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TOWN OF HAUGHTON, LOUISIANA
ANNUAL FINANCIAL STATEMENTS
DECEMBER 31, 2004

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Release Date 6-29-05

SP
SMITH PUGH
AND COMPANY, LLP

Certified Public Accountants • Management Consultants • Business Advisors

TOWN OF HAUGHTON, LOUISIANA

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INDEPENDENT AUDITOR'S REPORT

The Honorable Billy Maxey, Mayor
and the Members of the Board of Aldermen of
The Town of Haughton, Louisiana

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Haughton, Louisiana, as of and for the year ended December 31, 2004, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Haughton, Louisiana's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Haughton, Louisiana, as of December 31, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As describe in Note 1 to the financial statements, the Town of Haughton, Louisiana adopted the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*; Governmental Accounting Standards Board Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*; Governmental Accounting Standards Board Statement No. 38, *Certain Financial Statement Note Disclosures*; and Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*, in 2004.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 10, 2005, 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, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information listed as Required Supplemental Information in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Town of Haughton, Louisiana's basic financial statements. The accompanying supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Smith Pugh & Company, LLP

Smith Pugh & Company, LLP
Certified Public Accountants
Shreveport, Louisiana
June 10, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

Town of Haughton

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MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Town of Haughton, Louisiana's (hereafter referred to as "Town") annual financial report presents our discussion and analysis of the Town's financial performance during the fiscal year that ended on December 31, 2004. Please read it in conjunction with the Town's financial statements, which follow this section.

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

FINANCIAL HIGHLIGHTS

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

The Town experienced an increase in its Net Assets by 5.07% (\$302,572) during the fiscal year ended December 31, 2004. As of December 31, 2004, the assets of the Town exceeded its liabilities by \$6,268,116. Of this amount \$3,107,379 (49.57%) is reported as "unrestricted net assets" and represents the amount available to be used to meet the Town's ongoing obligations to the citizens of Haughton, Louisiana. Net Assets of the governmental activities increased by \$498,320 (18.71%), while net assets of the business-type activities decreased \$195,748 (5.93%).

As of close of the fiscal year 2004, the Town's governmental funds reported a combined ending fund balance of \$2,444,277, an increase of \$186,067 (8.24%).

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) 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. The government-wide financial statements include two statements:

- **The statement of net assets** presents all of the Town's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in the Town's net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.
- **The statement of activities** presents information showing how the Town's net assets changed during the most recent year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flow. 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.

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, streets, and maintenance.

Business-type Activities – These functions are normally intended to recover all or 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 has three governmental funds: the General Fund, the Debt Service Fund, and the Capital Project Fund. The General Fund and the Debt Service Fund are considered major funds for presentation purposes. That is, each major fund is presented in a separate column in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances.

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

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

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

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

Notes to the Financial Statements

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

Required Supplementary Information

The basic financial statements are followed by a section of required supplementary information. This section includes budgetary comparison schedules for the General Fund, and the Debt Service Fund, as presented in the governmental fund financial statements. Annual budgets are prepared in accordance with the Generally Accepted Accounting Principles (GAAP).

FINANCIAL ANALYSIS OF GOVERNMENT-WIDE ACTIVITIES

Net Assets

Net assets may serve over time as a useful indicator of the Town's financial position. The Town's combined net assets (governmental and business-type activities) totaled \$6,268,116 at the end of fiscal year 2004.

FINANCIAL ANALYSIS OF GOVERNMENT-WIDE ACTIVITIES (Continued)

Net Assets (Continued)

\$2,911,470 (46.45%) of the Town's combined net assets consist 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. 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 net assets \$249,267 (3.98%) is restricted by loan covenants for repayment of principal and interest on long-term debt.

The other portion of the Town's net assets, \$3,107,379 (49.57%) 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. \$2, 876,832 (92.58%) of the unrestricted net assets of the Town consists of cash, demand deposits, and certificates of deposit.

	Governmental Activities	Business-type Activities	Total
Current and Other Assets	\$ 2,455,299	\$ 1,009,944	\$ 3,465,243
Capital Assets	966,758	2,359,024	3,325,782
Total Assets	3,422,057	3,368,968	6,791,025
Current Liabilities	33,929	60,891	94,820
Long-term Liabilities Outstanding	227,000	201,089	428,089
Total Liabilities	260,929	261,980	522,909
Invested in Capital Assets - Net of Related Debt	713,758	2,197,712	2,911,470
Restricted	249,267	-	249,267
Unrestricted	2,198,103	909,276	3,107,379
Total Net Assets	\$ 3,161,128	\$ 3,106,988	\$ 6,268,116

Changes in Net Assets

The Town's net assets increased by \$302,572 (5.07%) during the year ended December 31, 2004.

Approximately 39.42% (\$811,135) of the Town's total revenues was derived through charges for services while approximately 37.88% (\$779,288) was derived from general revenues including taxes and interest. The Town received \$467,061 (22.70%) of its total revenues through program grants and contributions.

The largest expenses were for public safety, general government, water and sewer. In fiscal year 2004, governmental activity expenses exceeded program revenues resulting in the use of \$337,435 in general revenues, mostly taxes. Net expenses from business-type activities in fiscal year 2004 exceeded revenues by \$139,281.

FINANCIAL ANALYSIS OF GOVERNMENT-WIDE ACTIVITIES (Continued)

Changes in Net Assets (Continued)

	Governmental Activities	Business-type Activities	Total
Revenues:			
Program revenues:			
Charges for services	\$ 268,106	\$ 543,029	\$ 811,135
Operating grants and contributions	447,061	-	447,061
Capital grants and contributions	20,000	-	20,000
General revenues:			
Taxes	731,578	-	731,578
Interest	13,053	9,027	22,080
Other	17,824	7,806	25,630
Total revenues	<u>1,497,622</u>	<u>559,862</u>	<u>2,057,484</u>
Expenses:			
General government	298,682	-	298,682
Public safety	716,107	-	716,107
Streets and drainage	57,813	-	57,813
Water	-	313,626	313,626
Sewer	-	260,577	260,577
Sanitation	-	108,107	108,107
Total expenses	<u>1,072,602</u>	<u>682,310</u>	<u>1,754,912</u>
Increase (decrease) in net assets before transfers	<u>425,020</u>	<u>(122,448)</u>	<u>302,572</u>
Transfers	73,300	(73,300)	-
Change in net assets	<u>498,320</u>	<u>(195,748)</u>	<u>302,572</u>
Net assets - beginning of year	2,662,808	3,302,736	5,965,544
Net assets - end of year	<u>\$ 3,161,128</u>	<u>\$ 3,106,988</u>	<u>\$ 6,268,116</u>

FINANCIAL ANALYSIS OF THE INDIVIDUAL FUNDS

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

Governmental Funds

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

At the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$2,444,277, an increase of \$186,067 in comparison with the prior year. Approximately 89.80% (\$2,195,010) of this total amount constitutes *unreserved fund balance*, which is available for spending at the government's discretion.

The remainder of fund balance (\$249,267 or 10.20%) is reserved to indicate that it is not available for spending because it has already been committed to pay debt service.

As of the end of the current year, the Town's general fund, its chief operating fund, reported an ending fund balance of \$2,195,010, an increase of \$141,165 (6.87%) compared to the prior year.

FINANCIAL ANALYSIS OF THE INDIVIDUAL FUNDS (Continued)

Proprietary Funds

The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

At the end of the current fiscal year, the Town's proprietary funds reported combined ending net assets of \$3,106,988, a decrease of \$195,748 (5.93%) in comparison with the prior year. The Water Fund had a decrease in net assets of \$83,496 (6.13%), the Sewer Fund had a decrease in net assets of \$131,482 (7.42%), and the Sanitation Fund had an increase in net assets of \$19,230 (11.51%). \$2,197,712 (70.73%) represents investment in capital assets net of accumulated depreciation and related outstanding debt. A total of \$909,276 (29.27%) is unrestricted and is available for spending at the government's discretion.

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 budgets were amended because:

- General government and public safety expenditures were more than originally budgeted.

The actual revenues were \$397,191 above the original budgeted amounts and the actual expenditures were \$103,094 more than the budgeted amounts.

CAPITAL ASSET ADMINISTRATION

The Town's investment in capital assets for its governmental and business-type activities as of December 31, 2004 totaled \$7,244,265, net of accumulated depreciation of \$3,918,483, leaving a book value of \$3,325,782. This investment in capital assets consists of land, buildings, equipment, and water and sewer plant and improvements.

DEBT ADMINISTRATION

At the year-end the Town had \$414,312 in bonds outstanding, a decrease of \$50,196 (12.12%) compared to the prior year as a result of normal amortization of debt.

Debt considered a liability of government activities (general obligation and revenue bonds) decreased \$30,000 while debt considered a liability of the business-type activities (revenue bonds) decrease by \$20,196.

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, 2005 was prepared:

- Revenues are expected to remain consistent with the prior year
- Expenses 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.

BASIC FINANCIAL STATEMENTS

TOWN OF HAUGHTON, LOUISIANA

Statement of Net Assets December 31, 2004

<u>Assets</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Current assets:			
Cash and cash equivalents	\$ 2,064,240	\$ 479,277	\$ 2,543,517
Certificates of deposit	164,320	168,995	333,315
Receivables (net where applicable, of allowances for uncollectibles):			
Taxes	165,425	-	165,425
Accounts	-	71,983	71,983
Accrued interest	931	514	1,445
Prepaid expenses	6,419	3,976	10,395
Due from other funds	53,964	(53,964)	-
Total current assets	<u>2,455,299</u>	<u>670,781</u>	<u>3,126,080</u>
Noncurrent assets:			
Restricted assets:			
Cash and cash equivalents	-	270,179	270,179
Certificates of deposit	-	68,984	68,984
Capital assets (net of accumulated depreciation)	966,758	2,359,024	3,325,782
Total noncurrent assets	<u>966,758</u>	<u>2,698,187</u>	<u>3,664,945</u>
Total assets	<u><u>\$ 3,422,057</u></u>	<u><u>\$ 3,368,968</u></u>	<u><u>\$ 6,791,025</u></u>
Liabilities			
Current liabilities:			
Accounts and other payables	<u>\$ 7,929</u>	<u>\$ 29,831</u>	<u>\$ 37,760</u>
Noncurrent liabilities:			
Payable from restricted assets:			
Current portion of bonds payable	26,000	20,196	46,196
Interest payable	-	10,864	10,864
Deposits	-	59,973	59,973
General obligation bonds payable	5,000	-	5,000
Revenue bonds payable	222,000	141,116	363,116
Total noncurrent liabilities	<u>253,000</u>	<u>232,149</u>	<u>485,149</u>
Total liabilities	<u>260,929</u>	<u>261,980</u>	<u>522,909</u>
Net Assets			
Invested in capital assets, net of related debt	713,758	2,197,712	2,911,470
Restricted for debt service	249,267	-	249,267
Unrestricted	2,198,103	909,276	3,107,379
Total net assets	<u><u>\$ 3,161,128</u></u>	<u><u>\$ 3,106,988</u></u>	<u><u>\$ 6,268,116</u></u>

The notes to the financial statements are an integral part of this statement.
See the accompanying independent auditor's report.

TOWN OF HAUGHTON, LOUISIANA

Statement of Activities
For the Year Ended December 31, 2004

Functions	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary Government:						
Governmental Activities:						
General government	\$ 298,682	\$ 134,752	\$ 414,935	\$ -	\$ -	\$ 251,005
Public safety	716,107	133,354	32,126	-	-	(550,627)
Streets and drainage	57,813	-	-	20,000	-	(37,813)
Total governmental activities	1,072,602	268,106	447,061	20,000	-	(337,435)
Business-type Activities:						
Water	313,626	255,058	-	-	(58,568)	(58,568)
Sewer	260,577	163,040	-	-	(97,537)	(97,537)
Sanitation	108,107	124,931	-	-	16,824	16,824
Total business-type activities	682,310	543,029	-	-	(139,281)	(139,281)
Total Primary Government	\$ 1,754,912	\$ 811,135	\$ 447,061	\$ 20,000	(139,281)	(476,716)
General Revenues:						
Taxes -						
Property taxes				89,471	-	89,471
Franchise taxes				62,032	-	62,032
Other taxes				580,076	-	580,076
Interest and investment earnings				13,052	9,027	22,079
Miscellaneous				17,824	7,806	25,630
Transfers				73,300	(73,300)	-
Total general revenues and transfers				835,755	(56,467)	779,288
Change in net assets				498,320	(195,748)	302,572
Net assets - beginning of year				2,662,808	3,302,736	5,965,544
Net assets - end of year				\$ 3,161,128	\$ 3,106,988	\$ 6,268,116

The notes to the financial statements are an integral part of this statement.
See the accompanying independent auditor's report.

TOWN OF HAUGHTON, LOUISIANA

Balance Sheet – Government Funds December 31, 2004

	Major Funds		Non-major Fund	
	General Fund	Debt Service	Capital Projects	Total
<u>Assets</u>				
Cash and cash equivalents	\$ 1,949,455	\$ 114,784	\$ 1	\$ 2,064,240
Certificates of deposit	164,320	-		164,320
Receivables (net where applicable, of allowances for uncollectibles):				
Taxes	149,843	15,582	-	165,425
Accrued interest	931	-	-	931
Prepaid expenses	6,419	-	-	6,419
Interfund receivables	63,903	122,026	-	185,929
Total assets	<u>\$ 2,334,871</u>	<u>\$ 252,392</u>	<u>\$ 1</u>	<u>\$ 2,587,264</u>
<u>Liabilities</u>				
Accounts and other payables	\$ 7,929	\$ -	\$ -	\$ 7,929
Deferred property taxes	-	3,093	-	3,093
Interfund payables	131,932	32	1	131,965
Total liabilities	<u>139,861</u>	<u>3,125</u>	<u>1</u>	<u>142,987</u>
<u>Fund Balances</u>				
Fund balances:				
Reserved for debt service	-	249,267	-	249,267
Unreserved	2,195,010	-	-	2,195,010
Total fund balances	<u>2,195,010</u>	<u>249,267</u>	<u>-</u>	<u>2,444,277</u>
Total liabilities and fund balances	<u>\$ 2,334,871</u>	<u>\$ 252,392</u>	<u>\$ 1</u>	<u>\$ 2,587,264</u>

The notes to the financial statements are an integral part of this statement.
See the accompanying independent auditor's report.

TOWN OF HAUGHTON, LOUISIANA

Reconciliation of Fund Balances on the Balance Sheet for
Governmental Funds to Net Assets of Governmental
Activities on the Statement of Net Assets
December 31, 2004

Fund balances - total governmental funds		\$ 2,444,277
Amounts reported for governmental activities in the statement of activities are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds:		
Add - capital assets	\$ 2,347,521	
Deduct - accumulated depreciation	<u>(1,380,763)</u>	
		966,758
Some of the Town's revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds		
		3,093
Some liabilities are not due and payable in the current period and therefore are not reported in the governmental funds. Those liabilities consist of:		
General obligation bonds payable	(5,000)	
Revenue bonds payable	<u>(248,000)</u>	
		<u>(253,000)</u>
Net assets of governmental activities		<u><u>\$ 3,161,128</u></u>

The notes to the financial statements are an integral part of this statement.
See the accompanying independent auditor's report.

TOWN OF HAUGHTON, LOUISIANA

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds For the Year Ended December 31, 2004

	Major Funds		Non-major Fund	
	General Fund	Debt Service	Capital Projects	Total
Revenues:				
Property taxes	\$ 31,074	\$ 55,304	\$ -	\$ 86,378
Franchise taxes	62,032	-	-	62,032
Other taxes	580,076	-	-	580,076
Licenses and permits	134,752	-	-	134,752
Grant revenue	52,126	-	-	52,126
Intergovernmental	414,935	-	-	414,935
Interest	12,576	476	-	13,052
Fines and forfeits	133,354	-	-	133,354
Other	17,824	-	-	17,824
Total revenues	<u>1,438,749</u>	<u>55,780</u>	<u>-</u>	<u>1,494,529</u>
Expenditures:				
Current:				
General government	271,277	-	-	271,277
Public safety	626,319	-	-	626,319
Streets and drainage	28,580	-	-	28,580
Capital outlay	407,818	-	-	407,818
Debt service:				
Principal retirement	-	30,000	-	30,000
Interest	-	16,418	-	16,418
Fiscal charges	-	1,350	-	1,350
Total expenditures	<u>1,333,994</u>	<u>47,768</u>	<u>-</u>	<u>1,381,762</u>
Excess of revenues over expenditures	<u>104,755</u>	<u>8,012</u>	<u>-</u>	<u>112,767</u>
Other financing sources (uses):				
Transfers in	73,300	36,890	-	110,190
Transfers out	(36,890)	-	-	(36,890)
Total other financing sources (uses)	<u>36,410</u>	<u>36,890</u>	<u>-</u>	<u>73,300</u>
Net change in fund balances	<u>141,165</u>	<u>44,902</u>	<u>-</u>	<u>186,067</u>
Fund balances at beginning of year	2,053,845	204,365	-	2,258,210
Fund balances at end of year	<u><u>\$ 2,195,010</u></u>	<u><u>\$ 249,267</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,444,277</u></u>

The notes to the financial statements are an integral part of this statement.
See the accompanying independent auditor's report.

TOWN OF HAUGHTON, LOUISIANA

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of the Governmental Funds to the Governmental Activities in the Statement of Activities December 31, 2004

Net change in fund balances - total governmental funds	\$ 186,067
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$407,818) exceeds depreciation expense (\$128,658) in the current period.	279,160
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	3,093
Bond principal retirements are a use of current financial resources (expenditure) to governmental funds but the repayment reduces long-term liabilities in the statement of net assets.	<u>30,000</u>
Change in net assets of governmental activities- statement of activities	<u>\$ 498,320</u>

The notes to the financial statements are an integral part of this statement.
See the accompanying independent auditor's report.

TOWN OF HAUGHTON, LOUISIANA

Statement of Net Assets Proprietary Funds December 31, 2004

	Business-type Activities - Enterprise Funds			
	Water Fund	Sewer Fund	Sanitation Fund	Total
<u>Assets</u>				
Current assets:				
Cash and cash equivalents	\$ 439,551	\$ 475	\$ 39,251	\$ 479,277
Certificates of deposit	154,174	-	14,821	168,995
Receivables (net, where applicable, of allowances for uncollectibles):				
Accounts	29,947	25,166	16,870	71,983
Accrued interest	313	-	201	514
Prepaid expenses	1,988	-	1,988	3,976
Due from other funds	1,198	1,735	133,566	136,499
Total current assets	<u>627,171</u>	<u>27,376</u>	<u>206,697</u>	<u>861,244</u>
Noncurrent assets:				
Restricted assets:				
Cash and cash equivalents	60,205	209,974	-	270,179
Certificates of deposit	58,984	-	10,000	68,984
Property, plant and equipment (net of accumulated depreciation)	793,326	1,565,698	-	2,359,024
Total noncurrent assets	<u>912,515</u>	<u>1,775,672</u>	<u>10,000</u>	<u>2,698,187</u>
Total assets	<u>\$ 1,539,686</u>	<u>\$ 1,803,048</u>	<u>\$ 216,697</u>	<u>\$ 3,559,431</u>
<u>Liabilities and Fund Equity</u>				
Current liabilities:				
Accounts payable	\$ 3,739	\$ 2,230	\$ 18,713	\$ 24,682
Bank overdraft	-	5,149	-	5,149
Due to other funds	34,229	154,501	1,733	190,463
Total current liabilities	<u>37,968</u>	<u>161,880</u>	<u>20,446</u>	<u>220,294</u>
Noncurrent liabilities:				
Payable from restricted assets:				
Current portion of bonds payable	20,196	-	-	20,196
Interest payable	10,864	-	-	10,864
Deposits	49,973	-	10,000	59,973
Revenue bonds payable	141,116	-	-	141,116
Total noncurrent liabilities	<u>222,149</u>	<u>-</u>	<u>10,000</u>	<u>232,149</u>
Total liabilities	<u>260,117</u>	<u>161,880</u>	<u>30,446</u>	<u>452,443</u>
<u>Net Assets</u>				
Invested in capital assets, net of related debt	632,014	1,565,698	-	2,197,712
Unrestricted	647,555	75,470	186,251	909,276
Total net assets	<u>\$ 1,279,569</u>	<u>\$ 1,641,168</u>	<u>\$ 186,251</u>	<u>\$ 3,106,988</u>

The notes to the financial statements are an integral part of this statement.
See the accompanying independent auditor's report.

TOWN OF HAUGHTON, LOUISIANA

Statement of Revenues, Expenses and
Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2004

	Business-type Activities - Enterprise Funds			
	Water Fund	Sewer Fund	Sanitation Fund	Total
Operating revenues:				
Charges for service	\$ 255,058	\$ 163,040	\$ 124,931	\$ 543,029
Other	6,693	813	300	7,806
Total operating revenues	261,751	163,853	125,231	550,835
Operating expenses:				
Personal services	97,699	97,699	-	195,398
Contractual services	10,051	17,214	108,101	135,366
Supplies and materials	29,877	21,676	-	51,553
Utilities	20,049	7,446	-	27,495
Insurance	19,112	21,100	-	40,212
Repairs and maintenance	38,862	13,136	-	51,998
Depreciation	83,617	80,263	-	163,880
Other	2,620	2,043	6	4,669
Total operating expenses	301,887	260,577	108,107	670,571
Operating income (loss)	(40,136)	(96,724)	17,124	(119,736)
Non-operating revenues (expenses):				
Interest income	5,029	1,892	2,106	9,027
Interest expense	(11,739)	-	-	(11,739)
Total non-operating revenues (expenses)	(6,710)	1,892	2,106	(2,712)
Income (loss) before other financing sources (uses)	(46,846)	(94,832)	19,230	(122,448)
Other financing sources (uses):				
Transfers out	(36,650)	(36,650)	-	(73,300)
Total other financing sources (uses)	(36,650)	(36,650)	-	(73,300)
Change in net assets	(83,496)	(131,482)	19,230	(195,748)
Total net assets - beginning	1,363,065	1,772,650	167,021	3,302,736
Total net assets - ending	<u>\$ 1,279,569</u>	<u>\$ 1,641,168</u>	<u>\$ 186,251</u>	<u>\$ 3,106,988</u>

The notes to the financial statements are an integral part of this statement.
See the accompanying independent auditor's report.

TOWN OF HAUGHTON, LOUISIANA

Statement of Cash Flows Proprietary Funds December 31, 2004

	Business-type Activities - Enterprise Funds			
	Water Fund	Sewer Fund	Sanitation Fund	Total
Cash Flows from Operating Activities:				
Receipts from customers and users	\$ 260,972	\$ 161,490	\$ 123,537	\$ 545,999
Payments to suppliers	(143,438)	(55,766)	(97,920)	(297,124)
Payments to employees	(82,000)	(82,000)	-	(164,000)
Net Cash Provided by Operating Activities	<u>35,534</u>	<u>23,724</u>	<u>25,617</u>	<u>84,875</u>
Cash Flows from Noncapital Financing Activities:				
Advances to general fund	-	-	(131,902)	-
Transfers to other funds	(36,650)	(36,650)	-	(73,300)
Net Cash Used by Noncapital Financing Activities	<u>(36,650)</u>	<u>(36,650)</u>	<u>(131,902)</u>	<u>(73,300)</u>
Cash Flows from Capital and Related Financing Activities:				
Acquisition and construction of capital assets	(19,865)	(154,086)	-	(173,951)
Principal paid on capital debt	(20,196)	-	-	(20,196)
Interest paid on capital debt	(11,739)	-	-	(11,739)
Net Cash Provided by Capital and Related Financing Activities	<u>(51,800)</u>	<u>(154,086)</u>	<u>-</u>	<u>(205,886)</u>
Cash Flows from Investing Activities:				
Interest received	5,029	1,892	2,106	9,027
Proceeds from sale and maturity of investments	212,745	-	24,333	237,078
Purchase of investments	(213,159)	-	(24,821)	(237,980)
Net Cash Provided by Investing Activities	<u>4,615</u>	<u>1,892</u>	<u>1,618</u>	<u>8,125</u>
Net Increase in Cash and Cash Equivalents	(48,301)	(165,120)	(104,667)	(318,088)
Cash and Cash Equivalents, Beginning of Year	548,057	370,420	143,918	1,062,395
Cash and Cash Equivalents, End of Year	<u>\$ 499,756</u>	<u>\$ 205,300</u>	<u>\$ 39,251</u>	<u>\$ 744,307</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:				
Operating income (loss)	(40,136)	(96,724)	17,124	(119,736)
Adjustments to reconcile operating loss to net cash provided by operating activities:				-
Depreciation Expense	83,617	80,263	-	163,880
(Increase) decrease in accounts receivable	(779)	(2,363)	(1,694)	(4,836)
(Increase) decrease in prepaid expenses	1,664	3,652	-	5,316
Increase (decrease) in accounts payable	(422)	38,896	10,187	48,661
Increase (decrease) in customers' deposits	(8,410)	-	-	(8,410)
Total adjustments	<u>75,670</u>	<u>120,448</u>	<u>8,493</u>	<u>204,611</u>
Net Cash Provided by Operating Activities	<u>\$ 35,534</u>	<u>\$ 23,724</u>	<u>\$ 25,617</u>	<u>\$ 84,875</u>
Noncash Investing, Capital, and Financing Activities:	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The notes to the financial statements are an integral part of this statement.
See the accompanying independent auditor's report.

TOWN OF HAUGHTON, LOUISIANA

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

Introduction:

The Town of Haughton, Louisiana (Town), was incorporated April 29, 1920, under the provisions of the Lawrason Act. The Town operates under the Mayor-Board of Aldermen form of government.

The Town of Haughton, Louisiana, complies with Generally Accepted Accounting Principles (GAAP). The Town's reporting entity applies all relevant Government Accounting Standards Board (GASB) pronouncements. Proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. GAAP as applicable to governments also conforms to the requirements of Louisiana R.S. 24:517 and to the guides set forth in the *Louisiana Municipal Audit and Accounting Guide* and to the industry guide, *Audits of State and Local Government Units*, published by the American Institute of Certified Public Accountants.

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

1. Summary of Significant Accounting Policies:

The following is a summary of certain significant accounting policies:

- A. Reporting Entity – In evaluating the Town as a reporting entity, management has addressed all potential component units (traditionally separate reporting entities) for which the Town may be financially accountable and, such should be included within the Town's financial statements. The Town (primary government) is financially accountable if it appoints a voting majority or the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial burden on the Town. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. There were no entities that were determined to be component units of the Town of Haughton, Louisiana.
- B. Basis of Presentation – The accompanying basic financial statements of the Town have been prepared in conformity with governmental accounting principles generally accepted in the United States of America. The Town implemented GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Government*; GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*; GASB Statement No. 38, *Certain Financial Statement Note Disclosures*; and Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*, in 2004.

Implementation of these standards required a change in the reporting format, additional footnote disclosures, and the inclusion of management's discussion and analysis as supplementary information. Implementation of these standards had no impact on the opening fund balances of the Town of Haughton.

TOWN OF HAUGHTON, LOUISIANA

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

1. Summary of Significant Accounting Policies (Continued):

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

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

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

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

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

General Fund – The General Fund is the general operating fund of the Town. All financial resources, except those required to be accounted for in another fund, are accounted for in the General Fund.

Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt including principal, interest, and related costs.

Capital Projects Fund – The Capital Projects Fund is used to account for all financial resources to be used for the acquisition or construction of major capital facilities other than those financed by Proprietary Funds.

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

Enterprise Funds – Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that costs (expenses, including depreciation) of providing goods or services to the general public

TOWN OF HAUGHTON, LOUISIANA

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

1. Summary of Significant Accounting Policies (Continued):

C. Fund Accounting (Continued)

on a continuing basis are financed through user charges or (b) where the governing body has decided that the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Town's enterprise funds are:

- *Water Fund* - Accounts for the provision of water services to the residents of the Town. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and related debt service, and billing and collection.
- *Sewer Fund* - Accounts for the provision of sewerage services to the residents of the Town. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and related debt service, and billing and collection.
- *Sanitation Fund* - Accounts for the provision of sanitation services to the residents of the Town. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and related debt service, and billing and collection.

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

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

Governmental Fund Financial Statements – The amounts reflected in the Governmental Fund Financial Statements are accounted for using the "current financial resources" measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach is then reconciled, through adjustment, to a government-wide view of the Town's operations.

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

Those revenues susceptible to accrual are sales taxes, property taxes, franchise taxes, interest revenue and charges for services. Fines, permits, and license revenues are not susceptible to accrual because generally they are not measurable until received in cash. Expenditures are generally recognized under the modified

TOWN OF HAUGHTON, LOUISIANA

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

1. Summary of Significant Accounting Policies (Continued):

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

accrual basis when a liability is incurred. Salaries and related benefits are recorded when employee services are provided to the Town. Capital outlays are reported at the time purchased. Modifications to the accrual basis of accounting include:

General obligation and revenue bond principal payments are recorded as expenditure when paid. The amount of general obligation bonds outstanding at December 31, 2004 has been reported only in the government-wide financial statements.

Purchases of capital assets in the governmental funds are recorded as expenditures when purchased. Governmental fund capital assets are reported at cost, net of accumulated depreciation, only in the government-wide financial statements.

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

The amounts reflected in the Proprietary Fund Financial Statements use the accrual basis of accounting. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. Revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Proprietary fund equity is classified as net assets.

Government-wide Financial Statements (GWFS)

The Statement of Net Assets and the Statement of Activities include all the financial activities of the Town. Information contained in these statements reflects the “economic resources” measurement focus and the accrual basis of accounting. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange or exchange-like transactions are recognized when the exchange occurs (regardless of when cash is received or disbursed). Revenues, expenses, gains, losses, assets and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions*. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues included in the Statement of Activities are (1) derived directly from charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function, (2) operating grants and contributions, and (3) capital grants and contributions. Program revenues reduce the cost of the function to be financed from the Town’s general revenues. Taxes and other items not properly included in program revenues are reported instead as general revenues.

TOWN OF HAUGHTON, LOUISIANA

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

1. Summary of Significant Accounting Policies (Continued):

E. Estimates

The preparation of financial statements generally requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

F. Budgets 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 the 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 at least ten days after publication of the call for the hearing.
4. After the holding of the public hearing and completion of all action necessary to finalize and implement the budget, the budget is adopted through passage of an ordinance prior to the commencement of the fiscal year for which the budget is being adopted.
5. The budget ordinance is structured such that revenues are budgeted by source and appropriations are budgeted by department and by principal object of expenditure. The Board of Aldermen may revise or amend the budget at its discretion during legally convened sessions. Management may amend the budget only below the department level.
6. The Town utilizes formal budgetary integration as a management control device for all funds.

The budget was amended during the year ended December 31, 2004.

G. Cash, Cash Equivalents, and Investments – Cash and cash equivalents include cash on hand and amounts in demand deposits and short term, highly liquidated investments with original maturities of 90 days or less when purchased.

The Town's investments comply with Louisiana Statutes (LSA R.S. 33:2955). Under state law, the Town may deposit funds with a fiscal agent organized under the laws of Louisiana, the laws of any other state in the union, or the laws of the United States. The Town may invest in United States bonds, treasury notes and bills, government backed agency securities, or certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana. In addition, local Louisiana governments are authorized to invest in the Louisiana Asset Management Pool (LAMP). A nonprofit corporation formed by the State Treasurer and organized under the laws of the State of Louisiana, which operates a local government investment pool.

H. Inventories – Inventory of supplies in the Proprietary Fund are not material and are charged to operations as purchased.

TOWN OF HAUGHTON, LOUISIANA

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

1. Summary of Significant Accounting Policies (Continued):

- I. Bad Debts – Uncollectible amounts due for the customers' utility and ad valorem taxes receivables 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. Provision for uncollectible utility receivables has been deemed necessary. The allowance for uncollectible ad valorem taxes was \$720 at December 31, 2004 and 2003.
- J. Capital Assets – Capital assets which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, lighting, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are capitalized at historical costs. Donated assets are recorded at their estimated fair value at the date of donation.

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

In accordance with GASB Statement No. 34, because of the costs involved in retroactively capitalizing infrastructure, the Town has elected an exception for local governments with annual revenues of less than \$10 million and will prospectively capitalize infrastructure from the date of implementation of GASB Statement No. 34 forward and will not retroactively capitalize infrastructure. The Town does not capitalize historical treasures or works of art.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the statement of net assets. All capital assets, other than the land, are depreciated using the straight-line method over the following useful lives:

Description	Estimated Lives
Buildings	20-40 years
Equipment	5-15 years
Water, sewer, and drainage system	15-40 years
Roads	20-50 years
Land improvements	20 years
Building improvements	10-30 years

- K. Restricted Assets – The Debt Service and Enterprise Funds, because of certain bond covenants, are required to establish and maintain prescribed amounts of resources (consisting of cash and temporary investments) that can be used only to service outstanding debt. The Enterprise Funds also restrict customer and vendor deposits.
- L. Compensated Absences – No liability is recorded for nonvesting accumulating rights to receive vacation or sick pay benefits.
- M. Statements of Cash Flows – For the purposes of the statement of cash flows, the Town considers all highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents.

TOWN OF HAUGHTON, LOUISIANA

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

1. Summary of Significant Accounting Policies (Continued):

- N. Refundable Deposits – The Water Fund of the Town requires customers to place a deposit before service is rendered. These monies are considered restricted and are held until the customer discontinues service.
- O. Long-term Debt – The accounting treatment of long-term debt depends upon whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debts to be repaid from governmental and business-type resources are reported as liabilities in the government-wide financial statements. The Town's long-term debt consists of revenue and general obligations bonds payable.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The accounting for proprietary fund long-term debt is the same in the fund statements as it is in the government-wide statements.

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

In the fund financial statements, governmental fund equity is classified as fund balance. Fund balance is further classified as reserved or unreserved, with unreserved segregated between designated and undesignated. Proprietary fund equity is classified the same as in the government-wide financial statements.

- Q. Encumbrances – The Town does not utilize encumbrance accounting. Management does not believe that the use of encumbrance accounting would provide any significant benefit for budgetary purposes.
- R. Ad Valorem Taxes – 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 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.

- S. Reclassifications – Certain 2003 amounts were reclassified to conform to 2004 presentation.

TOWN OF HAUGHTON, LOUISIANA

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

2. Cash and Investments:

These deposits are stated at cost, which approximates market value. At December 31, 2004, the carrying amount of the Town's deposits was \$3,208,019, and the collected bank balance was \$3,313,632. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. The bank balances were fully protected by \$100,000 of federal depository insurance (GASB Category 1) and \$3,213,632 of pledged securities held by the custodial bank in the name of the fiscal agency bank (GASB Category 3).

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement No. 3, Louisiana Revised Statute 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.

The Town's deposits are categorized to give an indication of the level of risk assumed by the Town at year-end. Category 1 includes deposits that are insured or registered or for which the securities are held by the Town or its agent in the Town's name. Category 2 includes uninsured and unregistered deposits for which the securities are held by the counterparty's trust department or agent in the Town's name. Category 3 includes uninsured and unregistered deposits for which the securities are held by the counter-party, or by its trust department or agent but not in the Town's name.

Description	Category			Bank Balance	Market Value
	1	2	3		
Demand Deposit Accounts	\$ 100,000	\$ -	\$ 2,810,265	\$ 2,910,265	\$ 2,910,265
Time Deposit Accounts	-	-	403,367	403,367	403,367
Total cash and investments	<u>\$ 100,000</u>	<u>\$ -</u>	<u>\$ 3,213,632</u>	<u>\$ 3,313,632</u>	<u>\$ 3,313,632</u>

3. Interfund Receivables, Payables:

A summary of interfund receivables and payables is as follows:

	Interfund Receivable	Interfund Payable
General Fund	\$ 63,903	\$ 131,932
Debt Service	122,026	32
Capital Projects Fund	-	1
Enterprise Funds	136,499	190,463
	<u>\$ 322,428</u>	<u>\$ 322,428</u>

TOWN OF HAUGHTON, LOUISIANA

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

4. Restricted Assets:

Restricted assets consisting of cash and cash equivalents and certificates of deposit maturing in more than three months at December 31, 2004, are as follows:

Enterprise Fund:

Water Revenue Bonds	\$ 23,149
Water Revenue Bonds Sinking Fund	37,056
Sewer Contingency Fund	209,974
Water Meter Deposit	58,984
Contract Deposits	10,000
Total	<u>\$ 339,163</u>

5. Receivables:

As of December 31, 2004, receivables consisted of the following:

	General Fund	Debt Service	Water Fund	Sewer Fund	Sanitation Fund	Total
Taxes receivable:						
Video Poker	\$ 43,635	\$ -	\$ -	\$ -	\$ -	\$ 43,635
Ad valorem taxes	8,393	16,054	-	-	-	24,447
Beer taxes	3,485	-	-	-	-	3,485
Sales taxes	63,528	-	-	-	-	63,528
Franchise taxes	30,472	-	-	-	-	30,472
Other taxes	578	-	-	-	-	578
Allowance	(248)	(472)	-	-	-	(720)
	<u>149,843</u>	<u>15,582</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>165,425</u>
Accounts	-	-	29,947	25,166	16,870	71,983
Accrued Interest	931	-	313	-	201	1,445
Total	<u>\$ 150,774</u>	<u>\$ 15,582</u>	<u>\$ 30,260</u>	<u>\$ 25,166</u>	<u>\$ 17,071</u>	<u>\$ 238,853</u>

TOWN OF HAUGHTON, LOUISIANA

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

6. Capital Assets:

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

	Balance December 31, 2003	Additions	Deletions	Balance December 31, 2004
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 86,521	\$ 40,000	\$ -	\$ 126,521
Capital assets being depreciated:				
Buildings	122,897	91,787	-	214,684
Improvements other than buildings	559,923	190,663	-	750,586
Equipment	1,226,279	85,368	(55,917)	1,255,730
Total capital assets being depreciated	<u>1,909,099</u>	<u>367,818</u>	<u>(55,917)</u>	<u>2,221,000</u>
Less accumulated depreciation for:				
Buildings	39,757	4,018	-	43,775
Improvements other than buildings	259,246	33,220	-	292,466
Equipment	980,075	91,420	(26,973)	1,044,522
Total accumulated depreciation	<u>1,279,078</u>	<u>128,658</u>	<u>(26,973)</u>	<u>1,380,763</u>
Total capital assets - net	<u>\$ 716,542</u>	<u>\$ 279,160</u>	<u>\$ (28,944)</u>	<u>\$ 966,758</u>

Depreciation expense of \$128,658 for the year ended December 31, 2004, was charged to the following governmental functions:

General government	\$ 9,637
Public safety	89,788
Streets	29,233
Total	<u>\$ 128,658</u>

TOWN OF HAUGHTON, LOUISIANA

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

6. Capital Assets (Continued):

	Balance December 31, 2003	Additions	Deletions	Balance December, 31 2004
Buisness-type activities:				
Capital assets not being depreciated:				
Land	\$ 17,200	\$ -	\$ -	\$ 17,200
Capital assets being depreciated:				
Buildings	10,359	-	-	10,359
Equipment	117,314	-	-	117,314
Water system and equipment	2,053,481	19,793	-	2,073,274
Sewer plant	2,524,510	154,087	-	2,678,597
Total capital assets being depreciated	4,705,664	173,880	-	4,879,544
Less accumulated depreciation for:				
Buildings	8,511	355	-	8,866
Equipment	78,277	10,000	-	88,277
Water system	1,213,532	83,617	-	1,297,149
Sewer plant	1,073,520	69,908	-	1,143,428
Total accumulated depreciation	2,373,840	163,880	-	2,537,720
Total capital assets - net	\$ 2,349,024	\$ 10,000	-	\$ 2,359,024

7. Long-Term Obligations:

The following is a summary of bond transactions for the year ended December 31, 2004:

	Business-type Activities	General	Sales Tax	
	Revenue Bonds	Obligation	Refunding	Total
Bonds payable at December 31, 2003	\$ 181,508	\$ 20,000	\$ 263,000	\$ 464,508
Debt retired - serial bonds	(20,196)	(10,000)	(20,000)	(50,196)
Bonds payable at December 31, 2004	\$ 161,312	\$ 10,000	\$ 243,000	\$ 414,312

TOWN OF HAUGHTON, LOUISIANA

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

7. Long-Term Obligations (Continued):

Bonds payable at December 31, 2004, are comprised of the following issues:

General Obligation Bonds

\$125,000, 1986 public improvement serial bonds due in annual installments of \$5,000 to \$10,000 through March 1, 2006; interest at 8.00% to 12.00%, collectible on or after March 1, 1997. \$ 10,000

Sales Tax Refunding Bonds

\$423,000, Sales Tax Refunding Bonds, Series 1994, due in annual installments of \$12,000 to \$34,000 through November 1, 2013; interest at 3.20% to 6.00%. 243,000

\$332,000 water revenue bonds, Series A and B, dated February 1, 1993, due in annual installments approximately \$28,473; including interest to yield 6.26%, maturing February 1, 2013. 161,312

Total Bonds Payable \$ 414,312

The annual requirements to amortize all debt outstanding as of December 31, 2004, including interest payments of \$130,145 are as follows:

Year Ending December 31, 2004	Sales Tax Refunding Bonds Series 1994	General Obligation Bonds 03/01/06	Proprietary Fund Series A & B	Total
2005	\$ 35,138	\$ 5,630	\$ 31,261	\$ 72,029
2006	35,025	5,210	30,561	70,796
2007	35,793	-	29,861	65,654
2008	35,425	-	29,161	64,586
2009	35,975	-	18,461	54,436
2010-2015	143,112	-	73,844	216,956
Totals	<u>\$ 320,468</u>	<u>\$ 10,840</u>	<u>\$ 213,149</u>	<u>\$ 544,457</u>

8. Sinking Fund Requirements:

Under the terms of the Sales Tax Refunding Bonds, Series 1994, all proceeds derived from the levy and collection of the one percent (1%) sales tax are to be used in the following order or priority:

- A. The payment of all reasonable and necessary expenses of collection and administration of the tax.
- B. The establishment and maintenance of a Sales Tax Bond Sinking Fund – 1994 sufficient in amount to pay promptly and fully the principal of and the interest on the bonds as they become payable by transferring from the Sales Tax Fund to the Sinking Fund on or before the 20th day of each month, a sum equal to one-twelfth (1/12) of the principal and one-sixth (1/6) of the interest falling due on the next payment date.

TOWN OF HAUGHTON, LOUISIANA

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

8. Sinking Fund Requirements (Continued):

- C. The establishment and maintenance of a Sales Tax Bond Reserve Fund – 1994 by transferring a lump sum of \$12,000 and, thereafter, monthly from the Sales Tax Fund to the Reserve Fund a sum at least equal to five percent (5%) of the amount required to be paid monthly into the Sinking Fund, and to continue until such time as there has been accumulated in the Reserve Fund sums in an amount equal to the ten percent (10%) of the proceeds of the bonds (\$42,300) or the highest combined principal and interest requirements for any succeeding bond year (\$36,040). The money is to be retained solely for the purpose of paying the principal of and interest on bonds payable from the Sinking Fund as to which there would otherwise be default.
- D. All money remaining in the Sales Tax Fund on the 20th day of the month in excess of these requirements shall be considered surplus. Such surplus may be used by the Town for any of the purposes for which the imposition of the tax is authorized or for the purpose of retiring installments of principal of the bond in advance of their payment date.

Under the terms of the 1993 Series A and B water revenue bonds; the following funds are to be maintained with respect to the bonds.

- A. As provided in the Resolution, all income and revenues earned or derived from the operation of the System shall be deposited as the same may be collected in the Revenue Fund. Out of the funds on deposit in the Revenue Fund, after the reasonable and necessary expenses of operating and maintaining the System have been paid, monies are to be transferred to the Sinking Fund, the Reserve Fund and/or the Contingencies Fund as provided in the Resolution.
- B. The Sinking Fund is designed to achieve a proper matching of revenues and debt service on the bonds and any additional parity bonds within each Bond Year (ending February 1). Amounts transferred from the Revenue Fund and the Reserve Fund and deposited in the Sinking Fund will be applied to the next payment of principal or interest on the bonds following such transfer. The issuer is required by the Resolution to make monthly deposits into the Sinking Fund, the Reserve Fund and the Contingency Fund from the Net Revenues, no later than the 20th day of each month in the amount of \$2,716 for 2004. All amounts deposited in the Sinking Fund are expected to be deleted at least once a year on February 1 (the principal and interest payment date for the bonds), except for a reasonable carryover amount which will not exceed the greater of (1) one year's earnings on such funds, or (2) 1/12 of the annual debt service on the bonds and any additional parity bonds payable therefrom.
- C. The Reserve Fund is maintained solely for the purpose of paying the principal of and the interest on bonds payable from the Sinking Fund as to which there would otherwise be default (except such amounts as may be payable to the United States of America as a rebate of arbitrage pursuant to Section 148(f) of the Code). A sum of \$10,000 deposited therein simultaneously with the delivery of the bonds and thereafter a monthly payment at least equal to five percent (5%) of the monthly Sinking Fund payment until an amount equal to the Reserve Fund requirement is accumulated therein.
- D. The Contingencies Fund is established to care for extensions, additions, improvements, renewals and replacements necessary to properly operate the System, by transferring from the System Fund on or before the 20th day of each month of each year a sum of \$148. Such payments into the Contingencies Fund are to continue over the life of the bonds. In addition to caring for extensions, additions, improvements, renewals and replacements necessary to properly operate the System, the money in the Contingencies Fund may also be used to pay the principal of and the interest bonds, including any additional pari passu bonds issued hereafter in the manner provided by the Resolution, for the payment of which there is not sufficient money in the Sinking Fund or Reserve Fund.

TOWN OF HAUGHTON, LOUISIANA

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

9. Contributed Capital:

The Enterprise Fund receives contributions from federal and state sources for the purposes of acquiring or constructing capital facilities. The addition and source of contributed capital during the year ended December 31, 2004, follows:

Contributed capital - December 31, 2003	\$ 1,566,068
Deductions - Depreciation expense charged to contributed assets	(96,855)
Contributed capital - December 31, 2004	<u>\$ 1,469,213</u>

10. Ad Valorem Taxes:

For the year ended December 31, 2004, taxes at the rate of 13.28 mills were levied on property with assessed valuations totaling \$6,308,530. Of the total millage levied, 4.59 mills are available for general purposes and 8.69 mills are dedicated for retirement of general obligation bonds.

11. Retirement Commitments:

Substantially all employees of the Town of Haughton, Louisiana, are either members of the Municipal Police Employees Retirement System of Louisiana, Municipal Employees Retirement System of Louisiana, or Firefighter's Retirement System of Louisiana which are statewide retirement systems. These systems are cost sharing, multiple-employer defined benefit pension plans administered by separate boards of trustees. Pertinent information relative to these plans is as follows:

MUNICIPAL POLICE EMPLOYEES RETIREMENT SYSTEM OF LOUISIANA (SYSTEM)

A. Plan Description

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

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

B. Funding Policy

Plan members are required by state statute to contribute 7.5% of their annual covered salary and the Town of Haughton is required to contribute at an actuarial determined rate. The current rate is 21.5% of annual covered payroll. The contribution requirements of plan members and the Town of Haughton are established and may be amended by state statute. As provided by R.S. 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Town of Haughton's contributions to the system for the years ending December 31, 2004, 2003, and 2002, were \$30,139, \$16,360, and \$10,416, respectively, equal to the required contributions for each year.

TOWN OF HAUGHTON, LOUISIANA

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

11. Retirement Commitments (Continued):

MUNICIPAL EMPLOYEES RETIREMENT SYSTEM OF LOUISIANA (SYSTEM)

A. Plan Description

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

All permanent employees working at least 35 hours per week who are not covered by another pension plan and are paid wholly or in part from Town funds and all elected Town officials are eligible to participate in the System. Under Plan A, employees who retire at or after age 60 with at least 10 years of creditable service, at or after age 55 with at least 25 years of creditable service, or at any age with at least 30 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3% of their final-average salary for each year of creditable service. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

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

B. Funding Policy

Under Plan A, members are required by state statute to contribute 9.25% of their annual covered salary and the Town of Haughton is required to contribute at an actuarially determined rate. The rate was 11.00% for periods through June 30, 2004 and the current rate effective July 1, 2004 is 15.00% of annual covered payroll. Contributions to the System also include one-fourth of 1% (except Orleans and East Baton Rouge parishes) of the taxes shown to be collectible by the tax rolls of each parish. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. The contribution requirements of plan members and the Town of Haughton are established and may be amended by state statute. As provided by R.S. 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Town of Haughton began this retirement plan in 2001 and contributions to the System under Plan A for the years ending December 31, 2004, 2003, and 2002 were \$30,737, \$20,549, and \$13,995, respectively, equal to the required contributions for each year.

FIREFIGHTERS' RETIREMENT SYSTEM OF LOUISIANA

A. Plan Description

Membership in the Louisiana Firefighters' Retirement System is mandatory for all full-time firefighters employed by a municipality, parish, or fire protection district that did not enact an ordinance before January 1, 1980, exempting itself from participating in the System. Employees are eligible to retire at or after age 55 with at least 12 years of creditable service or at or after age 50 with at least 20 years of creditable service. Upon retirement, members are entitled to a retirement benefit, payable monthly for life, equal to 3 1/3% of their final-average salary for each year of creditable service, not to exceed 100% of their final-average salary. Final-average salary is the employee's average salary over the 36 consecutive or joined

TOWN OF HAUGHTON, LOUISIANA

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

11. Retirement Commitments (Continued):

months that produce the highest average. Employees who terminate with at least 12 years of service and do not withdraw their employee contributions may retire at or after age 55 (or at or after age 50 with at least 20 years of creditable service at termination) and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Firefighters' Retirement System, Post Office Box 94095, Capitol Station, Baton Rouge, Louisiana 70804, or by calling (225) 925-4060.

B. Funding Policy

Plan members are required by state statute to contribute 8.0% of their annual covered salary and the Town of Haughton is required to contribute at an actuarially determined rate. The rate was 18.25% for periods through June 30, 2004 and the current rate effective July 1, 2004, is 21.00% of annual covered payroll. The contribution requirements of plan members and the Town of Haughton are established and may be amended by state statute. As provided by R.S. 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Town's contributions to the System for the years ending December 31, 2004, 2003, and 2002, was \$14,772, \$11,089, and \$3,511, respectively, equal to the required contributions.

12. Interfund Operating Transfers:

Individual fund operating transfers for fiscal year 2004 are as follows:

	Transfers In	Transfers Out
General Fund	\$ 73,300	\$ 36,890
Debt Service Fund	36,890	-
Water Fund	-	36,650
Sewer Fund	-	36,650
Totals	<u>\$ 110,190</u>	<u>\$ 110,190</u>

13. Commitments and Contingencies:

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 carries commercial insurance for all risks of loss, including workers' compensation and employee health and accident insurance. Settlements have not exceeded insurance coverage in any of the past three fiscal years.

The Town participates in certain federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

The Town is the defendant in various lawsuits arising in the normal course of operations. In the opinion of the administration, the outcome of these lawsuits will not have a material adverse effect on the accompanying financial statements and accordingly, no provision for losses has been recorded.

TOWN OF HAUGHTON, LOUISIANA

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

14. On-Behalf Payments:

Three Town police employees received a total of \$21,600 in police supplemental pay and one Town fireman employee received a total of \$5,850 in firemen supplemental pay from the State of Louisiana. The Town is responsible for withholding taxes from these employees and paying the Town's matching portion of social security taxes for the amount of supplemental pay received. The Town must recognize 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 in the Police and Fire Departments.

15 Subsequent Events:

On January 11, 2005, the Town accepted a low bid of \$87,500 from TGS for an ammonia removal project at the wastewater treatment plant.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF HAUGHTON, LOUISIANA

Budgetary Comparison Schedule General Fund December 31, 2004

	General Fund			Variance- Favorable (Unfavorable)
	Budgeted Amounts		Actual	
	Original	Final		
Revenues:				
Property taxes	\$ 22,000	\$ 22,000	\$ 31,074	\$ 9,074
Franchise taxes	42,000	42,000	62,032	20,032
Other taxes	474,000	474,000	580,076	106,076
Licenses and permits	115,000	115,000	134,752	19,752
Grant revenue	58,000	58,000	52,126	(5,874)
Intergovernmental	203,158	203,158	414,935	211,777
Interest	20,000	20,000	12,576	(7,424)
Fines and forfeits	102,400	102,400	133,354	30,954
Other	5,000	5,000	17,824	12,824
Total revenues	1,041,558	1,041,558	1,438,749	397,191
Expenditures:				
General Government:	195,300	214,300	271,277	(56,977)
Public Safety:				
Police department	361,800	361,800	436,405	(74,605)
Fire department	201,300	201,300	189,914	11,386
Total public safety	563,100	563,100	626,319	(63,219)
Streets and drainage	238,300	238,300	28,580	209,720
Capital outlays	234,200	406,000	407,818	(1,818)
Total expenditures	1,230,900	1,421,700	1,333,994	87,706
Excess (deficiency) of revenues over expenditures	(189,342)	(380,142)	104,755	484,897
Other financing sources (uses):				
Transfers in	28,800	72,000	73,300	1,300
Transfers out	(37,000)	(37,000)	(36,890)	110
Net other financing sources (uses)	(8,200)	35,000	36,410	1,410
Change in fund balance	(197,542)	(345,142)	141,165	486,307
Fund balance at beginning of year	2,053,845	2,053,845	2,053,845	-
Fund balance at end of year	\$ 1,856,303	\$ 1,708,703	\$ 2,195,010	\$ 486,307

The notes to the financial statements are an integral part of this statement.
See the accompanying independent auditor's report.

TOWN OF HAUGHTON, LOUISIANA

Budgetary Comparison Schedule Debt Service Fund December 31, 2004

	Debt Service Fund			
	Budgeted Amounts		Actual	Variance - Favorable (Unfavorable)
	Original	Final		
Revenues:				
Property taxes	\$ 30,000	\$ 30,000	\$ 55,304	\$ 25,304
Interest	2,000	2,000	476	(1,524)
Total revenues	32,000	32,000	55,780	23,780
Expenditures:				
Debt service:				
Principal retirement	29,000	29,000	30,000	(1,000)
Interest	18,208	18,208	16,418	1,790
Bank Fees	-	-	1,350	(1,350)
Total expenditures	47,208	47,208	47,768	(560)
Excess (deficiency) of revenues over expenditures	(15,208)	(15,208)	8,012	23,220
Other financing sources:				
Transfers in	37,000	37,000	36,890	(110)
Total other financing sources	37,000	37,000	36,890	(110)
Change in fund balance	21,792	21,792	44,902	23,110
Fund balance at beginning of year	204,365	204,365	204,365	-
Fund balance at end of year	\$ 226,157	\$ 226,157	\$ 249,267	\$ 23,110

The notes to the financial statements are an integral part of this statement.
See the accompanying independent auditor's report.

TOWN OF HAUGHTON, LOUISIANA

Notes to Budgetary Comparison December 31, 2004

The proposed budget for the December 31, 2004 fiscal year was made available for public inspection at the office of the mayor in the Town Hall of Haughton, Louisiana on December 9, 2003. The proposed budget is prepared in accordance with the Generally Accepted Accounting Principles (GAAP).

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

1. The Mayor prepares a proposed budget and submits it to the Board of Alderman 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 is 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 at least ten days after publication of the call for the hearing.
4. After holding the public hearing and completion of all action necessary to finalize and implement the budget, the budget is adopted through passage of an enabling ordinance prior to the commencement of the fiscal year for which the budget is being adopted.
5. The budget is structured such that revenues are budgeted by source and appropriations are budgeted by department and by principal object of expenditure. The Board of Alderman may revise or amend the budget as its discretion during legally convened sessions. The budgetary information presented in these financial statements is as so amended. Management may amend the budget only below the department level.
6. The Town utilizes formal budgetary integration as a management control device for all funds.

Through the budget, the Town allocates its resources and establishes its priorities. The annual budget assures the efficient and effective uses of the Town's economic resources. It establishes the foundation of effective financial planning by providing resource planning, performance measures and controls that permit the evaluation and adjustment of the Town's performance.

Expenditures may not legally exceed appropriations at the fund level. Appropriations that are not expended lapse at year end. The budget was amended for the year ended December 31, 2004.

The Budgetary Comparison Schedule -- Budget (GAAP Basis) to Actual presents comparisons of the original and final legally adopted budget with the actual data.

OTHER SUPPLEMENTARY INFORMATION

TOWN OF HAUGHTON, LOUISIANA

Schedule of Mayor's and Aldermen's
Compensation
For the Year Ended December 31, 2004

	<u>Payroll Compensation</u>
Mayor Maxey	\$ 15,900
Alderman Hollis	4,200
Alderwoman McGee	4,200
Alderman Hicks	4,200
Alderman Anderson	4,200
Alderman Winnfield	<u>4,200</u>
Totals	<u>\$ 36,900</u>

**INDEPENDENT AUDITOR'S REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

The following independent auditor's report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements is presented in compliance with requirements of *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Louisiana Governmental Audit Guide*, issued by the Society of Louisiana Certified Public Accountants and the Louisiana Legislative Auditor.



Certified Public Accountants • Management Consultants • Business Advisors

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

The Honorable Billy Maxey, Mayor
and the members of the Board of Aldermen of
The Town of Haughton, Louisiana

We have audited the financial statements of the governmental activities, the business type activities, each major fund and the remaining aggregate remaining fund information of the Town of Haughton, Louisiana, (the Town) as of and for the year ended December 31, 2004, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated June 10, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Town's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operations that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Town's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Audit Findings as Finding 04-1.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Board of Aldermen, and the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties. However, this restriction is not intended to limit the distribution of this report, which is a matter of public record and is distributed by the Legislative Auditor under Louisiana Revised Statute 24:513.

Smith Pugh & Company, LLP

Smith Pugh & Company, LLP
Certified Public Accountants
Shreveport, Louisiana
June 10, 2005

TOWN OF HAUGHTON, LOUISIANA

Summary Schedule of Audit Findings
December 31, 2003

FINDINGS RELATED TO COMPLIANCE

None

FINDINGS RELATED TO INTERNAL CONTROL

Item: 04-1

Criteria or specific requirement:

Tracking the average miles per gallon of fuel consumed by the Town's vehicles will aid the Town in determining when maintenance is needed for specific vehicles.

Condition:

The police department has software that will track the miles per gallon for individual patrol cars, but it is not currently being utilized.

Questioned costs:

None

Context:

Officers are not providing sufficient information to allow the use of the available software to track fuel efficiency of the patrol cars.

Effect:

Failure to monitor the miles per gallon efficiency of patrol cars results in unnecessary fuel expense and allows possible misappropriations of fuel to not be detected in a timely manner.

Cause:

Unknown.

Recommendation:

At a minimum, officers should be required to sign the fuel tickets, identify the patrol car being fueled, and note the odometer reading on the face of the tickets. Copies of all tickets should be provided to the chief of police so that he can oversee data entry and calculation of fuel efficiency reports. A copy of the monthly reports for each patrol car should be provided to the mayor for his review.

TOWN OF HAUGHTON, LOUISIANA

Schedule of Prior Audit Findings
December 31, 2004

FINDINGS RELATED TO COMPLIANCE

None

FINDINGS RELATED TO INTERNAL CONTROL

Item 03-1

Condition:

The management of the Town is unable to provide a detailed trial balance of customer deposits held. Management does not perform a monthly reconciliation of customer meter deposits.

Status:

Resolved

Item 03-2

Condition:

The police department has software that will track the miles per gallon for individual patrol cars, but it is not currently being utilized.

Status:

Not resolved

Item 03-3

Condition:

Currently, the Town has no way to determine the total amount of water charged into the water system.

Status:

Resolved

Town of Haughton

POST OFFICE BOX 729
HAUGHTON, LOUISIANA 71037-0729

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CORRECTIVE ACTION PLAN

June 10, 2005

Mr. Steve J. Theriot, CPA
Assistant Legislative Auditor, State of Louisiana
P. O. Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Theriot:

The Town of Haughton, Louisiana, respectfully submits the following corrective action plan for the year ended December 31, 2004, for the Schedule of Audit Findings. The findings are numbered consistently with the numbers assigned in the schedule.

FINDINGS RELATED TO INTERNAL CONTROL

Finding 04-1: Tracking average miles per gallon

Police will be instructed to sign of fuel tickets and note their identification number and the odometer reading on the ticket. A copy of the tickets will be provided to the police department for data entry and preparation of a monthly fuel usage report.

Sincerely,



Billy Maxey, Mayor
Town of Haughton, Louisiana