded from pension expense.

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

At December 31, 2016, the Town reported a liability of \$1,282,173 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on the employer's contributions to the System during the year ended June 30, 2016, as compared to the total of all employers' contributions to the System for the year ended June 30, 2016. At June 30, 2016, the Town's proportion was .136797%, which was a decrease of .02217% from its proportion measured as of June 30, 2015.

For the year ended December 31, 2016, the Town recognized pension expense of \$163,275, plus employer's amortization of change in proportionate share and the difference between employer contributions and proportionate share of contributions, \$4,715.

At December 31, 2016, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Governmental Activities</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$	\$ 20,396
Changes of assumptions	62,340	77
Net difference between projected and actual earnings on pension plan investments	197,293	
Changes in proportion and differences between employer contributions and proportionate share of contributions	47,022	125,893
Employer contributions subsequent to the measurement Date	54,705	
Total	<u>\$ 361,360</u>	<u>\$ 146,366</u>

The Town reported a total of \$54,705 as deferred outflow of resources related to pension contributions made subsequent to the measurement period of June 30, 2016, which will be recognized as a reduction in net pension liability in the year ended December 31, 2017.

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Town of Haughton
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(Continued)

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

<u>Year</u>	<u>Amount</u>
2016	\$ 57,509
2017	15,581
2018	37,095
2019	50,104
Total	<u>\$ 160,289</u>

Actuarial Methods and Assumptions

The actuarial assumptions used in the June 30, 2016 valuation were based on the assumptions used in the June 30, 2016 actuarial funding valuation, and were based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014. In cases where benefit structures were changed after the study period, assumptions were based on estimates of future experience. A summary of the actuarial methods and assumptions used in determining the total pension liability as of June 30, 2016 are as follows:

Valuation Date	June 30, 2016
Actuarial Cost Method	Entry Age Normal Cost
Investment Rate of Return	7.5%, net of investment expense
Expected Remaining Service Lives	4 years
Inflation Rate	2.875%

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

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

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December 31, 2016
(Continued)

Best estimates of arithmetic nominal rates of return for each major asset class included in the System's target allocation as of June 30, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Portfolio Real Rate of Return</u>
Equity	53%	3.69%
Fixed income	21%	0.49%
Alternatives	20%	1.11%
Other	6%	0.21%
Totals	100%	5.50%
Inflation		2.75%
Expected Arithmetic Nominal Return		8.25%

The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made at the actuarially determined rates approved by PRSAC taking into consideration the recommendation of the System's actuary. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

Sensitivity to Changes in Discount Rate

The following presents the net pension liability of the participating employers calculated using the discount rate of 7.5%, as well as what the employers' net pension liability would be if it were calculated using a discount rate that is one percentage point lower 6.5% or one percentage point higher 8.5% than the current rate.

	<u>Changes in Discount Rate</u>		
	1% Decrease	Current Discount Rate	1% Increase
	<u>6.5%</u>	<u>7.5%</u>	<u>8.5%</u>
Net Pension Liability	\$1,709,247	\$1,282,173	\$ 923,606

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(Continued)

Change in Net Pension Liability

The changes in the net pension liability for the year ended December 31, 2015 were recognized in the current reporting period as pension expense except as follows:

Differences between Expected and Actual Experience:

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

Differences between Projected and Actual Investment Earnings:

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

Changes of Assumptions or Other Inputs:

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

Change in Proportion:

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

Contributions – Proportionate Share

Differences between contributions remitted to the System and the employer's proportionate share are recognized in pension expense (benefit) using the straight line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with a pension through the pension plan. The resulting deferred inflow/outflow and amortization is not reflected in the schedule of employer amounts due to differences that could arise between contributions reported by the System and contributions reported by the participating employer.

Pension Plans Fiduciary Net Positions

Plan fiduciary net position is a significant component of the System's collective net pension liability. The System's plan fiduciary net position was determined using the accrual basis of accounting. The System's assets, liabilities, revenues and expenses were recorded with the use of estimates and assumptions in conformity with accounting principles generally accepted in the United States of America. Such estimates primarily related to unsettled transactions and events as of the date of the financial statements and estimates over the determination of the fair market value of the System's investments. Accordingly, actual results may differ from estimated mounts. The Plan's fiduciary net position has been determined on the same basis as that used by the plan. Detailed information about the fiduciary net position is available in a stand-alone audit report on their financial statements for the year ended June 30, 3016. Access to these reports can be found on the Louisiana Legislative Auditor's website, www.la.gov.

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STATE OF LOUISIANA FIREFIGHTERS' RETIREMENT SYSTEM

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

PLAN DESCRIPTION

The Firefighters' Retirement System is the administrator of a cost-sharing multiple-employer plan. Membership in the System is a condition of employment for any full-time firefighters who earn at least \$375 per month and are employed by any municipality, parish, or fire protection district of the State of Louisiana in addition to employees of the Firefighters' Retirement System. The System provides retirement benefits for their members. The projections of benefit payments in the calculation of the total pension liability includes all benefits to be provided to current active and inactive employees through the System in accordance with benefit terms and any additional legal agreements to provide benefits that are in force at the measurement date. The following is a description of the plan and its benefits and is provided for general information purposes only. Participants should refer to the appropriate statutes for more complete information.

Retirement Benefits

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

Any person who becomes an employee as defined in RS 11:2252 on and after January 1, 1980 shall become a member as a condition of employment. No person who has attained age fifty or over shall become a member of the System, unless the person becomes a member by reason of a merger or unless the System received an application for membership before the applicant attained the age of fifty. No person who has not attained the age of eighteen years shall become a member of the System. Any person who has retired from service under any retirement system or pension fund maintained basically for public officers and employees of the state, its agencies or political subdivisions, and who is receiving retirement benefits therefrom may become a member of this System, provided the person meets all other requirements for membership. Service credit from the retirement system or pension plan from which the member is retired shall not be used for reciprocal recognition of service with this System, or for any other purpose in order to attain eligibility or increase the amount of service credit in this System.

Deferred Retirement Option Plan

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

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The monthly retirement benefit that would have been payable is paid into the deferred retirement option plan account. Upon termination of employment, a participant in the program shall receive, at his option, a lump-sum payment from the account or an annuity based on the deferred retirement option plan account balance in addition to his regular monthly benefit. If employment is not terminated at the end of the 36 months, the participant resumes regular contributions to the System. No payments may be made from the deferred retirement option plan account until the participant retires.

Initial Benefit Option Plan

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

CONTRIBUTIONS

Employer contributions are actuarially determined each year. For the year ended June 30, 2016, employer and employee contributions for members above the poverty line were 27.25% and 10.0%, respectively. The employer and employee contribution rates for those members below the poverty line were 29.25% and 8.0%, respectively. The Town's contributions to the System for the years ended December 31, 2016, 2015, and 2014 were \$117,597, \$112,947, and \$105,994, respectively.

Non-employer contributions

The System also receives insurance premium tax monies as additional employer contributions. The tax is considered support from a non-contributing entity and appropriated by the legislature each year based on an actuarial study. Non-employer contributions are recognized as revenue during the year ended December 31, 2016 and were excluded from pension expense. Non-employer contributions received by the System and attributable to the Town during the year ended December 31, 2016 were \$45,825.

PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS

At December 31, 2016, the Town reported a liability of \$1,207,385 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on the historical combined (employer and employee) contributions. The required combined historical contributions are the basis used to determine the proportionate relationship of each employer to all employers of the System. The employer's proportion was determined on a basis that is consistent with the manner in which contributions to the pension plan are determined. The allocation percentages were used in calculating each employer's proportionate share of the pension amounts.

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The allocation method used in determining each employer's proportion was based on the combined contributions to the System during the year ended June 30, 2016 as compared to the total of all combined contributions to the System during the fiscal year ended June 30, 2016. At June 30, 2016, the Town's proportion was .184590%, which was an increase of .00407% from its proportion measured as of June 30, 2015.

For the year ended December 31, 2016, the Town recognized pension expense of \$191,488, plus employer's amortization of change in proportionate share and the difference between employer contributions and proportionate share of contributions, \$(10,326).

At December 31, 2016, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$	\$ 47,793
Changes of assumptions	10,405	336
Net difference between projected and actual earnings on pension plan investments	290,175	
Changes in proportion and differences between employer contributions and proportionate share of contributions	66,539	92,295
Employer contributions subsequent to the measurement Date	59,378	
Total	<u>\$ 426,497</u>	<u>\$ 140,424</u>

The Town reported a total of \$59,378 as deferred outflow of resources related to pension contributions made subsequent to the measurement period of June 30, 2016, which will be recognized as a reduction in net pension liability in the year ended December 31, 2017.

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

Year	Amount
2017	\$ 55,302
2018	55,302
2019	73,528
2020	33,145
2021	8,263
2022	1,155
Total	<u>\$ 226,695</u>

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ACTUARIAL METHODS AND ASSUMPTIONS

The net pension liability was measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service, less the amount of the pension plan's fiduciary net position. The actuarial assumptions used in the June 30, 2016 valuation were based on the assumptions used in the June 30, 2016 actuarial funding valuation, and were based on results of an actuarial experience study for the period July 1, 2009 - June 30, 2014. In cases where benefit structures were changed after the study period, assumptions were based on estimates of future experience. A summary of the actuarial methods and assumptions used in determining the total pension liability as of June 30, 2016 are as follows:

Valuation Date	June 30, 2016
Actuarial Cost Method	Entry Age Normal Cost
Estimated Remaining Service Life	7 years
Investment Rate of Return	7.5% per annum
Inflation Rate	2.875% per annum
Salary increases	Vary from 15.0% in the first two years of service to 4.75% after 25 years
Cost of Living Adjustments	Only those previously granted

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

The estimated long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The long term expected nominal rate of return was 8.34% as of June 30, 2016. Best estimates of real rates of return for each major asset class included in System's target asset allocation as of June 30, 2016 are summarized in the following table:

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(Continued)

<u>Asset Class</u>	<u>Long-Term Target Asset Allocation</u>	<u>Rates of Return</u>	
		<u>Real</u>	<u>Nominal</u>
Fixed income	24%	1.85%	
Equity	58%	6.77%	
Alternatives	8%	6.67%	
Other	10%	4.30%	
Totals	<u>100%</u>		5.34%
Inflation			<u>3.00%</u>
Expected Arithmetic Nominal Return			<u>8.34%</u>

The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made at the actuarially determined rates approved by PRSAC taking into consideration the recommendation of the System's actuary. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

SENSITIVITY TO CHANGES IN DISCOUNT RATE

The following presents the net pension liability of the participating employers calculated using the discount rate of 7.5%, as well as what the employers' net pension liability would be if it were calculated using a discount rate that is one percentage point lower 6.5% or one percentage point higher 8.5% than the current rate as of June 30, 2016.

	<u>Changes in Discount Rate</u>		
	1% Decrease <u>6.5%</u>	Current Discount Rate <u>7.50%</u>	1% Increase <u>8.50%</u>
Net Pension Liability	\$ 1,644,965	\$1,207,385	\$ 839,389

CHANGE IN NET PENSION LIABILITY

The changes in the net pension liability for the year ended June 30, 2016 were recognized in the current reporting period as pension expense except as follows:

Differences between Expected and Actual Experience:

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

(Continued)

Town of Haughton
Haughton, Louisiana
Notes to Financial Statements
December 31, 2016
(Continued)

Differences between Projected and Actual Investment Earnings:

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

Changes of Assumptions:

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

Change in Proportion:

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

CONTRIBUTIONS - PROPORTIONATE SHARE

Differences between contributions remitted to the System and the employer's proportionate share are recognized in pension expense using the straight-line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with a pension through the pension plan. The resulting deferred inflow/outflow and amortization is not reflected in the schedule of employer amounts due to differences that could arise between contributions reported by the System and contributions reported by the participating employer.

PLAN FIDUCIARY NET POSITION

Plan fiduciary net position is a significant component of the System's collective net pension liability. The System's plan fiduciary net position was determined using the accrual basis of accounting. The System's assets, liabilities, revenues and expenses were recorded with the use of estimates and assumptions in conformity with accounting principles generally accepted in the United States of America. Such estimates primarily related to unsettled transactions and events as of the date of the financial statements and estimates over the determination of the fair market value of the System's investments. Accordingly, actual results may differ from estimated amounts. The Plan's fiduciary net position has been determined on the same basis as that used by the plan. Detailed information about the fiduciary net position is available in a stand-alone audit report on their financial statements for the year ended June 30, 2016. Access to these reports can be found on the Louisiana Legislative Auditor's website, www.lila.la.gov.

RETIREMENT SYSTEM AUDIT REPORT

Firefighters' Retirement System issued a stand-alone audit report on its financial statements for the year ended June 30, 2016. Access to the audit report can be found on the System's website: www.lafirefightersret.com or on the Office of Louisiana Legislative Auditor's official website: www.lila.la.gov.

(Continued)

Town of Haughton
Haughton, Louisiana
Notes to Financial Statements
December 31, 2016
(Continued)

(16) On-behalf Payments

The Town received a total of \$65,500 in police supplemental pay and a total of \$56,750 in firemen supplemental pay from the State of Louisiana. The Town recognizes this supplemental pay received by the employees as revenues and expenditures of the Town. The revenue is reported in the General Fund under intergovernmental revenues and the expenditure is reported as public safety expenditures.

(17) Subsequent events

In January 2017, the Town issued \$3,300,000 of Sales Tax Bonds, Series 2016, for the purpose of constructing and acquiring improvements, extensions and replacements to the Town's sewerage collection and disposal system, including equipment, fixtures and appurtenances therefor. The Town has subsequently signed construction and architectural contracts related to the sewerage project totaling approximately \$3,218,000, none of which had been incurred as of December 31, 2016.

Subsequent events have been evaluated through June 28, 2017, the date the financial statements were available to be issued.

(18) Contingency

The Town is a defendant in two lawsuits. At this time, the outcome of both lawsuits is unknown. Management believes that the ultimate resolution of the lawsuits will not have a significant effect on the agency's financial position or results of operations.

Town of Haughton
Haughton, Louisiana
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final	(Budgetary Basis)	Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 256,000	\$ 98,000	\$ 104,635	\$ 6,635
Franchise taxes	155,000	125,000	137,929	12,929
Sales taxes	1,253,000	1,206,000	1,212,350	6,350
Licenses and permits	346,500	271,500	194,980	(76,520)
Grant revenue	675,000	30,000	218,502	188,502
Intergovernmental	288,000	274,000	118,857	(155,143)
Interest		2,000	2,685	685
Fines and forfeits	155,000	135,000	136,241	1,241
Other	57,800	98,750	65,249	(33,501)
Total revenues	<u>3,186,300</u>	<u>2,240,250</u>	<u>2,191,428</u>	<u>(48,822)</u>
Expenditures:				
Current:				
General government	950,200	754,000	524,145	229,855
Public safety	1,778,350	1,769,300	1,879,590	(110,290)
Street and drainage	93,000	144,350	123,183	21,167
Capital outlay	110,000	548,500	968,754	(420,254)
Total expenditures	<u>2,931,550</u>	<u>3,216,150</u>	<u>3,495,672</u>	<u>(279,522)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>254,750</u>	<u>(975,900)</u>	<u>(1,304,244)</u>	<u>(328,344)</u>
Other financing sources (uses):				
Transfers in	70,000	185,000	184,673	(327)
Transfers out	(180,000)			
Total other financing sources (uses)	<u>(110,000)</u>	<u>185,000</u>	<u>184,673</u>	<u>(327)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>144,750</u>	<u>(790,900)</u>	<u>(1,119,571)</u>	<u>(328,671)</u>
Fund balances at beginning of year	<u>3,132,501</u>	<u>3,132,501</u>	<u>2,722,776</u>	<u>(409,725)</u>
Fund balances at end of year	<u>\$ 3,277,251</u>	<u>\$ 2,341,601</u>	<u>\$ 1,603,205</u>	<u>\$ (738,396)</u>

Town of Haughton
Haughton, Louisiana
Notes to Required Supplementary Information
December 31, 2016

The Town's budget is adopted on a cash basis for all funds. There was one amendment to the 2016 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)	\$(1,119,571)
Adjustments:	
Revenue accruals – net	(116,580)
Expenditure accruals – net	<u>131,700</u>
Excess of revenues and other sources over expenditures and other uses (GAAP) basis	<u><u>\$(1,134,691)</u></u>

Town of Haughton
Haughton, Louisiana
Schedule of Proportionate Share of Net Pension Liability
For the Year Ended December 31, 2016

Municipal Employees Retirement System of Louisiana (System)

	2015	2016
Proportion of the net pension liability	0.230660%	0.260360%
Proportionate share of the net pension liability	\$ 823,954	\$ 1,067,128
Covered-employee payroll	\$ 389,691	\$ 465,086
Proportionate share of the net pension liability as a percentage of covered employee payroll	211.44%	229.45%
Plan fiduciary net position as a percentage of the total pension liability	68.71%	62.11%

Municipal Police Employees Retirement System of Louisiana (System)

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

Firefighters Retirement System (System)

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

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

Town of Haughton
Haughton, Louisiana
Schedule of Contributions
For the Year Ended December 31, 2016

Municipal Employees Retirement System of Louisiana (System)

	2015	2016
Contractually required contribution	\$ 83,694	\$ 102,903
Contributions in relation to the contractually required contribution	83,694	102,903
Contribution deficiency (excess)		
Covered-employee payroll	423,765	484,331
Contributions as a percentage of covered-employee payroll	19.75%	21.25%

Municipal Police Employees Retirement System of Louisiana (System)

	2015	2016
Contractually required contribution	\$ 122,490	\$ 124,649
Contributions in relation to the contractually required contribution	122,490	124,649
Contribution deficiency (excess)		
Covered-employee payroll	400,839	403,356
Contributions as a percentage of covered-employee payroll	30.50%	30.90%

Firefighters Retirement System (System)

	2015	2016
Contractually required contribution	\$ 112,947	\$ 117,597
Contributions in relation to the contractually required contribution	112,947	117,597
Contribution deficiency (excess)		
Covered-employee payroll	399,963	449,514
Contributions as a percentage of covered-employee payroll	28.25%	26.25%

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

Town of Haughton
Haughton, Louisiana
Schedule of Compensation Paid to Board Members
For the Year Ended December 31, 2016

Mayor Carlton Anderson	\$ 30,000
Town Council:	
Doris Grappe	6,000
Jack Hicks	6,000
Martha McGee	7,200
Melba Baker	6,000
Elbert Winnfield	<u>6,000</u>
	<u>\$ 61,200</u>

Town of Haughton
Haughton, Louisiana
Schedule of Compensation, Benefits, and Other Payments to Agency Head
For the Year Ended December 31, 2016

Agency Head: Carlton Anderson, Mayor

Purpose	Amount
Salary	\$ 30,000
Benefits-retirement	5,925
Benefits-other	1,326
Per diem	200
Registration fees	250
Conference travel	357

COOK & MOREHART

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CERTIFIED PUBLIC ACCOUNTANTS

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance With *Government Auditing Standards*

Independent Auditor's Report

Town of Haughton
Haughton, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, and each major fund of the Town of Haughton, Louisiana, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Town of Haughton's basic financial statements, and have issued our report thereon dated June 28, 2017.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weakness or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given this limitation, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying Summary Schedule of Year Audit Findings as item 2016-002, that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Haughton's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of current year audit findings as item 2016-001.

Town of Haughton's Response to Finding

Town of Haughton's response to the findings identified in our audit is described in the accompanying schedule of current year audit findings. Town of Haughton's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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


Cook & Morehart
Certified Public Accountants
June 28, 2017

Town of Haughton
Haughton, Louisiana
Summary Schedule of Audit Findings
December 31, 2016

Summary Schedule of Prior Audit Findings

There were no findings for the prior year audit for the year ended December 31, 2015.

Corrective Action Plan for Current Year Audit Findings

There are two findings for the current year audit for the year ended December 31, 2016, as noted below:

2016-001 - Budget

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

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

Cause: The Town did not appropriately amend the budget for the General fund when anticipated expenditures exceeded budgeted amounts by more than five percent. In addition, the Town inadvertently did not publish the advertisement regarding the availability of the budget for public inspection prior to the public hearing to adopt.

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

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

Management's Response: The Town will closely monitor its budget throughout the year and amend the budget when actual plus projected expenditures and other financing uses are expected to exceed budgeted amounts by 5% or more. As required by the Local Government Budget Act, the Town will advertise the availability of the budget for public inspection prior to adoption.

2016-002 – Accounting Records

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

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

(Continued)

Town of Haughton
Haughton, Louisiana
Summary Schedule of Audit Findings
December 31, 2016
(Continued)

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

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

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

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