

**Town of Haughton
Haughton, Louisiana**

Financial Statement with Auditors' Report

As of and For the Year Ended December 31, 2020

Town of Haughton
Haughton, Louisiana

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Haughton, Louisiana

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Independent Auditors' Report

The Honorable Kim Gaspard, Mayor
and Members of the Town Council
Town of Haughton
Haughton, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Haughton, Louisiana, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Town of Haughton's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town of Haughton, Louisiana, as of December 31, 2020, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 - 12 and 60 - 61, the schedule of proportionate share of net pension liability on page 62, and the schedule of contributions on page 63 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

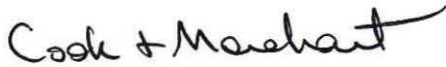
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Haughton's basic financial statements. The accompanying other supplementary information listed in the table of contents and shown on pages 64 - 65 is presented for purposes of additional analysis and are not a required part of the basic financial statements. The information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole. As disclosed in Note 1 to the financial statements, the Town of Haughton prepares its financial statements in accordance with accounting principles generally accepted in the United States of America. The other supplementary information schedules, Justice System Funding Schedules, shown on pages 66-67, are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The schedules are presented to satisfy the requirements of Act 87 of the 2020 Regular Legislative Session (R.S. 24:515.2) and must be presented on the cash basis of accounting which differs significantly from those principles used to present financial statements in accordance with accounting principles generally accepted in the United States of America. The information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the Justice System Funding Schedules, shown on pages 66-67, are fairly stated in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2021, on our consideration of the Town of Haughton, Louisiana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Haughton's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Haughton's internal control over financial reporting and compliance.



Cook & Morehart
Certified Public Accountants
June 28, 2021

TOWN OF HAUGHTON

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Haughton, Louisiana, we offer the readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town of Haughton as of and for the year ended December 31, 2020. We encourage readers to consider the information presented here in conjunction with the Town's basic financial statements and supplementary information provided in this report in assessing the efficiency and effectiveness of our stewardship of public resources.

FINANCIAL HIGHLIGHTS

The Town of Haughton's net position of our governmental activities decreased by \$277,623 or 12%.

The Town of Haughton's net position of our business-type activities increased by \$863,382 or 14%.

In the Town's governmental activities, total general and program revenues were \$3,096,355 in 2020 compared to \$3,278,847 in 2019. Total expenses, excluding depreciation, totaled \$3,242,432 for the year ended December 31, 2020 compared to \$3,075,794 for 2019.

In the Town's business-type activities, total general and program revenues increased by approximately \$341,762, while total expenses increased by approximately \$22,462.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Basic Financial Statements

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

Government-wide Financial Statements

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

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

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

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

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

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

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

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

Fund Financial Statements

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

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

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

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

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

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

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

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

Notes to the Financial Statements

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

Required Supplementary Information

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

FINANCIAL ANALYSIS OF GOVERNMENT-WIDE ACTIVITIES

Net Position

Net position may serve over time as a useful indicator of the Town's financial position. The Town's combined net position (governmental and business-type activities) totaled \$8,871,077 and \$8,285,318 as of December 31, 2020 and 2019, respectively, an increase of \$585,759 or 7%.

As of December 31, 2020, \$8,136,762 or 92% of the Town's net position consists of investment in capital assets such as land, buildings, equipment, and water and sewer plant and improvements, less any related debt used to acquire those assets that is still outstanding, compared to \$7,688,009 or 93% of the Town's net assets as of the close of the prior year. The Town uses these capital assets to provide services to the citizens of Haughton; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Table 1
Net Position

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and Other Assets	\$ 1,545,190	\$ 1,592,658	\$ 3,256,000	\$ 3,395,608	\$ 4,801,190	\$ 4,988,266
Capital Assets	3,310,167	3,400,095	10,009,677	9,495,656	13,319,844	12,895,751
Total Assets	4,855,357	4,992,753	13,265,677	12,891,264	18,121,034	17,884,017
Deferred outflows of resources - pension	1,031,702	943,637	174,923	157,418	1,206,625	1,101,055
Other Liabilities	126,236	161,690	304,108	395,200	430,344	556,890
Long-term Liabilities Outstanding						
Due within one year	41,346	23,194	404,000	394,000	445,346	417,194
Due in more than one year	3,480,092	3,243,798	5,793,450	6,149,743	9,273,542	9,393,541
Total Liabilities	3,647,674	3,428,682	6,501,558	6,938,943	10,149,232	10,367,625
Deferred inflows of resources - pension	228,815	219,515	78,535	112,614	307,350	332,129
Net investment in capital assets	3,310,167	3,400,095	4,826,595	4,287,914	8,136,762	7,688,009
Restricted						
Debt service			511,019	952,932	511,019	952,932
Unrestricted	(1,299,597)	(1,111,902)	1,522,893	756,279	223,296	(355,623)
Total Net Position	\$ 2,010,570	\$ 2,288,193	\$ 6,860,507	\$ 5,997,125	\$ 8,871,077	\$ 8,285,318

Changes in Net position

The Town's net position increased by \$585,759 during the year ended December 31, 2020 compared to an increase of \$620,782 in 2019. This increase is due in part to increased sales taxes.

Approximately \$2,858,188 of the Town's total revenues was derived through charges for services in 2020 compared to \$2,812,788 in 2019. During the year ended December 31, 2020, approximately \$2,560,136 was derived from general revenues including taxes and interest compared to \$2,496,040 during 2019. The Town received \$794,292 and \$744,518 of its total revenues through program grants and contributions during 2020 and 2019, respectively.

The largest expenses were for public safety, general government, water and sewer. In fiscal year 2020, governmental activity expenses exceeded program revenues resulting in the use of \$2,819,140 in general revenues, mostly taxes. Net business-type activity expenses in fiscal year 2020 were less than program revenues by \$844,763.

Table 2
Change in Net Position

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues:						
Charges for services	\$ 426,176	\$ 501,321	\$ 2,432,012	\$ 2,311,467	\$ 2,858,188	\$ 2,812,788
Operating grants and contributions	253,901	223,924	11,338	11,157	265,239	235,081
Capital grants and contributions	77,175	288,281	451,878	221,156	529,053	509,437
General revenues:						
Taxes	2,239,642	2,137,581	217,506	209,274	2,457,148	2,346,855
Fire insurance rebate	15,831	15,869			15,831	15,869
Interest	1,649	1,638	3,252	3,387	4,901	5,025
Other	81,981	110,233	275	18,058	82,256	128,291
Total revenues	3,096,355	3,278,847	3,116,261	2,774,499	6,212,616	6,053,346
Expenses:						
General government	677,630	712,771			677,630	712,771
Public safety	2,737,419	2,561,078			2,737,419	2,561,078
Streets and drainage	161,343	130,712			161,343	130,712
Water			819,103	774,827	819,103	774,827
Sewer			932,373	976,519	932,373	976,519
Sanitation			298,989	276,657	298,989	276,657
Total expenses	3,576,392	3,404,561	2,050,465	2,028,003	5,626,857	5,432,564
Increase (decrease) in net position before transfers	(480,037)	(125,714)	1,065,796	746,496	585,759	620,782
Transfers	202,414	126,307	(202,414)	(126,307)		
Change in net position	<u>\$ (277,623)</u>	<u>\$ 593</u>	<u>\$ 863,382</u>	<u>\$ 620,189</u>	<u>\$ 585,759</u>	<u>\$ 620,782</u>

FINANCIAL ANALYSIS OF THE INDIVIDUAL FUNDS

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

Governmental Funds

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

At the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$1,398,236, an increase of \$3,758 or less than 1% in comparison with the prior year. Approximately \$867,960 is assigned and the remaining \$530,276 of this total amount constitutes *unassigned fund balance*, which is available for spending at the Town's discretion.

The General Fund is the chief operating fund for the Town. Unassigned fund balance was \$530,276 at the end of the current fiscal year, compared to \$614,356 at December 31, 2019.

Proprietary Funds

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

At the end of the current fiscal year, the Town's proprietary funds reported combined ending net position of \$6,860,507, an increase of \$863,382 in comparison with the prior year's ending net position of \$5,997,125. The Water Fund had an increase in net position of \$303,588, the Sewer Fund had an increase in net position of \$551,202, and the Sanitation Fund had an increase in net position of \$8,592. \$4,826,595 represents investment in capital assets net of accumulated depreciation and related outstanding debt. A total of \$511,019 is reported as restricted for debt service, with a balance of \$1,522,893 classified as unrestricted.

GENERAL FUND BUDGETARY HIGHLIGHTS

Formal budgetary integration is employed as a management control device during the fiscal year. The budget policy of the Town complies with state law, as amended, and as set forth in Louisiana Revised Statutes Title 39, Chapter 9, Louisiana Local Government Budget Act (LSA – R.S. 39:1301 et seq.).

The Town's General Fund budget was amended one time during 2020.

The actual revenues were \$174,914 over the budgeted amounts and the actual expenditures were \$77,389 more than the budgeted amounts.

CAPITAL ASSET ADMINISTRATION

At the end of December 31, 2020, the Town of Haughton had invested \$13,319,844 in capital assets. See table below:

	Capital Assets at Year End (Net of Depreciation)					
	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 387,518	\$ 387,518	\$ 23,180	\$ 17,200	\$ 410,698	\$ 404,718
Construction in progress	153,765	38,065	986,974	434,558	1,140,739	472,623
Buildings	931,890	983,589			931,890	983,589
Improvements other than buildings	1,258,498	1,375,823			1,258,498	1,375,823
Equipment	578,496	615,100	228,225	244,617	806,721	859,717
Water system and equipment			2,135,797	2,116,795	2,135,797	2,116,795
Sewer plant			6,635,501	6,682,486	6,635,501	6,682,486
Total assets	<u>\$ 3,310,167</u>	<u>\$ 3,400,095</u>	<u>\$ 10,009,677</u>	<u>\$ 9,495,656</u>	<u>\$ 13,319,844</u>	<u>\$ 12,895,751</u>

This year's major additions included:

Equipment	\$ 105,542	\$
Land		5,980
Buildings		
Improvements other than buildings		
Construction in progress	138,490	552,416
Water system and equipment		235,534
Sewer plant other than buildings		205,450
	<u>\$ 244,032</u>	<u>\$ 999,380</u>

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

DEBT ADMINISTRATION

At the end of 2020 the Town had \$9,718,888 in long-term liabilities including utility revenue bonds and net pension liability, as described below:

Outstanding Debt At Year End

	Governmental Activities		Business-Type Activities		Totals	
	2020	2019	2020	2019	2020	2019
Net Pension Liability	\$ 3,480,092	\$ 3,243,798	\$ 722,578	\$ 675,071	\$ 4,202,670	\$ 3,918,869
Compensated Absences	41,346	23,194			41,346	23,194
Sewer Revenue Bonds			5,474,872	5,868,672	5,474,872	5,868,672
	<u>\$ 3,521,438</u>	<u>\$ 3,266,992</u>	<u>\$ 6,197,450</u>	<u>\$ 6,543,743</u>	<u>\$ 9,718,888</u>	<u>\$ 9,810,735</u>

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

More detailed information about the debt is presented in Note 15 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The following economic factors were considered when the budget for the fiscal year ended December 31, 2021 was prepared:

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

It is anticipated that management will consider and monitor the economic uncertainties of COVID-19 and the impact on available financial resources.

REQUESTS FOR INFORMATION

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

Town of Haughton
Haughton, Louisiana
Statement of Net Position
December 31, 2020

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 1,549,950	\$ 1,787,187	\$ 3,337,137
Investments		34,775	34,775
Receivables	364,038	321,886	685,924
Prepaid expenses	20,718	5,337	26,055
Restricted assets:			
Cash and cash equivalents		717,299	717,299
Internal balances	(389,516)	389,516	
Capital assets			
Depreciable (net)	2,768,884	8,999,523	11,768,407
Non-depreciable	541,283	1,010,154	1,551,437
Total assets	<u>4,855,357</u>	<u>13,265,677</u>	<u>18,121,034</u>
 Deferred outflows of resources - pension related	 <u>1,031,702</u>	 <u>174,923</u>	 <u>1,206,625</u>
Liabilities			
Accounts payable and accrued expenses	126,236	97,828	224,064
Payable from restricted assets:			
Customer deposits		206,280	206,280
Non-current liabilities			
Due within one year	41,346	404,000	445,346
Due in more than one year	<u>3,480,092</u>	<u>5,793,450</u>	<u>9,273,542</u>
Total liabilities	<u>3,647,674</u>	<u>6,501,558</u>	<u>10,149,232</u>
 Deferred inflows of resources - pension related	 <u>228,815</u>	 <u>78,535</u>	 <u>307,350</u>
Net Position (Deficit)			
Net investment in capital assets	3,310,167	4,826,595	8,136,762
Restricted			
Debt Service		511,019	511,019
Unrestricted (deficit)	<u>(1,299,597)</u>	<u>1,522,893</u>	<u>223,296</u>
Total net position (deficit)	<u>\$ 2,010,570</u>	<u>\$ 6,860,507</u>	<u>\$ 8,871,077</u>

The accompanying notes are an integral part of this statement.

Town of Haughton
Haughton, Louisiana
Statement of Activities
For the Year Ended December 31, 2020

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Capital Grants and Contributions	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Functions / Programs:							
Governmental Activities							
General government	\$ 677,630	\$ 211,641	\$ 74,887	\$ 5,163	\$ (385,939)	\$	\$ (385,939)
Public safety	2,737,419	214,535	2,288	248,738	(2,271,858)		(2,271,858)
Street and drainage	161,343				(161,343)		(161,343)
Total governmental activities	3,576,392	426,176	77,175	253,901	(2,819,140)		(2,819,140)
Business-type Activities							
Water	819,103	1,075,920	240,449	5,668		502,934	502,934
Sewer	932,373	1,048,913	211,429	5,670		333,639	333,639
Sanitation	298,989	307,179				8,190	8,190
Total business-type activities	2,050,465	2,432,012	451,878	11,338		844,763	844,763
Total Government	\$ 5,626,857	\$ 2,858,188	\$ 529,053	\$ 265,239	(2,819,140)	844,763	(1,974,377)
General revenues:							
Taxes -							
Ad valorem taxes					114,880	217,506	332,386
Gaming taxes					223,908		223,908
Sales tax					1,726,214		1,726,214
Other taxes					9,173		9,173
Franchise tax					165,467		165,467
Fire insurance rebate					15,831		15,831
Investment earnings					1,649	3,252	4,901
Miscellaneous					81,981	275	82,256
Transfers					202,414	(202,414)	
Total general revenues					2,541,517	18,619	2,560,136
Change in net position					(277,623)	863,382	585,759
Net position - beginning					2,288,193	5,997,125	8,285,318
Net position - ending					\$ 2,010,570	\$ 6,860,507	\$ 8,871,077

The accompanying notes are an integral part of this statement.

Town of Haughton
Haughton, Louisiana
Balance Sheet
Governmental Funds
December 31, 2020

	<u>General</u>
Assets	
Cash and cash equivalents	\$ 1,549,950
Receivables	364,038
Due from other funds	<u>30,997</u>
Total assets	<u><u>\$ 1,944,985</u></u>
Liabilities and Fund Balances	
Liabilities:	
Accounts payable and accrued expenses	\$ 126,236
Due to other funds	<u>420,513</u>
Total liabilities	<u>546,749</u>
Fund balances:	
Assigned:	
Capital projects	703,748
Public safety	145,571
Parks and recreation	18,641
Unassigned	<u>530,276</u>
Total fund balances	<u>1,398,236</u>
 Total liabilities and fund balances	 <u><u>\$ 1,944,985</u></u>

The accompanying notes are an integral part of this statement.

Town of Haughton
Haughton, Louisiana
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
December 31, 2020

Fund balances - total governmental funds	\$ 1,398,236
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	3,310,167
The nonallocation method of accounting for prepayments is used in the fund statements, since the prepayment does not provide expendable financial resources.	20,718
Other long-term assets and other amounts are not available to pay for current-period expenditures and therefore are unavailable in the funds.	
Deferred outflows - pension related	1,031,702
Long-term liabilities and other amounts, including compensated absences payable and net pension liability, are not due and payable in the current period and therefore are not reported in the funds.	
Net pension liability	(3,480,092)
Accrued leave	(41,346)
Deferred inflows - pension related	(228,815)
Net position of governmental activities	<u>\$ 2,010,570</u>

The accompanying notes are an integral part of this statement.

Town of Haughton
Haughton, Louisiana
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2020

Revenues:	General
Ad valorem taxes	\$ 114,880
Franchise taxes	165,467
Sales taxes	1,726,214
Gaming taxes	223,908
Other taxes	9,173
Licenses and permits	211,641
Intergovernmental	225,241
Investment earnings	1,649
Fines and forfeitures	214,535
Other	98,724
Total revenues	<u>2,991,432</u>
Expenditures:	
Current:	
General government	666,561
Public safety	2,158,606
Streets and drainage	120,889
Capital outlay	244,032
Total expenditures	<u>3,190,088</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(198,656)</u>
Other financing sources (uses):	
Transfers in	207,814
Transfers out	(5,400)
Total other financing sources (uses)	<u>202,414</u>
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	3,758
Fund balances at beginning of year	<u>1,394,478</u>
Fund balances at end of year	<u>\$ 1,398,236</u>

The accompanying notes are an integral part of this statement.

Town of Haughton
Haughton, Louisiana
Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2020

Net change in fund balances - total governmental funds	\$	3,758
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense (\$333,960) exceeded capital outlays (\$244,032) in the current period.		(89,928)
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The nonallocation method of accounting for prepayments is used in the fund statements, since the prepayment does not provide expendable financial resources.		(15,772)
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Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Non-employer contributions to cost-sharing pension plan		104,940
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Compensated absences		(18,151)
Pension expense		(262,470)

Change in net position of governmental activities	\$	(277,623)
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The accompanying notes are an integral part of this statement.

Town of Haughton
Haughton, Louisiana
Statement of Net Position
Proprietary Funds
December 31, 2020

	Business-type Activities - Enterprise Funds			
	Water Fund	Sewer Fund	Sanitation Fund	Total
Assets				
Current assets:				
Cash and cash equivalents	\$ 1,278,325	\$ 468,872	\$ 39,990	\$ 1,787,187
Investments			34,775	34,775
Prepays	3,888	1,449		5,337
Receivables				
Accounts	110,372	130,040	32,635	273,047
Ad valorem taxes		45,814		45,814
Other	435	2,377	213	3,025
Restricted cash and cash equivalents	206,280			206,280
Due from other funds	411,096	200,592	175,009	786,697
Total current assets	<u>2,010,396</u>	<u>849,144</u>	<u>282,622</u>	<u>3,142,162</u>
Noncurrent assets:				
Restricted cash		511,019		511,019
Capital assets:				
Land	23,180			23,180
Construction in progress		986,974		986,974
Plant and equipment	5,740,771	10,372,073		16,112,844
Less: accumulated depreciation	(3,550,938)	(3,562,383)		(7,113,321)
Total noncurrent assets	<u>2,213,013</u>	<u>8,307,683</u>		<u>10,520,696</u>
Total assets	<u>4,223,409</u>	<u>9,156,827</u>	<u>282,622</u>	<u>13,662,858</u>
Deferred outflows of resources - pension related	<u>68,572</u>	<u>106,351</u>		<u>174,923</u>
Liabilities				
Current liabilities:				
Accounts payable and accrued expenses	22,264	40,400	35,164	97,828
Due to other funds	324,886	72,295		397,181
Payable from restricted assets:				
Customer deposits	206,280			206,280
Revenue bonds		404,000		404,000
Total current liabilities	<u>553,430</u>	<u>516,695</u>	<u>35,164</u>	<u>1,105,289</u>
Noncurrent liabilities:				
Revenue bonds		5,070,872		5,070,872
Net pension liability	361,226	361,352		722,578
Total noncurrent liabilities	<u>361,226</u>	<u>5,432,224</u>		<u>5,793,450</u>
Total liabilities	<u>914,656</u>	<u>5,948,919</u>	<u>35,164</u>	<u>6,898,739</u>
Deferred inflows of resources - pension related	<u>70,278</u>	<u>8,257</u>		<u>78,535</u>
Net position				
Net investment in capital assets	2,213,012	2,613,583		4,826,595
Restricted - debt service		511,019		511,019
Unrestricted	1,094,035	181,400	247,458	1,522,893
Total net position	<u>\$ 3,307,047</u>	<u>\$ 3,306,002</u>	<u>\$ 247,458</u>	<u>\$ 6,860,507</u>

The accompanying notes are an integral part of this statement.

Town of Haughton
Haughton, Louisiana
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2020

	Business-type Activities - Enterprise Funds			
	Water Fund	Sewer Fund	Sanitation Fund	Total
Operating revenues:				
Charges for service -				
Water sales	\$ 1,075,920	\$	\$	\$ 1,075,920
Sewerage service charges		1,048,913		1,048,913
Solid waste collection			307,179	307,179
Total operating revenues	<u>1,075,920</u>	<u>1,048,913</u>	<u>307,179</u>	<u>2,432,012</u>
Operating expenses:				
Salaries	183,323	183,322		366,645
Payroll taxes and benefits	64,280	63,709		127,989
Contractual services	45,296	9,798	292,256	347,350
Supplies and materials	102,721	15,692		118,413
Utilities	58,860	81,480		140,340
Insurance	80,505	80,553		161,058
Repairs and maintenance	18,277	82,237		100,514
Bad debt	5,475	1,518	6,652	13,645
Depreciation	215,679	269,315		484,994
Other	44,687	3,997	81	48,765
Total operating expenses	<u>819,103</u>	<u>791,621</u>	<u>298,989</u>	<u>1,909,713</u>
Operating income (loss)	<u>256,817</u>	<u>257,292</u>	<u>8,190</u>	<u>522,299</u>
Non-operating revenues (expenses):				
Interest income	1,586	1,264	402	3,252
Miscellaneous	275			275
Ad valorem taxes		217,506		217,506
Non-employer contributions-pension related	5,668	5,670		11,338
Interest expense		(140,752)		(140,752)
Total non-operating revenues (expenses)	<u>7,529</u>	<u>83,688</u>	<u>402</u>	<u>91,619</u>
Other financing sources (uses):				
Capital contributions	240,449	211,429		451,878
Transfer in	2,700	2,700		5,400
Transfers out	(203,907)	(3,907)		(207,814)
Total other financing sources (uses)	<u>39,242</u>	<u>210,222</u>		<u>249,464</u>
Change in net position	303,588	551,202	8,592	863,382
Net position - beginning of year	<u>3,003,459</u>	<u>2,754,800</u>	<u>238,866</u>	<u>5,997,125</u>
Net position - end of year	<u>\$ 3,307,047</u>	<u>\$ 3,306,002</u>	<u>\$ 247,458</u>	<u>\$ 6,860,507</u>

The accompanying notes are an integral part of this statement.

Town of Haughton
Haughton, Louisiana
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2020

	Business-type Activities - Enterprise Funds			
	Water Fund	Sewer Fund	Sanitation Fund	Total
Cash Flows From Operating Activities				
Receipts from customers	\$ 1,083,449	\$ 1,043,732	\$ 321,378	\$ 2,448,559
Cash payments to suppliers for goods and services	(352,035)	(301,764)	(297,406)	(951,205)
Cash payments to employees for services	(246,758)	(246,186)		(492,944)
Net cash provided by operating activities	<u>484,656</u>	<u>495,782</u>	<u>23,972</u>	<u>1,004,410</u>
Cash Flows From Non-Capital Financing Activities				
Advances to other funds	(256,473)	(39,124)	(42,806)	(338,403)
Advances from other funds	78,013	4,383	(30)	82,366
Transfers from other funds	2,700	2,700		5,400
Transfers to other funds	(203,907)	(3,907)		(207,814)
Ad valorem taxes		200,587		200,587
Other	51,361	(5,444)		45,917
Net cash provided (used) by non-capital financing activities	<u>(328,306)</u>	<u>159,195</u>	<u>(42,836)</u>	<u>(211,947)</u>
Cash Flows From Capital and Related Financing Activities				
Principal paid on capital debt		(393,800)		(393,800)
Interest paid on capital debt		(141,758)		(141,758)
Loss on disposal of capital assets	(363)			(363)
Acquisition and construction of capital assets	(30,084)	(626,266)		(656,350)
Net cash (used) by capital and related financing activities	<u>(30,447)</u>	<u>(1,161,824)</u>		<u>(1,192,271)</u>
Cash Flows From Investing Activities				
Interest received	1,586	1,264	402	3,252
Purchase of investments			(34,775)	(34,775)
Sale of investments	75,319		34,445	109,764
Net cash provided by investing activities	<u>76,905</u>	<u>1,264</u>	<u>72</u>	<u>78,241</u>
Net increase (decrease) in cash, cash equivalents, and restricted cash	202,808	(505,583)	(18,792)	(321,567)
Cash, cash equivalents, and restricted cash, beginning of year	<u>1,281,797</u>	<u>1,485,474</u>	<u>58,782</u>	<u>2,826,053</u>
Cash, cash equivalents, and restricted cash, end of year	<u>\$ 1,484,605</u>	<u>\$ 979,891</u>	<u>\$ 39,990</u>	<u>\$ 2,504,486</u>
Cash and cash equivalents are reflected on the Statement of Net Position as follows:				
Cash and cash equivalents	\$ 1,278,325	\$ 468,872	\$ 39,990	\$ 1,787,187
Cash and cash equivalents - restricted	206,280	511,019		717,299
Total	<u>\$ 1,484,605</u>	<u>\$ 979,891</u>	<u>\$ 39,990</u>	<u>\$ 2,504,486</u>
Reconciliation of Operating Income to Net Cash Provided (Used) By Operating Activities:				
Operating income (loss)	\$ 256,817	\$ 257,292	\$ 8,190	\$ 522,299
Adjustments to reconcile operating (loss) to net cash provided (used) by operating activities:				
Depreciation expense	215,679	269,315		484,994
Customer deposits	8,540			8,540
Accounts receivable	(6,679)	(10,851)	14,199	(3,331)
Accounts payable and accrued expenses	2,976	(27,703)	1,583	(23,144)
Prepaid	1,656	2,059		3,715
Pension related	5,667	5,670		11,337
Net Cash Flows From Operating Activities	<u>\$ 484,656</u>	<u>\$ 495,782</u>	<u>\$ 23,972</u>	<u>\$ 1,004,410</u>
Non-cash investing and financing transaction:				
Acquisition of property				
Cost of property and equipment	\$ 235,534	\$ 763,846	\$	\$ 999,380
Donated assets	(205,450)	(211,530)		(416,980)
Vendor payable - prior year		73,950		73,950
Cash down payment for property and equipment	<u>\$ 30,084</u>	<u>\$ 626,266</u>	<u>\$</u>	<u>\$ 656,350</u>

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

Town of Haughton
Haughton, Louisiana
Notes to Financial Statements
December 31, 2020

INTRODUCTION

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

(1) Summary of Significant Accounting Policies

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

A. Reporting Entity

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

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

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

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

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

(Continued)

Town of Haughton
Haughton, Louisiana
Notes to Financial Statements
December 31, 2020
(Continued)

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

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

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

B. Basic Financial Statements – Government-Wide Statements

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations of providing water, sewer, and sanitation services. Non-operating revenues consist of ad valorem taxes, interest income, and other miscellaneous revenues.

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

(Continued)

Town of Haughton
Haughton, Louisiana
Notes to Financial Statements
December 31, 2020
(Continued)

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

C. Basic Financial Statements – Fund Financial Statements

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

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

1. Governmental Funds – the focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental fund of the Town of Haughton:
 - a. General fund is the general operating fund of the Town of Haughton. It is used to account for all financial resources except those required to be accounted for in another fund.
2. Proprietary Funds – the focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the Town:
 - a. Enterprise funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges, or (c) establishes fees and charges based on a pricing policy designed to recover similar costs.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASB sets forth minimum criteria (percentage of the assets, liabilities, revenues, or expenditures/expenses of fund category) for the determination of major funds.

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

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

(Continued)

Town of Haughton
Haughton, Louisiana
Notes to Financial Statements
December 31, 2020
(Continued)

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

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

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

D. Basis of Accounting

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

1. Accrual:

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

2. Modified Accrual:

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

E. Budget and Budgetary Accounting

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

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

(Continued)

Town of Haughton
Haughton, Louisiana
Notes to Financial Statements
December 31, 2020
(Continued)

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

F. Cash, Cash Equivalents, and Investments

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

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

G. Capital Assets

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

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

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

(Continued)

Town of Haughton
Haughton, Louisiana
Notes to Financial Statements
December 31, 2020
(Continued)

H. Revenues

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

I. Net Position

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

J. Sales Taxes

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

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

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

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

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

(Continued)

Town of Haughton
Haughton, Louisiana
Notes to Financial Statements
December 31, 2020
(Continued)

K. Compensated Absences

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

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

L. Interfund Activity

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

M. Use of Estimates

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

N. Long-Term Obligations

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

O. Bad Debts

Uncollectible amounts due for ad valorem taxes, customer's utility receivables, and special assessments are recognized as bad debts through the establishment of an allowance account at the time information becomes available which would indicate the uncollectibility of the particular receivable. There is no allowance reflected in the accompanying financial statements. Accounts receivable for the water, sewer, and sanitation funds are shown net of an allowance of \$39,795, \$46,676, and \$17,490, respectively.

P. Capitalized Interest

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

(Continued)

Town of Haughton
Haughton, Louisiana
Notes to Financial Statements
December 31, 2020
(Continued)

Q. Statement of Cash Flows

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

R. Postretirement Benefits

The Town provides no postretirement benefits to its employees.

S. Fund Balance

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

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

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

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

(Continued)

Town of Haughton
Haughton, Louisiana
Notes to Financial Statements
December 31, 2020
(Continued)

T. Deferred Inflows / Outflows of Resources

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

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

U. Fair Value Measurements

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

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

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

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

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

(2) Levied Taxes

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

(Continued)

Town of Houghton
Houghton, Louisiana
Notes to Financial Statements
December 31, 2020
(Continued)

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

	<u>Authorized Millage</u>	<u>Levied Millage</u>	<u>Expiration Date</u>
General	4.59	4.50	N/A
Sewerage system	8.69	8.52	2035

Approximately 13% of the Town's ad valorem tax revenues are derived from 10 taxpayers.

(3) Cash, Cash Equivalents, and Investments

At December 31, 2020, the Town has cash, cash equivalents, and investments (book balances) totaling \$4,089,211 as detailed below:

A. Cash and Cash Equivalents

Cash and cash equivalents at December 31, 2020 (book balances) totaled \$4,054,436, of which \$717,299 is shown as restricted. These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent.

B. Investments

The investments are presented in the financial statements at fair value using level 2 fair value measure. At December 31, 2020, the Town had investments totaling \$34,775, consisting of certificates of deposit with initial maturities of 90 days or greater. The certificates of deposits are carried at cost, which approximates market.

C. Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of December 31, 2020, \$3,554,837 of the Town's bank balance of \$4,054,837 was exposed to custodial credit risk as follows:

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

Cash	\$ 3,168,133
Certificates of Deposit	<u>386,704</u>
Total	<u>\$ 3,554,837</u>

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

(Continued)

Town of Haughton
Haughton, Louisiana
Notes to Financial Statements
December 31, 2020
(Continued)

(4) Receivables

The following is a summary of receivables at December 31, 2020:

<u>Class of Receivable</u>	
Governmental activities –	
Ad valorem taxes	\$ 20,007
Sales taxes	202,313
Gaming taxes	47,300
Franchise taxes	39,195
Grant	25,000
Miscellaneous	<u>30,223</u>
	<u>364,038</u>
Business-type activities –	
Accounts receivable – water, sewer, and and sanitation charges	273,047
Property taxes	45,814
Other	<u>3,025</u>
	<u>321,886</u>
Total	<u>\$ 685,924</u>

The accounts receivable-water, sewer, and sanitation charges of \$273,047 is shown net of a reserve for uncollectible accounts of \$103,961.

(5) Restricted Assets

Restricted assets were applicable to the following at December 31, 2020:

Business-type activities:	
Debt service	\$ 219,229
Unspent debt proceeds	291,790
Customer deposits	<u>206,280</u>
	<u>\$ 717,299</u>

(6) On-behalf Payments

The Town received a total of \$72,000 in police supplemental pay and a total of \$60,217 in firemen supplemental pay from the State of Louisiana. The Town recognizes this supplemental pay received by the employees as revenues and expenditures of the Town. The revenue is reported in the General Fund under intergovernmental revenues and the expenditure is reported as public safety expenditures.

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Town of Haughton
Haughton, Louisiana
Notes to Financial Statements
December 31, 2020

(7) Capital Assets

Capital asset activity for the year ended December 31, 2020, was as follows:

	Balance at Jan. 1, 2020	Additions	Deletions	Transfers	Balance at Dec. 31, 2020
<u>Governmental Activities:</u>					
Capital assets, not being depreciated:					
Land	\$ 387,518	\$	\$	\$	\$ 387,518
Construction in progress	38,065	138,490		(22,790)	153,765
Total capital assets, not being depreciated	425,583	138,490		(22,790)	541,283
Capital assets, being depreciated:					
Buildings	1,458,434				1,458,434
Improvements other than buildings	2,536,237				2,536,237
Equipment	2,992,676	105,542	(409,583)	22,790	2,711,425
Total capital assets, being depreciated, at historical cost	6,987,347	105,542	(409,583)	22,790	6,706,096
Less accumulated depreciation:					
Buildings	(474,845)	(51,699)			(526,544)
Improvements other than buildings	(1,160,414)	(117,325)			(1,277,739)
Equipment	(2,377,576)	(164,936)	409,583		(2,132,929)
Total accumulated depreciation	(4,012,835)	(333,960)	409,583		(3,937,212)
Total capital assets, being depreciated, net	2,974,512	(228,418)		22,790	2,768,884
Governmental activities capital assets, net	\$ 3,400,095	\$ (89,928)	\$	\$	\$ 3,310,167

(Continued)

Town of Haughton
Haughton, Louisiana
Notes to Financial Statements
December 31, 2020
(Continued)

	Balance at Jan. 1, 2020	Additions	Deletions	Balance at Dec. 31, 2020
<u>Business-Type Activities:</u>				
Capital assets, not being depreciated:				
Land	\$ 17,200	\$ 5,980	\$	\$ 23,180
Construction in progress	434,558	552,416		986,974
Total capital assets, not being depreciated, at historical cost	451,758	558,396		1,010,154
Capital assets, being depreciated:				
Buildings	10,359			10,359
Equipment	484,040		(2,658)	481,382
Water system and equipment	5,535,968	235,534	(83,666)	5,687,836
Sewer plant	9,727,817	205,450		9,933,267
Total capital assets, being depreciated, at historical cost	15,758,184	440,984	(86,324)	16,112,844
Less accumulated depreciation:				
Buildings	(10,359)			(10,359)
Equipment	(239,423)	(16,392)	2,658	(253,157)
Water system and equipment	(3,419,662)	(215,678)	83,301	(3,552,039)
Sewer plant	(3,044,842)	(252,924)		(3,297,766)
Total accumulated depreciation	(6,714,286)	(484,994)	85,959	(7,113,321)
Total capital assets, being depreciated, net	9,043,898	(44,010)	(365)	8,999,523
Business-type activities capital assets, net	<u>\$ 9,495,656</u>	<u>\$ 514,386</u>	<u>\$ (365)</u>	<u>\$ 10,009,677</u>

Included in current year additions above is \$410,899 of donated infrastructure acquired through the acceptance of water and sewer improvements into the Town's maintenance system.

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

	Governmental Activities	Business-type Activities	Total
General government	\$ 128,697	\$	\$ 128,697
Public safety	163,425		163,425
Streets and drainage	41,838		41,838
Water		215,679	215,679
Sewer		269,315	269,315
Total	<u>\$ 333,960</u>	<u>\$ 484,994</u>	<u>\$ 818,954</u>

(Continued)

Town of Haughton
Haughton, Louisiana
Notes to Financial Statements
December 31, 2020
(Continued)

(8) Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses at December 31, 2020, consisted of the following:

<u>Class of Payable</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Accounts	\$ 32,313	\$ 76,305	\$ 108,618
Accrued leave	6,703	6,800	13,503
Payroll liabilities	87,220	433	87,653
Accrued interest		14,290	14,290
Total	<u>\$ 126,236</u>	<u>\$ 97,828</u>	<u>\$ 224,064</u>

(9) Customers' Deposits

Deposits held for customers that are currently active on the water system total \$206,280 at December 31, 2020.

(10) Interfund Transfers

Interfund transfers for the year ended December 31, 2020 consisted of the following:

	<u>Transfer In</u>	<u>Transfer Out</u>	<u>Net</u>
Governmental Funds:			
General fund	<u>\$ 207,814</u>	<u>\$ (5,400)</u>	<u>\$ 202,414</u>
Enterprise Funds:			
Water	2,700	(203,907)	(201,207)
Sewer	<u>2,700</u>	<u>(3,907)</u>	<u>(1,207)</u>
Total Enterprise funds	<u>5,400</u>	<u>(207,814)</u>	<u>(202,414)</u>
	<u>\$ 213,214</u>	<u>\$ (213,214)</u>	<u>\$</u>

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

(11) Risk Management

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

(12) Litigation and Claims

At December 31, 2020, the Town is involved in a lawsuit. In the opinion of legal counsel for the Town, the potential loss on the lawsuit will not be significant to the Town's financial statements.

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Town of Haughton
Haughton, Louisiana
Notes to Financial Statements
December 31, 2020
(Continued)

(13) Interfund Balances

Interfund balances at December 31, 2020 consisted of the following:

	Due From Other Fund	Due To Other Fund	Net
Governmental Funds:			
General	\$ 30,997	\$ (420,513)	\$ (389,516)
Enterprise Funds:			
Water	411,096	(324,886)	86,210
Sewer	200,592	(72,295)	128,297
Sanitation	175,009		175,009
Total Enterprise Funds	<u>786,697</u>	<u>(397,181)</u>	<u>389,516</u>
Total	<u>\$ 817,694</u>	<u>\$ (817,694)</u>	<u>\$</u>

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

(14) Deferred Inflows and Deferred Outflows of Resources

The Statement of Net Position reports deferred inflows of resources at December 31, 2020, consisting of the following:

	Governmental Activities	Business-type Activities	Total
Pension related - MERS	\$ 7,519	\$ 78,535	\$ 86,054
Pension related - MPERS	105,192		105,192
Pension related - Firefighters	116,104		116,104
	<u>\$ 228,815</u>	<u>\$ 78,535</u>	<u>\$ 307,350</u>

The Statement of Net Position reports deferred outflows of resources at December 31, 2020, consisting of the following:

	Governmental Activities	Business-type Activities	Total
Pension related - MERS	\$ 86,730	\$ 174,923	\$ 261,653
Pension related - MPERS	398,498		398,498
Pension related - Firefighters	546,474		546,474
	<u>\$ 1,031,702</u>	<u>\$ 174,923</u>	<u>\$ 1,206,625</u>

Information about each retirement plan is detailed in Note 17.

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Town of Haughton
Haughton, Louisiana
Notes to Financial Statements
December 31, 2020
(Continued)

(15) Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2020, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
Long-term liabilities					
Net pension					
liability - MERS	\$ 330,115	\$	\$ (1,071)	\$ 329,044	\$
Net pension					
liability - MPERS	1,607,674	31,028		1,638,702	
Net pension					
liability - Firefighters	1,306,009	206,337		1,512,346	
Compensated absences	29,412	18,637		48,049	48,049
Total - Governmental Activities					
long-term liabilities	<u>\$ 3,273,210</u>	<u>\$ 256,002</u>	<u>\$ (1,071)</u>	3,528,141	48,049
Less amounts due within period of availability				(6,703)	(6,703)
Total long-term liabilities, Government-wide Statements				<u>\$ 3,521,438</u>	<u>\$ 41,346</u>
Business-type Activities:					
Long-term liabilities					
Direct borrowings and direct placements:					
Revenue Bonds:					
Utility revenue bonds					
Series 2013	\$ 2,133,672	\$	\$ (143,000)	\$ 1,990,672	\$ 146,000
Sales tax bonds					
Series 2016	2,755,000		(195,000)	2,560,000	200,000
Utility revenue bonds					
Series 2019	980,000		(55,800)	924,200	58,000
Total revenue bonds	5,868,672		(393,800)	5,474,872	404,000
Other long-term liabilities:					
Compensated absences	\$ 8,922		(2,122)	6,800	6,800
Net pension					
liability - MERS	675,071	47,507		722,578	
Total - Business-type Activities					
long-term liabilities	<u>\$ 6,552,665</u>	<u>\$ 47,507</u>	<u>\$ (395,922)</u>	\$ 6,204,250	\$ 410,800
Less amounts due within period of availability				(6,800)	(6,800)
Total long-term liabilities, government-wide statements				<u>\$ 6,197,450</u>	<u>\$ 404,000</u>

Information about each retirement plan is detailed in Note 17.

(Continued)

Town of Haughton
Haughton, Louisiana
Notes to Financial Statements
December 31, 2020
(Continued)

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

Series 2013, Sewer Revenue Bonds, total amount available \$3,000,000 for constructing and acquiring improvements, and replacements to the sewerage system of the Town, including equipment and furnishings; interest rate of .95% payable solely from the income and revenue derived or to be derived from the operation of said revenue producing utility. \$ 1,990,672

Series 2016, Sales Tax Bonds, total amount available \$3,300,000 for constructing and acquiring improvements, and replacements to the sewerage system of the Town, including equipment and furnishings; interest rate of 3.10% payable solely from the dedication of a one percent (1%) sales and use tax levied on October 27, 1979 \$ 2,560,000

Series 2019, Sales Tax Bonds, total amount available \$1,040,000 for constructing and acquiring improvements, and replacements to the sewerage system of the Town, including equipment and furnishings; interest rate of 1.975% to 3.95% payable solely from the income and revenue derived or to be derived from the operation of said revenue producing utility. \$ 924,200

Future debt service requirements at December 31, 2020, were as follows:

Fiscal Year	Principle	Interest	Total
2021	\$ 404,000	\$ 120,301	\$ 524,301
2022	413,000	111,642	524,642
2023	421,000	102,762	523,762
2024	434,000	93,644	527,644
2025	443,000	84,134	527,134
2026-2030	2,373,000	268,174	2,641,174
2031-2033	986,872	31,576	1,018,448
	<u>\$ 5,474,872</u>	<u>\$ 812,233</u>	<u>\$ 6,287,105</u>

(16) Leases

For the year ended December 31, 2020, the Town had two operating leases for property utilized by the Town. Lease payments on these leases for the year ended December 31, 2020 totaled \$1,200. If the Town abandons the property, or does not use said property, for use of water production or water storage, the lease automatically expires and reverts to owner after a period of 2 years. Both leases are for 99 years, with future maturities of \$1,200 per year through 2101, and \$600 per year for 2102 through 2106.

The Town also entered into two leases for equipment to be utilized by the Town. Lease payments on the leases for the year ended December 31, 2020 were \$3,642. Future minimum lease payments under these leases are as follows:

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Town of Haughton
Haughton, Louisiana
Notes to Financial Statements
December 31, 2020
(Continued)

Year Ending
December 31,

2021	\$ 4,040
2022	<u>1,499</u>
	<u>\$ 5,539</u>

(17) Pension Plans

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

MUNICIPAL EMPLOYEES RETIREMENT SYSTEM

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

Plan Description

Eligibility Requirements:

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

Retirement Benefits:

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

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

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

1. Age 67 with seven (7) or more years of creditable service
2. Age 62 with ten (10) or more years of creditable service
3. Age 55 with thirty (30) or more years of creditable service

(Continued)

Town of Haughton
Haughton, Louisiana
Notes to Financial Statements
December 31, 2020
(Continued)

4. Any age with twenty five (25) years of creditable service, exclusive of military service and unused side leave. However, any member retiring under this subsection shall have their benefit actuarially reduced from the earliest age of which the member would be entitled to a vested deferred benefit under any provision of this section, if the member had continued in service to that age.

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

Survivor Benefits:

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

DROP Benefits:

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

Disability Benefits:

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

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Cost of Living Increases:

The System is authorized under state law to grant a cost of living increase to members who have been retired for at least one year. The adjustment cannot exceed 2% of the retiree's original benefit for each full calendar year since retirement and may only be granted if sufficient funds are available from investment income in excess of normal requirements. State law allows the System to grant an additional cost of living increase to all retirees and beneficiaries who are age sixty-five and above equal to 2% of the benefit being received on October 1, 1977, or the original benefit, if retirement commenced after that date.

Deferred Benefits:

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

Contributions

Contributions for all members are established by statute. Member contributions are at 9.5% of earnable compensation for Plan A. According to state statute, contribution requirements for all employers are actuarially determined each year. For the plan year ending June 30, 2020, the actual employer contribution rate was 27.75% for Plan A. The Town's contributions to the System for the years ended December 31, 2020, 2019, and 2018 were \$134,533, \$119,728, and \$119,237, respectively. Included in contributions for the year ended December 31, 2020, are contributions for the month of December 2020 totaling \$12,050 which were paid subsequent to December 31, 2020.

Non-Employer Contributions

In accordance with state statute, the System receives ad valorem taxes and state revenue sharing funds. These additional sources of income are used as employer contributions and are considered support from non-employer contributing entities, but are not considered special funding situations. Non-employer contributions totaling \$16,501 are recognized as revenue during the year ended December 31, 2020 and excluded from pension expense.

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

At December 31, 2020, the Town reported a liability of \$1,051,622 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The historical employer contributions are used to determine the proportionate relationship of each employer to all employers of Municipal Employees' Retirement System. The employer's proportion was determined on a basis that is consistent with the manner in which contributions to the pension plan are determined. The allocation percentages were used in calculating each employer's proportionate share of the pension amounts. The allocation method used in determining each employer's proportion was based on each employer's contributions to the System during the fiscal year ended June 30, 2020 as compared to the total of all employers' contributions received by the System during the fiscal year ended June 30, 2020. The Town's proportion as measured at June 30, 2020, was .243239%, which was an increase of .00269% from its proportion measured as of June 30, 2019.

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Town of Haughton
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(Continued)

For the year ended December 31, 2020, the Town recognized pension expense of \$148,029, plus employer's amortization of change in proportionate share and the difference between employer contributions and proportionate share of contributions, \$(2,928).

At December 31, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Inflows of Resources	
	Governmental Activities	Business-type Activities
Differences between expected and actual experience	\$ 1,789	\$ 4,173
Changes in proportion and differences between employer contributions and proportionate share of contributions	5,323	73,413
Employer contributions subsequent to the measurement Date	407	949
Total	<u>\$ 7,519</u>	<u>\$ 78,535</u>

	Deferred Outflows of Resources	
	Governmental Activities	Business-type Activities
Differences between expected and actual experience	\$ 134	\$ 314
Changes of assumptions	5,308	12,384
Net difference between projected and actual earnings on pension plan investments	31,482	73,458
Changes in proportion and differences between employer contributions and proportionate share of contributions	27,974	40,825
Employer contributions subsequent to the measurement Date	21,832	47,942
Total	<u>\$ 86,730</u>	<u>\$ 174,923</u>

The Town reported a total of \$69,774 as deferred outflow of resources related to pension contributions made subsequent to the measurement period of June 30, 2020, which will be recognized as a reduction in net pension liability in the year ended December 31, 2021.

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

Year	Amount
2021	\$ 30,598
2022	36,680
2023	23,506
2024	15,041
Total	<u>\$ 105,825</u>

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Notes to Financial Statements
December 31, 2020
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Actuarial Methods and Assumptions

The net pension liability was measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service, less the amount of the pension plan's fiduciary net position. A summary of the actuarial methods and assumptions used in determining the total pension liability as of June 30, 2020 are as follows:

Valuation Date	June 30, 2020
Actuarial Cost Method	Entry Age Normal Cost
Actuarial Assumptions:	
Investment Rate of Return	6.95%, decreased from 7.00% in 2019
Inflation Rate	2.5%
Salary increases, including inflation and merit increases:	
1 to 4 years of service	6.4%
More than 4 years of service	4.5%
Annuitant and beneficiary mortality	PubG-2010(B) Healthy Retiree table set equal to 120% for males and females, each adjusted using their respective male and female MP2018 scales.
Employee mortality	PubG-2010(B) Healthy Retiree table set equal to 120% for males and females, each adjusted using their respective male and female MP2018 scales.
Disabled lives mortality	PubNS-2010(B) Disabled Retiree table set equal to 120% for males and females with full generational MP2018 scale.
Expected Remaining Service Lives	3 years

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about future employment mortality and future salary increases. Actuarially determined amounts regarding the net pension liability are subject to continual revision as actual results are compared to past expectations, and new estimates are made about the future. The actuarial assumptions used in the June 30, 2020 valuation was based on the results of an experience study, for the period July 1, 2013 to June 30, 2018. The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2009 through June 30, 2014. The required Schedules of Employers' Net pension Liability located in the required supplementary information following the notes to the Financial Statements present multi-year trend information regarding whether the plan fiduciary net positions are increasing or decreasing over time relative to the total pension liability. The Total Pension Liability as of June 30, 2020 is based on actuarial valuations for the same period, updates using generally accepted actuarial principles.

The long term expected rate of return on pension plan investments was determined using a building block method in which best estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return

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by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and an adjustment for the effect of rebalancing/diversification.

Best estimates of arithmetic real rates of return for each major asset class included in the System's target asset allocation as of June 30, 2020 are summarized in the following table:

	Target Asset <u>Allocation</u>	Long-Term Expected Portfolio Real Rate of <u>Return</u>
Public equity	53%	2.33%
Public fixed income	38%	1.67%
Alternatives	9%	.40%
Totals	<u>100%</u>	<u>4.40%</u>
Inflation		2.6%
Expected Arithmetic Nominal Return		7.0%

The discount rate used to measure the total pension liability was 6.95%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made at the actuarially determined rates approved by the Board of Trustees and PRSAC taking into consideration the recommendation of the System's actuary. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity to Changes in Discount Rate

The following presents the net pension liability of the participating employers calculated using the discount rate of 6.95%, as well as what the employers' net pension liability would be if it were calculated using a discount rate that is one percentage point lower, or one percentage point higher than the current rate as of June 30, 2020:

	<u>Changes in Discount Rate</u>		
	1% Decrease <u>5.95%</u>	Current Discount Rate <u>6.95%</u>	1% Increase <u>7.95%</u>
Net Pension Liability	\$1,368,045	\$1,051,622	\$ 784,073

Changes in Net Pension Liability

The changes in the net pension liability for the year ended December 31, 2020 were recognized in the current reporting period except as follows:

Differences between Expected and Actual Experience:

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

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Notes to Financial Statements
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(Continued)

Differences between Projected and Actual Investment Earnings:

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

Changes of Assumptions:

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

Changes in Proportion:

Changes in the employer's proportionate share of the collective net pension liability and collective deferred outflows of resources and deferred inflows of resources since the prior measurement date were recognized in employer's pension expense (benefit) using the straight-line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided pensions through the pension plan. The unamortized amounts arising from changes in proportion are presented in the Schedule of Pension Amounts as deferred outflows or deferred inflows as of December 31, 2020.

Contributions – Proportionate Share

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

Pension Plan Fiduciary Net Position

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

Detailed information about the fiduciary net position is available in a stand-alone audit report on their financial statements for the year ended June 30, 2020. Access to these reports can be found on the Louisiana Legislative Auditor's website, www.la.la.gov.

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM

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

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December 31, 2020
(Continued)

Plan Description

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

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

Membership Prior to January 1, 2013

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

Membership Commencing January 1, 2013

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

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Notes to Financial Statements
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Cost of Living Adjustments

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

Deferred Retirement Option Plan

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

Initial Benefit Option Plan

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

Contributions

Contributions for all members are actuarially determined as required by state law but cannot be less than 9% of the employees' earnable compensation excluding overtime but including state supplemental pay. For the year ended June 30, 2020, total contributions due from employers and employees was 42.25%. The employer and employee contribution rates for all members hired prior to January 1, 2013 and Hazardous Duty members hired after January 1, 2013 were 32.25% and 10%, respectively. The employer and employee contribution rates for all Non-Hazardous Duty members hired after January 1, 2013 were 32.25% and 8%, respectively. The employer and employee contribution rates for all members whose earnable compensation is less than or equal to the poverty guidelines issued by the United States Department of Health and Human Services

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(Continued)

were 34.75% and 7.5%, respectively. The Town contributions to the System for the years ended December 31, 2020, 2019, and 2018 were \$173,875, \$178,576, and \$170,353, respectively. Included in contributions for the year ended December 31, 2020, are contributions for the month of December 2020 totaling \$15,132 which were paid subsequent to December 31, 2020.

Non-Employer Contributions

The System also receives insurance premium tax monies as additional employer contributions. The tax is considered support from a non-contributing entity and appropriated by the legislature each year based on an actuarial study. Non-employer contributions totaling \$38,647 are recognized as revenue during the year ended December 31, 2020 and excluded from pension expense.

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

At December 31, 2020, the Town reported a liability of \$1,638,702 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on the employer's contributions to the System during the year ended June 30, 2020, as compared to the total of all employers' contributions to the System for the year ended June 30, 2020. At June 30, 2020, the Town's proportion was .1773040%, which was an increase of .00028% from its proportion measured as of June 30, 2019.

For the year ended December 31, 2020, the Town recognized pension expense of \$342,093, plus employer's amortization of change in proportionate share and the difference between employer contributions and proportionate share of contributions, \$1,080.

At December 31, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Governmental Activities</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$	\$ 64,547
Changes of assumptions	38,939	40,441
Net difference between projected and actual earnings on pension plan investments	196,595	
Changes in proportion and differences between employer contributions and proportionate share of contributions	77,107	204
Employer contributions subsequent to the measurement date	85,857	
Total	<u>\$ 398,498</u>	<u>\$ 105,192</u>

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Notes to Financial Statements
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(Continued)

The Town reported a total of \$85,857 as deferred outflow of resources related to pension contributions made subsequent to the measurement period of June 30, 2020, which will be recognized as a reduction in net pension liability in the year ended December 31, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expenses as follows:

<u>Year</u>	<u>Amount</u>
2021	\$ 66,027
2022	66,738
2023	37,349
2024	37,335
Total	<u>\$ 207,449</u>

Actuarial Methods and Assumptions

The actuarial assumptions used in the June 30, 2020 valuation were based on the assumptions used in the June 30, 2020 actuarial funding valuation, and were based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014. In cases where benefit structures were changed after the study period, assumptions were based on estimates of future experience. A summary of the actuarial methods and assumptions used in determining the total pension liability as of June 30, 2020 are as follows:

Valuation Date	June 30, 2020
Actuarial Cost Method	Entry Age Normal Cost
Investment Rate of Return	6.950%, net of investment expense, decreased from 7.125% in 2019
Expected Remaining Service Lives	4 years
Inflation Rate	2.5%

	<u>Years of Service</u>	<u>Salary Growth Rate</u>
Salary increases, including inflation and merit	1-2	12.3%
	Above 2	4.70%

Mortality For annuitants and beneficiaries, the Pub-2010 Public Retirement Plan Mortality Table for Safety Below-Median Healthy Retirees multiplied by 115% for males and 125% for females, each with full generational projection using the MP2019 scale was used.

For disabled lives, the Pub-2010 Public Retirement Plans Mortality Table for Safety Disable Retirees multiplied by 105% for males and 115% for females, each with full generational projection using the MP2019 scale was used.

For employees, the Pub-2010 Public Retirement Plans Mortality Table for Safety Below-Median Employees multiplied by 115% for males and 125% for females, each with full generational projection using the MP2019 scale was used.

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(Continued)

Cost-of-Living Adjustments The present value of future retirement benefits is based on benefits currently being paid by the System and includes previously granted cost-of-living increases. The present values do not include provisions for potential future increases not yet authorized by the Board of Trustees.

The mortality rate assumption used was set based upon an experience study performed by the prior actuary on plan data for the period of July 1, 2014 through June 30, 2019, and review of similar law enforcement mortality. A change was made full generational mortality which combines the use of a base mortality table with appropriate mortality improvement scales. In order to set the base mortality table, actual plan mortality experience was assigned a credibility weighting and combined with a standard table to produce current levels of mortality.

Best estimates of arithmetic nominal rates of return for each major asset class included in the System's target allocation as of June 30, 2020 are summarized in the following table:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Portfolio Real Rate of Return</u>
Equity	48.50%	3.08%
Fixed income	33.50%	0.54%
Alternatives	18%	1.02%
Other	0%	0.00%
Totals	100%	4.64%
Inflation		2.55%
Expected Arithmetic Nominal Return		7.19%

Sensitivity to Changes in Discount Rate

The following presents the net pension liability of the participating employers calculated using the discount rate of 6.95%, as well as what the employers' net pension liability would be if it were calculated using a discount rate that is one percentage point lower 5.95% or one percentage point higher 7.95% than the current rate as of June 30, 2020:

	<u>Changes in Discount Rate</u>		
	<u>1% Decrease 5.95%</u>	<u>Current Discount Rate 6.95%</u>	<u>1% Increase 7.95%</u>
Net Pension Liability	\$2,302,202	\$ 1,638,702	\$1,084,044

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(Continued)

Change in Net Pension Liability

The changes in the net pension liability for the year ended December 31, 2020 were recognized in the current reporting period as pension expense except as follows:

Differences between Expected and Actual Experience:

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

Differences between Projected and Actual Investment Earnings:

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

Changes of Assumptions or Other Inputs:

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

Change in Proportion:

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

Contributions – Proportionate Share

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

Pension Plans Fiduciary Net Positions

Plan fiduciary net position is a significant component of the System's collective net pension liability. The System's plan fiduciary net position was determined using the accrual basis of accounting. The System's assets, liabilities, revenues and expenses were recorded with the use of estimates and assumptions in conformity with accounting principles generally accepted in the United States of America. Such estimates primarily related to unsettled transactions and events as of the date of the financial statements and estimates over the determination of the fair market value of the System's investments. Accordingly, actual results may differ from estimated mounts. The Plan's fiduciary net position has been determined on the same basis as that used by the plan. Detailed information about the fiduciary net position is available in a stand-alone audit report on their financial statements for the year ended June 30, 2020. Access to these reports can be found on the Louisiana Legislative Auditor's website, www.la.la.gov.

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STATE OF LOUISIANA FIREFIGHTERS' RETIREMENT SYSTEM

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

Plan Description

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

Eligibility Requirements

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

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

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

Retirement Benefits

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

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

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

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

(Continued)

Town of Haughton
Haughton, Louisiana
Notes to Financial Statements
December 31, 2020
(Continued)

Disability Benefits

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

Death Benefits

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

Deferred Retirement Option Plan

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

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

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

Initial Benefit Option Plan

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

Cost of Living Adjustments (COLAs)

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

Contributions

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

(Continued)

Town of Haughton
Haughton, Louisiana
Notes to Financial Statements
December 31, 2020
(Continued)

Employer and Employee Contributions

According to State statute, employer contributions are actuarially determined each year. For the year ended June 30, 2020, employer and employee contributions for members above the poverty line were 27.75% and 10.0%, respectively. The employer and employee contribution rates for those members below the poverty line were 28.50% and 8.0%, respectively. The Town's contributions to the System for the years ended December 31, 2020, 2019, and 2018 were \$164,655, \$143,331, and \$135,544, respectively. Included in contributions for the year ended December 31, 2020, are contributions for the month of December 2020 totaling \$15,339 which were paid subsequent to December 31, 2020.

Non-employer contributions

The System also receives insurance premium tax monies as additional employer contributions. The tax is considered support from a non-contributing entity and appropriated by the legislature each year based on an actuarial study. Non-employer contributions are recognized as revenue during the year ended June 30, 2020 and were excluded from pension expense. Non-employer contributions received by the System and attributable to the Town during the year ended December 31, 2020 were \$61,130.

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

At December 31, 2020, the Town reported a liability of \$1,512,346 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on the historical employer contributions. The employer's proportion was determined on a basis that is consistent with the manner in which contributions to the pension plan are determined. The allocation percentages were used in calculating each employer's proportionate share of the pension amounts.

The allocation method used in determining each employer's proportion was based on the combined contributions to the System during the year ended June 30, 2020 as compared to the total of all combined contributions to the System during the fiscal year ended June 30, 2020. At June 30, 2020, the Town's proportion was .2181830%, which was an increase of .0096190% from its proportion measured as of June 30, 2019.

For the year ended December 31, 2020, the Town recognized pension expense of \$275,169, plus employer's amortization of change in proportionate share and the difference between employer contributions and proportionate share of contributions, \$(18,489).

At December 31, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

(Continued)

Town of Haughton
Haughton, Louisiana
Notes to Financial Statements
December 31, 2020
(Continued)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$	\$ 96,760
Changes of assumptions	146,196	
Net difference between projected and actual earnings on pension plan investments	166,549	
Changes in proportion and differences between employer contributions and proportionate share of contributions	144,890	19,344
Employer contributions subsequent to the measurement date	88,839	
Total	<u>\$ 546,474</u>	<u>\$ 116,104</u>

The Town reported a total of \$88,839 as deferred outflow of resources related to pension contributions made subsequent to the measurement period of June 30, 2020, which will be recognized as a reduction in net pension liability in the year ended December 31, 2021.

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

<u>Year</u>	<u>Amount</u>
2021	\$ 68,972
2022	99,482
2023	92,678
2024	52,751
2025	14,220
2026	13,428
Total	<u>\$ 341,531</u>

Actuarial Methods and Assumptions

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

For each year, the actuary determines the reasonable range of the actuarial valuation interest rate, an expected long-term portfolio rate of return and standard deviation based upon the System's target asset allocation and a thirty-year time horizon. These rates were based on an analysis of the System's portfolio along with expected long-term rates of return, standard deviations of return, and correlations between asset classes collected from a number of investment consulting firms in addition to the System's investment consultant, NEPC, L.L.C. Using these values and assuming that future portfolio returns are normally distributed, ten thousand trials of returns over the upcoming thirty years was performed. The results of these trials were organized into percentiles and a reasonable range equal to the 40th through 60th percentiles was set. For the fiscal year ended June 30, 2020, the reasonable range was set at 5.99% through 7.06% and the Board of Trustees elected to set the System's assumed rate of return at 7.00% for

(Continued)

Town of Haughton
Haughton, Louisiana
Notes to Financial Statements
December 31, 2020
(Continued)

Fiscal 2020. For the fiscal year ended June 30, 2019, the reasonable range was set at 6.20% through 7.15% and the Board of Trustees elected to set the System's assumed rate of return at 7.15% for Fiscal 2019. The actuarial valuation interest rates selected by the board, which were within the reasonable range, were 7.00% and 7.15% for fiscal years 2020 and 2019, respectively.

The remaining actuarial assumptions utilized for this report for fiscal year 2020 are based on the results of an actuarial experience study for the period July 1, 2014 – June 30, 2019, unless otherwise specified in this report. The assumptions in the report for fiscal year 2019 were based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014. Additional details are given in the actuary's complete Experience Reports for each period. A summary of the actuarial methods and assumptions used in determining the total pension liability as of June 30, 2020, are as follows:

Valuation Date	June 30, 2020
Actuarial Cost Method	Entry Age Normal Cost
Estimated Remaining Service Life	7 years closed period
Investment Rate of Return	7.00% per annum (net of investment expenses, including inflation) (decreased from 7.19% in 2019)
Inflation Rate	2.50% per annum
Salary increases	14.10% in the first two years of service and 5.20% with 3 or more years of service; includes inflation and merit increases (in 2019, salary increases ranged from 14.75% in the first two years of service to 4.50% with 25 or more years of service)
Cost of Living Adjustments	Only those previously granted

The mortality rate assumptions were updated in fiscal year 2020 to reflect changes from the recent experience study and rates set in the Pub-2010 Public Retirement Plans mortality tables, as compared to the RP-2000 Combined Healthy and Disabled Lives tables that were used for the previous valuation. For the June 30, 2020 valuation, assumptions for mortality rates were based on the following:

- For active members, mortality was set equal to the Pub-2010 Public Retirement Plans Mortality Table for Safety Below-Median Employees.
- For annuitants and beneficiaries, mortality was set equal to the Pub-2010 Public Retirement Plans Mortality Table for Safety Below-Median Healthy Retirees.
- For disabled retirees, mortality was set equal to the Pub-2010 Public Retirement Plans Mortality Table for Safety Disabled Retirees.
- In all cases the base table was multiplied by 105% for males and 115% for females, each with full generational projection using the appropriate MP2019 scale.

(Continued)

Town of Haughton
Haughton, Louisiana
Notes to Financial Statements
December 31, 2020
(Continued)

The estimated long-term expected rate of return on pension plan investments was determined by the System's actuary using the System's target asset allocation and the G.S. Curran & Company Consultant Average study for 2020. The consultants' average study included projected nominal rates of return, standard deviations of returns, and correlations of returns for a list of common asset classes collected from a number of investment consultants and investment management firms. Each consultant's response included nominal expected long term rates of return. In order to arrive at long term expected arithmetic real rates of return, the actuary normalized the data received from the consultant's responses in the following ways. Where nominal returns received were arithmetic, the actuary simply reduced the return assumption by the long term inflation assumption. Where nominal returns were geometric, the actuary converted the return to arithmetic by adjusting for the long term standard deviation and then reduced the assumption by the long term inflation assumption. Using the target asset allocation for the System and the average values for expected real rates of return, standard deviation of returns, and correlation of returns, an arithmetic expected nominal rate of return and standard deviation for the portfolio was determined. The System's long-term assumed rate of inflation of 2.50% was used in this process for the fiscal year ended June 30, 2020.

The long-term expected real rate of return is an important input into the actuary's determination of the reasonable range for the discount rate which is used in determining the total pension liability. Prior year's financial reports presented the long-term expected real rate of return provided by the System's investment consultant, whereas this year's report presents this information for both fiscal years 2020 and 2019 from the System's actuary. The actuary's method incorporates information from multiple consultants and investments firms regarding future expected rates of return, variances, and correlation coefficients for each asset class. The actuary's method integrates data from multiple sources to produce average values thereby reducing reliance on a single data source.

Best estimates of arithmetic real rates of return for each major class included in the System's target asset allocation as of June 30, 2020, are summarized in the following tables:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Real Rates of Return</u>
Fixed income	31%	4.40%
Equity		
U.S. Equity	26%	5.72%
Non-U.S. Equity	12%	6.24%
Global Equity	10%	6.23%
Emerging Market Equity	6%	8.61%
Alternatives		
Real Estate	6%	4.20%
Private Equity	9%	10.29%
Totals	<u>100%</u>	

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made at the actuarially determined rates approved by PRSAC taking into consideration the recommendation of the System's actuary. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

(Continued)

Town of Haughton
Haughton, Louisiana
Notes to Financial Statements
December 31, 2020
(Continued)

Sensitivity to Changes in Discount Rate

The following presents the net pension liability of the participating employers calculated using the discount rate of 7.00%, as well as what the employers' net pension liability would be if it were calculated using a discount rate that is one percentage point lower 6.00% or one percentage point higher 8.00% than the current rate as of June 30, 2020.

	<u>Changes in Discount Rate</u>		
	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Net Pension Liability	\$ 2,184,569	\$1,512,346	\$ 951,238

Change in Net Pension Liability

The changes in the net pension liability for the year ended June 30, 2020 were recognized in the current reporting period as pension expense except as follows:

Differences between Expected and Actual Experience:

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

Differences between Projected and Actual Investment Earnings:

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

Changes of Assumptions:

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

Change in Proportion:

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

CONTRIBUTIONS - PROPORTIONATE SHARE

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

(Continued)

Town of Haughton
Haughton, Louisiana
Notes to Financial Statements
December 31, 2020
(Continued)

Plan Fiduciary Net Position

Plan fiduciary net position is a significant component of the System's collective net pension liability. The System's plan fiduciary net position was determined using the accrual basis of accounting. The System's assets, liabilities, revenues and expenses were recorded with the use of estimates and assumptions in conformity with accounting principles generally accepted in the United States of America. Such estimates primarily related to unsettled transactions and events as of the date of the financial statements and estimates over the determination of the fair market value of the System's investments. Accordingly, actual results may differ from estimated amounts. The Plan's fiduciary net position has been determined on the same basis as that used by the plan. Detailed information about the fiduciary net position is available in a stand-alone audit report on their financial statements for the year ended June 30, 2020. Access to these reports can be found on the Louisiana Legislative Auditor's website, www.la.gov.

Retirement System Audit Report

Firefighters' Retirement System issued a stand-alone audit report on its financial statements for the year ended June 30, 2020. Access to the audit report can be found on the System's website: www.ffret.com or on the Office of Louisiana Legislative Auditor's official website: www.la.gov.

(18) Commitments

The Town signed an engineering and construction contracts for sewer system upgrades in the amount of \$1,024,736. As of December 31, 2020, the town has incurred \$962,599 under these contracts. The remaining \$62,137, will be incurred in the subsequent year.

The Town signed two construction contracts for drainage improvement in the amount of \$372,625. As of December 31, 2020, the town has incurred \$165,065 under these contracts. The remaining \$207,560, will be incurred in the subsequent year.

(19) Subsequent Events

The Town passed a resolution in August 2020 providing for the incurrence of indebtedness in the amount of \$6,849,000 for the purposes of providing a portion of the costs of acquiring, constructing, enlarging, improving, and/or extending the wastewater treatment plant facility, and for refunding certain revenue bonds. As of June 28, 2021, the bonds have not yet been issued. The Town has awarded two bids in relation to this project for construction and improving a lift station and a wastewater treatment plant for a total of approximately \$5,884,524.

Subsequent events have been evaluated through June 28, 2021, the date the financial statements were available to be issued.

(20) Uncertainty

As a result of the COVID-19 Coronavirus, economic uncertainties have arisen which are likely to negatively impact financial resources. While the duration on the economic impact is expected to be temporary, there is considerable uncertainty around the duration. The related financial impact and duration cannot be reasonably estimated at this time.

Town of Haughton
Haughton, Louisiana
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2020

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget
Revenues:				Positive
				(Negative)
Ad valorem taxes	\$ 130,000	\$ 134,250	\$ 120,284	\$ (13,966)
Franchise taxes	140,000	140,000	163,601	23,601
Sales taxes	1,536,723	1,536,723	1,750,861	214,138
Licenses and permits	221,000	221,000	221,277	277
Grant revenue	30,000	70,792	52,175	(18,617)
Intergovernmental	405,000	405,000	360,593	(44,407)
Interest	1,500	1,500	1,593	93
Fines and forfeits	259,000	259,000	214,440	(44,560)
Other	25,280	21,030	79,385	58,355
Total revenues	2,748,503	2,789,295	2,964,209	174,914
Expenditures:				
Current:				
General government	450,600	476,664	566,355	(89,691)
Public safety	2,397,878	2,427,878	2,331,084	96,794
Street and drainage	205,820	280,350	120,810	159,540
Capital outlay			244,032	(244,032)
Total expenditures	3,054,298	3,184,892	3,262,281	(77,389)
Excess (deficiency) of revenues over (under) expenditures	(305,795)	(395,597)	(298,072)	97,525
Other financing sources (uses):				
Transfers in	200,000	200,000	207,814	7,814
Transfers out			(5,400)	(5,400)
Total other financing sources (uses)	200,000	200,000	202,414	2,414
Excess (deficiency) of revenues and other sources over expenditures and other uses	(105,795)	(195,597)	(95,658)	99,939
Fund balances at beginning of year	1,218,640	1,029,002	1,029,001	(1)
Fund balances at end of year	\$ 1,112,845	\$ 833,405	\$ 933,343	\$ 99,938

Town of Haughton
Haughton, Louisiana
Notes to Required Supplementary Information
December 31, 2020

The Town's budget is adopted on a cash basis for all funds. There was one amendment to the 2020 budget. Budget comparison statements included in the accompanying financial statements include the original and adopted budgets and all amendments. The schedule below reconciles excess (deficiency) of revenues and other sources over expenditures and other uses on the budget basis with GAAP basis:

	<u>General Fund</u>
Excess of revenues and other sources over expenditures and other uses (budget basis)	\$ (95,658)
Adjustments:	
Revenue accruals – net	27,167
Expenditure accruals – net	<u>72,249</u>
Excess of revenues and other sources over expenditures and other uses (GAAP) basis	<u>\$ 3,758</u>

Expenditures for the General Fund exceeded appropriations by \$77,389 for the year ended December 31, 2020.

Town of Haughton
Haughton, Louisiana
Schedule of Proportionate Share of Net Pension Liability
For the Year Ended December 31, 2020

Year Ended June 30	Proportion of the net pension liability (asset)	Proportionate share of the net pension liability (asset)	Covered-employee payroll	Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total pension liability
<u>Municipal Employees Retirement System of Louisiana</u>					
2020	0.24324%	\$ 1,051,622	\$ 464,838	226.23%	64.52%
2019	0.24055%	1,005,186	454,572	221.13%	64.68%
2018	0.25476%	1,054,880	465,118	226.80%	63.94%
2017	0.25937%	1,085,041	471,028	230.36%	62.49%
2016	0.26036%	1,067,128	465,086	229.45%	62.11%
2015	0.23066%	823,954	389,691	211.44%	66.18%
<u>Municipal Police Employees Retirement System of Louisiana</u>					
2020	0.17730%	\$ 1,638,702	\$ 547,650	299.22%	70.94%
2019	0.17702%	1,607,674	547,986	293.38%	71.01%
2018	0.16874%	1,426,555	497,982	286.47%	71.89%
2017	0.14667%	1,280,447	470,714	272.02%	70.08%
2016	0.13680%	1,282,173	383,197	334.60%	66.04%
2015	0.15897%	1,245,340	422,377	294.84%	70.73%
<u>Firefighters Retirement System</u>					
2020	0.21818%	\$ 1,512,346	\$ 545,450	277.27%	72.61%
2019	0.20856%	1,306,009	511,245	255.46%	73.96%
2018	0.21357%	1,228,443	508,465	241.60%	74.76%
2017	0.20504%	1,175,281	479,453	245.13%	73.55%
2016	0.18459%	1,207,385	415,759	290.41%	68.16%
2015	0.18052%	974,281	383,637	253.96%	72.45%

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

Town of Haughton
Haughton, Louisiana
Schedule of Contributions
For the Year Ended December 31, 2020

<u>Year Ended June 30</u>	<u>Statutorily Required Contribution</u>	<u>Contributions in relation to the statutorily required contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered-employee payroll</u>	<u>Contributions as a percentage of covered-employee payroll</u>
<u>Municipal Employees Retirement System of Louisiana</u>					
2020	\$ 134,533	\$ 134,533	\$	\$ 470,093	28.62%
2019	120,149	120,149		446,765	26.89%
2018	119,237	119,237		470,324	25.35%
2017	106,985	106,985		450,803	23.73%
2016	102,903	102,903		484,331	21.25%
2015	83,694	83,694		423,765	19.75%
<u>Municipal Police Employees Retirement System of Louisiana</u>					
2020	\$ 173,875	\$ 173,875	\$	\$ 525,826	33.07%
2019	178,576	178,576		545,237	32.75%
2018	170,353	170,353		540,403	31.52%
2017	145,369	145,369		465,291	31.24%
2016	124,649	124,649		403,356	30.90%
2015	122,490	122,490		400,839	30.56%
<u>Firefighters Retirement System</u>					
2020	\$ 164,655	\$ 164,655	\$	\$ 548,679	30.01%
2019	143,331	143,331		528,136	27.14%
2018	135,544	135,544		511,486	26.50%
2017	128,437	128,437		496,156	25.89%
2016	117,597	117,597		449,514	26.16%
2015	112,947	112,947		399,963	28.24%

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

**Amounts presented were determined as of the measurement date.

Town of Haughton
Haughton, Louisiana
Schedule of Compensation Paid to Board Members
For the Year Ended December 31, 2020

Mayor Jack Hicks	\$ 34,620
Town Council:	
K. W. Gaspard	7,200
Jo Anne Keith	6,000
Martha McGee	6,000
Phillip Smith	6,000
Jonathan Phillips	<u>6,000</u>
	<u>\$ 65,820</u>

Town of Haughton
Haughton, Louisiana
Schedule of Compensation, Benefits, and Other Payments to Agency Head
For the Year Ended December 31, 2020

Agency Head: Jack Hicks, Mayor

Purpose	Amount
Salary	\$ 31,200
Benefits-insurance	3,420

Town of Haughton
Haughton, Louisiana
Other Supplementary Information
Justice System Funding Schedule
Collecting/Disbursing Schedule
As Required by Act 87 of the 2020 Regular Legislative Session
For the Year Ended December 31, 2020

Cash Basis Presentation	January 2020 - June 2020	July 2020 - December 2020
Beginning Balance of Amounts Collected (i.e. cash on hand)	-	206
Add: Collections		
Criminal Fines - Other	91,819	113,944
Subtotal Collections	<u>91,819</u>	<u>113,944</u>
Less: Disbursements to Governments and Nonprofits		
Louisiana Traumatic Head and Spinal Cord Injury Trust Fund - Criminal Fines - Other	270	185
North Louisiana Criminalistics Laboratory Commission - Criminal Fines - Other	10,735	11,240
State of Louisiana Treasurer - Criminal Fines - Other	981	1,083
Louisiana Judicial College - Criminal Fines - Other	164	180
Louisiana Association of Chiefs of Police - Criminal Fines - Other	903	722
Louisiana Commission on Law Enforcement, POST Law Enforcement Training and Assistance Fund - Criminal Fines - Other	45	84
Louisiana Commission on Law Enforcement, Crime Victims Reparation Fund - Criminal Fines - Other	173	255
Less: Amounts Retained by Collecting Agency		
Amounts self-disbursed to collecting agency - Criminal fines - Other	78,322	99,854
Less: Disbursements to Individuals/3rd Party Collection or Processing Agencies		
Other	20	70
Subtotal Disbursements/Retainage	<u>91,613</u>	<u>113,673</u>
Total: Ending Balance of Amounts Collected but not Disbursed/Retained (i.e. cash on hand)	<u>206</u>	<u>477</u>
Ending Balance of "Partial Payments" Collected but not Disbursed	<u>N/A</u>	<u>N/A</u>

Other Information:

Ending Balance of Total Amounts Assessed but not yet Collected (i.e. receivable balance)	N/A	N/A
Total Waivers During the Fiscal Period (i.e. non-cash reduction of receivable balances, such as time served or community service)	-	4,787

Town of Haughton
Haughton, Louisiana
Other Supplementary Information
Justice System Funding Schedule
Receiving Schedule - General Fund
As Required by Act 87 of the 2020 Regular Legislative Session
For the Year Ended December 31, 2020

Cash Basis Presentation	<u>January 2020 - June 2020</u>	<u>July 2020 - December 2020</u>
Receipts From:		
Louisiana Department of Public Safety - Criminal Court Cost/Fees	\$ 275	\$ 150
Bossier Parish Sheriff - Criminal Fines - Other	4,280	2,533
District Attorney for the Twenty-Sixth Judicial District - Restitution	1,137	
Subtotal Receipts	<u>5,692</u>	<u>2,683</u>
Ending Balance of Amounts Assessed but Not Received	<div style="border: 1px solid black; text-align: center;">-</div>	<div style="border: 1px solid black; text-align: center;">-</div>

COOK & MOREHART

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

Independent Auditor's Report

The Honorable Jack Hicks, Mayor
and Members of the Town Council
Town of Haughton
Haughton, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, and each major fund of the Town of Haughton, Louisiana, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Town of Haughton's basic financial statements, and have issued our report thereon dated June 28, 2021.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weakness or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Summary Schedule of Current Year Audit Findings as items 2020-001 and 2020-002, that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Haughton's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 or other matters that are required to be reported under *Government Auditing Standards*.

Town of Haughton's Response to Findings

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

Purpose of this Report

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



Cook & Morehart
Certified Public Accountants
June 28, 2021

Town of Haughton
Haughton, Louisiana
Summary Schedule of Audit Findings
December 31, 2020

Summary Schedule of Prior Audit Findings

There were three findings for the prior year audit for the year ended December 31, 2019.

2019-001 Significant Deficiency – Police Department Collections

Significant Deficiency: The same individual responsible for collecting payments is also responsible for posting payments to the subsidiary software. That individual also has the ability to post amendments/adjustments to ticket amounts within the subsidiary software. There was no supervisory review of ticket amendments/adjustments posted to the fines subsidiary software.

Recommendation: We recommend that the Town work with the software provider to determine appropriate controls which can be implemented within the fines subsidiary software. Such controls should include an audit trail of all amendments/adjustments recorded in the software, as well as the individual who posted the amendment/adjustment. Supervisory personnel should review those amendments/adjustments on a routine basis to ensure amounts posted have been properly approved.

Current Status: See repeat significant deficiency in current year audit.

2019-002 Significant Deficiency – Accounts Receivable - Utility Funds

Significant Deficiency: The Town does not reconcile an aged accounts receivable trial balance to the general ledger on a monthly basis.

Recommendation: We recommend that the Town implement controls to review and monitor accounts receivable postings and balances on a routine basis, including a comparison to accounts receivable as recorded in the general ledger.

Current Status: See repeat significant deficiency in current year audit.

2019-003 - Budget

Finding: Total expenditures and other financing uses for the General fund failed to meet budgeted amounts by more than five percent.

Recommendation: We recommend that the Town amend its budget when total expenditures and other financing uses are anticipated to exceed the budgeted amounts by more than five percent.

Current Status: No finding in current year audit.

(Continued)

Town of Haughton
Haughton, Louisiana
Summary Schedule of Audit Findings
December 31, 2020
(Continued)

Summary Schedule of Current Year Audit Findings

There are two findings for the current year audit for the year ended December 31, 2020.

2020-001 Significant Deficiency – Police Department Collections

Condition: Individuals responsible for collecting payments and posting payments to the subsidiary software also have the ability to post amendments/adjustments to ticket amounts within the subsidiary software. Ticket adjustments are to be approved by the Mayor or Town Clerk. However, there was no subsequent review of all ticket amendments/adjustments which were posted to the fines subsidiary software to ensure that all were properly approved.

Criteria: Controls should be in place over fines issued and fine amounts collected to ensure that all amounts due the Town are properly received, deposited, and recorded in the town's subsidiary software and general ledger. Such controls should encompass a supervisory review of all amendments/adjustments which were posted to the fines subsidiary software to ensure that all such amendments/adjustments had been properly approved.

Cause: The report from the ticket software which shows all amendments/adjustments which were posted during a given time period was not being reviewed by an individual independent of collections.

Effect: All police fines that are due to the Town may not be collected or may not be recorded properly.

Recommendation: We recommend that supervisory personnel review a report of all amendments/adjustments which are posted to the subsidiary software on a routine basis to ensure amounts posted have been properly approved.

Views of Responsible Officials and Planned Corrective Actions: The Town will implement controls for ensuring that all amendments/adjustments as posted in the subsidiary software were properly approved. Such controls will include a review of the amendment/adjustment report on a periodic basis by appropriate supervisory personnel.

2020-002 Significant Deficiency – Accounts Receivable - Utility Funds

Condition: The Town does not reconcile an aged accounts receivable trial balance to the general ledger on a monthly basis.

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

Cause: The Town has procedures in place for reviewing deposit and supporting documentation for utility collections on a daily basis; however, this review does not encompass a review of the accounts receivable aging balance per the billing software in comparison with accounts receivable balance per general ledger.

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

(Continued)

Town of Haughton
Haughton, Louisiana
Summary Schedule of Audit Findings
December 31, 2020
(Continued)

Recommendation: We recommend that the Town implement controls to review and monitor accounts receivable postings and balances on a routine basis, including a comparison to accounts receivable as recorded in the general ledger.

Views of Responsible Officials and Planned Corrective Actions: The Town will implement controls for reviewing and monitoring accounts receivable on a daily basis.