## Financial Statement with Auditors' Report

As of and For the Year Ended December 31, 2021

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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 Audit of the Financial Statements

### **Opinions**

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Haughton, as of and for the year ended December 31, 2021, 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.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the governmental activities, the business-type activities, and each major fund of the Town of Haughton, as of December 31, 2021, 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.

#### Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Haughton and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Haughton's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

#### Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and Government Auditing Standards, we

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or
  error, and design and perform audit procedures responsive to those risks. Such procedures include
  examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Town of Haughton's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant
  accounting estimates made by management, as well as evaluate the overall presentation of the financial
  statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Town of Haughton's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

#### 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 61 – 62, the schedule of proportionate share of net pension liability on page 63, and the schedule of contributions on page 64 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.

#### Supplementary 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 65 - 66 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, shown on page 67 – 68, is presented for purposes of

additional analysis and is also 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 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 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 schedule, Justice System Funding Schedules, shown on pages 69 - 70, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. This 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 69 - 70, 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 29, 2022, 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, Louisiana'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, Louisiana's internal control over financial reporting and compliance.

Cook & Morehart

Certified Public Accountants

June 29, 2022

#### 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, 2021. 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 increased by \$1,367,420 or 40%.

The Town of Haughton's net position of our business-type activities increased by \$257,567 or 4%.

In the Town's governmental activities, total general and program revenues were \$4,406,815 in 2021 compared to \$3,096,355 in 2020. Total expenses, excluding depreciation, totaled \$2,802,825 for the year ended December 31, 2021 compared to \$3,242,432 for 2020.

In the Town's business-type activities, total general and program revenues decreased by approximately \$339,417, while total expenses increased by approximately \$403,157.

## **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 \$10,496,064 and \$8,871,077 as of December 31, 2021 and 2020, respectively, an increase of \$1,624,987 or 18%.

As of December 31, 2021, \$7,402,406 or 71% 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 \$8,136,762 or 92% 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

		nmental vities		ess-type vities	Total			
	2021	2020	2021	2020	2021	2020		
						The second of		
Current and Other Assets	\$ 3,103,159	\$ 1,545,190	\$ 3,528,120	\$ 3,256,000	\$ 6,631,279	\$ 4,801,190		
Capital Assets	2,866,751	3,310,167	12,554,351	10,009,677	15,421,102	13,319,844		
Total Assets	5,969,910	4,855,357	16,082,471	13,265,677	22,052,381	18,121,034		
Deferred outflows of								
resources - pension	615,193	1,031,702	76,515	174,923	691,708	1,206,625		
Other Liabilities	150,093	126,236	1,163,212	304,108	1,313,305	430,344		
Long-term Liabilities Outstanding								
Due within one year	38,122	41,346	208,000	404,000	246,122	445,346		
Due in more than one year	1,848,850	3,480,092	7,507,337	5,793,450	9,356,187	9,273,542		
Total Liabilities	2,037,065	3,647,674	8,878,549	6,501,558	10,915,614	10,149,232		
Deferred inflows of								
resources - pension	1,170,048	228,815	162,363	78,535	1,332,411	307,350		
Net investment								
in capital assets	2,866,751	3,310,167	4,535,655	4,826,595	7,402,406	8,136,762		
Restricted								
Capital projects	609,615				609,615			
Debt service			204,804	511,019	204,804	511,019		
Unrestricted	(98,376)	(1,299,597)	2,377,615	1,522,893	2,279,239	223,296		
Total Net Position	\$ 3,377,990	\$ 2,010,570	\$ 7,118,074	\$ 6,860,507	\$ 10,496,064	\$ 8,871,077		

#### Changes in Net Position

The Town's net position increased by \$1,624,987 during the year ended December 31, 2021 compared to an increase of \$585,759 in 2020. This increase is due in part to increased sales taxes.

Approximately \$2,919,823 of the Town's total revenues was derived through charges for services in 2021 compared to \$2,858,188 in 2020. During the year ended December 31, 2021, approximately \$3,307,817 was derived from general revenues including taxes and interest compared to \$2,560,136 during 2020. The Town received \$956,019 and \$794,292 of its total revenues through program grants and contributions during 2021 and 2020, respectively.

The largest expenses were for public safety, general government, water and sewer. In fiscal year 2021, governmental activity expenses exceeded program revenues resulting in the use of \$1,768,147 in general revenues, mostly taxes. Net business-type activity expenses in fiscal year 2021 were less than program revenues by \$85,317.

Table 2 Changes in Net Position

		overnmental				Business-type			-		
	 Activ	vitie			Activ	/itie				tal	
	 2021		2020		2021		2020		2021		2020
Revenues:											
Program revenues:											
Charges for services	\$ 393,368	\$	426,176	\$	2,526,455	\$	2,432,012	\$	2,919,823	\$	2,858,188
Operating grants and contributions	260,828		253,901		12,484		11,338		273,312		265,239
Capital grants and contributions	682,707		77,175				451,878		682,707		529,053
General revenues:											
Taxes	2,841,356		2,239,642		230,707		217,506		3,072,063		2,457,148
Fire insurance rebate	15,911		15,831						15,911		15,831
Interest	1,882		1,649		3,446		3,252		5,328		4,901
Other	66,061		81,981		3,752		275		69,813		82,256
Gain on sale of assets	144,702								144,702		
Total revenues	4,406,815		3,096,355		2,776,844		3,116,261		7,183,659		6,212,616
Expenses:											
General government	551,474		677,630						551,474		677,630
Public safety	2,417,338		2,737,419						2,417,338		2,737,419
Streets and drainage	136,238		161,343						136,238		161,343
Water					986,752		819,103		986,752		819,103
Sewer					1,156,503		932,373		1,156,503		932,373
Sanitation					310,367		298,989		310,367		298,989
Total expenses	3,105,050		3,576,392	_	2,453,622		2,050,465		5,558,672	_	5,626,857
Increase (decrease) in net position before											
transfers	1,301,765		(480,037)		323,222		1,065,796		1,624,987		585,759
Transfers	65,655		202,414		(65,655)		(202,414)				211
Change in net position	\$ 1,367,420	\$	(277,623)	\$	257,567	\$	863,382	\$	1,624,987	\$	585,759

## FINANCIAL ANALYSIS OF THE INDIVIDUAL FUNDS

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with financerelated 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 \$2,938,517, an increase of \$1,540,281 or 110% in comparison with the prior year. Approximately \$1,004,267 is assigned, \$609,615 is restricted and the remaining \$1,324,635 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 \$1,324,635 at the end of the current fiscal year, compared to \$530,276 at December 31, 2020.

## 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 \$7,118,074, an increase of \$257,567 in comparison with the prior year's ending net position of \$6,860,507. The Water Fund had an increase in net position of \$8,936, the Sewer Fund had an increase in net position of \$230,697, and the Sanitation Fund had an increase in net position of \$17,934. \$4,535,655 represents investment in capital assets net of accumulated depreciation and related outstanding debt. A total of \$204,804 is reported as restricted for debt service, with a balance of \$2,377,615 classified as unrestricted.

## GENERAL FUND BUDGETARY HIGHLIGHTS

Formal budgetary integration is employed as a management control devise 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 2021.

The actual revenues were \$323,267 over the budgeted amounts and the actual expenditures were \$11,670 less than the budgeted amounts.

## CAPITAL ASSET ADMINISTRATION

At the end of December 31, 2021, the Town of Haughton had invested \$15,421,102 in capital assets. See table below:

Captial Assets at Year End (Net of Depreciation)

Governmen	tal Activities	Business-typ	e Activities	Activities Total			
2021	2020	2021	2020	2021	2020		
\$ 387,518	\$ 387,518	\$ 23,180	\$ 23,180	\$ 410,698	\$ 410,698		
183,230	153,765	2,871,318	986,974	3,054,548	1,140,739		
608,813	931,890			608,813	931,890		
1,141,173	1,258,498			1,141,173	1,258,498		
546,017	578,496	214,858	228,225	760,875	806,721		
		3,102,439	2,135,797	3,102,439	2,135,797		
		6,342,556	6,635,501	6,342,556	6,635,501		
\$ 2,866,751	\$ 3,310,167	\$ 12,554,351	\$ 10,009,677	\$ 15,421,102	\$ 13,319,844		
	\$ 387,518 183,230 608,813 1,141,173 546,017	\$ 387,518 \$ 387,518 183,230 153,765 608,813 931,890 1,141,173 1,258,498 546,017 578,496	2021 2020 2021  \$ 387,518 \$ 387,518 \$ 23,180     183,230     153,765	2021         2020         2021         2020           \$ 387,518         \$ 387,518         \$ 23,180         \$ 23,180           183,230         153,765         2,871,318         986,974           608,813         931,890           1,141,173         1,258,498           546,017         578,496         214,858         228,225           3,102,439         2,135,797           6,342,556         6,635,501	2021         2020         2021         2020         2021           \$ 387,518         \$ 387,518         \$ 23,180         \$ 23,180         \$ 410,698           183,230         153,765         2,871,318         986,974         3,054,548           608,813         931,890         608,813           1,141,173         1,258,498         1,141,173           546,017         578,496         214,858         228,225         760,875           3,102,439         2,135,797         3,102,439           6,342,556         6,635,501         6,342,556		

This year's major additions included:

Equipment	\$ 100,972	\$
Land		
Buildings		
Improvements other than buildings		
Construction in progress	29,465	2,871,318
Water system and equipment		190,514
Sewer plant other than buildings		
	\$ 130,437	\$ 3,061,832

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

## **DEBT ADMINISTRATION**

At the end of 2021 the Town had \$9,602,309 in long-term liabilities including utility revenue bonds and net pension liability, as described below:

## Outstanding Debt At Year End

	-	Governmen	tal A	ctivites		Business-Type Activites				Totals			
		2021	_	2020		2021	_	2020	_	2021		2020	
Net Pension Liability	\$	1,848,850	\$	3,480,092	\$	465,385	\$	722,578	\$	2,314,235	\$	4,202,670	
Compensated Absences		38,122		41,346						38,122		41,346	
Sewer Revenue Bonds	_				_	7,249,952		5,474,872	/	7,249,952		5,474,872	
	\$	1,886,972	\$	3,521,438	_\$_	7,715,337	\$	6,197,450	\$	9,602,309	\$	9,718,888	

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, 2022 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, 2021

		overnmental Activities		siness-type Activities		Total
Assets			1.00			
Cash and cash equivalents	\$	2,299,023	\$	2,875,326	\$	5,174,349
Investments		264,303		35,066		299,369
Receivables		393,750		317,498		711,248
Prepaid expenses		14,549		11,880		26,429
Restricted assets:						
Cash and cash equivalents				344,054		344,054
Investments				75,830		75,830
Internal balances		131,534		(131,534)		
Capital assets						
Depreciable (net)		2,296,003		9,659,853		11,955,856
Non-depreciable		570,748		2,894,498		3,465,246
Total assets		5,969,910		16,082,471	7-31-	22,052,381
	D-16-				-	
Deferred outflows of resources - pension related		615,193		76,515	_	691,708
Liabilities						
Accounts payable and accrued expenses		150,093		948,132		1,098,225
Payable from restricted assets:		.00,000				112271
Customer deposits				215,080		215,080
Non-current liabilities				210,000		0,000
Due within one year		38,122		208,000		246,122
Due in more than one year		1,848,850		7,507,337		9,356,187
but in more than one year	£	1,040,000		7,007,007		0,000,101
Total liabilities		2,037,065		8,878,549		10,915,614
Deferred inflame of secondary page 1		1 170 049		162.262		1 222 411
Deferred inflows of resources - pension related	-	1,170,048		162,363	-	1,332,411
Net Position (Deficit)						
Net investment in capital assets		2,866,751		4,535,655		7,402,406
Restricted						
Capital Projects		609,615				609,615
Debt Service		1		204,804		204,804
Unrestricted (deficit)		(98,376)		2,377,615		2,279,239
Total net position (deficit)	\$	3,377,990	\$	7,118,074	\$	10,496,064
		3,3				

The accompanying notes are an integral part of this statement.

## Town of Haughton Haughton, Louisiana Statement of Activities For the Year Ended December 31, 2021

				Progr	am Revenue	S		Net (Expense) Re	evenue and Change	es in Net Position
			Depte Control		Capital		perating	4		
	<b>F</b>		Charges for		rants and		rants and	Governmental	Business-type	<b>T</b> -1-1
Functions / Programs:	Expenses		Services		ontributions		ntributions	Activities	Activities	Total
Governmental Activities										
General government	\$ 551,47	4	\$ 228,525	\$		\$		\$ (322,949)	\$	\$ (322,949)
Public safety	2,417,33		164,843	Ψ	73,190	•	260,828	(1,918,477)	•	(1,918,477)
Capital projects			101,010		609,517		200,020	609,517		609,517
Street and drainage	136,23	8		_				(136,238)		(136,238)
Total governmental activities	3,105,05	0	393,368		682,707		260,828	(1,768,147)		(1,768,147)
Business-type Activities										
Water	986,75	2	1,074,757				6,241		94,246	94,246
Sewer	1,156,50		1,123,793				6,243		(26,467)	(26,467)
Sanitation	310,36		327,905						17,538	17,538
Total business-type activities	2,453,62	22 .	2,526,455				12,484		85,317	85,317
Total Government	\$ 5,558,67	2	\$ 2,919,823	\$	682,707	\$	273,312	(1,768,147)	85,317	(1,682,830)
			General revenue	es:						
			Taxes -							
			Ad valorem ta	SOLUTION.				121,852	230,707	352,559
			Gaming taxes					265,671		265,671
			Sales tax					2,268,731		2,268,731
			Other taxes					6,354		6,354
			Franchise tax					178,748		178,748
			Investment ear	nings	3			1,882	3,446	5,328
			Miscellaneous					81,972	3,752	85,724
			Gain on sale o	f asse	ets			144,702		144,702
			Transfers					65,655	(65,655)	
			Total genera	I reve	enues			3,135,567	172,250	3,307,817
			Change in net p	ositio	n			1,367,420	257,567	1,624,987
			Net position - be	ginni	ing			2,010,570	6,860,507	8,871,077
			Net position - er	ding				\$ 3,377,990	\$ 7,118,074	\$ 10,496,064

Town of Haughton Haughton, Louisiana Balance Sheet Governmental Funds December 31, 2021

				ital Projects ican Rescue		
		General	Plan			Total
Assets				·		
Cash and cash equivalents	\$	1,689,408	\$	609,615	\$	2,299,023
Investments		264,303				264,303
Receivables		393,750				393,750
Due from other funds	-	135,017			_	135,017
Total assets	\$	2,482,478	\$	609,615	\$	3,092,093
Liabilities and Fund Balances Liabilities:						
	\$	150,093			\$	150,093
Accounts payable and accrued expenses  Due to other funds	φ	3,483			φ	3,483
Total liabilities	-	153,576	-		_	153,576
Total liabilities	-	100,070			_	100,070
Fund balances:						
Restricted - Capital projects				609,615		609,615
Assigned:						
Capital projects		814,869				814,869
Public safety		170,738				170,738
Parks and recreation		18,660				18,660
Unassigned	-	1,324,635				1,324,635
Total fund balances	-	2,328,902		609,615	_	2,938,517
Total liabilities and fund balances	\$	2,482,478	\$	609,615	\$	3,092,093

# Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position

December 31, 2021

Fund balances - total governmental funds	\$	2,938,517
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		2,866,751
The nonallocation method of accounting for prepayments is used in the fund statements, since the prepayment does not provide expendable financial resources.		14,549
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		615,193
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		(1,848,850)
Accrued leave		(38,122)
Deferred inflows - pension related	_	(1,170,048)
Net position of governmental activities	\$	3,377,990

The accompanying notes are an integral part of this statement.

## Statement of Revenues, Expenditures, and Changes in Fund Balances

## Governmental Funds

For the Year Ended December 31, 2021

## Capital Projects American Rescue

		_	,			
Revenues:		General		Plan		Total
Ad valorem taxes	\$	121,852	\$		\$	121,852
Franchise taxes		178,748				178,748
Sales taxes		2,268,731				2,268,731
Gaming taxes		265,671				265,671
Other taxes		6,354				6,354
Licenses and permits		228,525				228,525
Intergovernmental		179,178		609,517		788,695
Investment earnings		1,784		98		1,882
Fines and forfeitures		164,843				164,843
Other		81,970				81,970
Total revenues		3,497,656		609,615		4,107,271
Expenditures:						
Current:						
General government		458,744				458,744
Public safety		2,416,599				2,416,599
Streets and drainage		94,400				94,400
Capital outlay		79,232				79,232
Total expenditures		3,048,975			_	3,048,975
Evene (definionary) of revenues						
Excess (deficiency) of revenues		440.004		000 045		4 050 000
over (under) expenditures	-	448,681	-	609,615	-	1,058,296
Other financing sources (uses):						
Sale of assets		416,330				416,330
Transfers in		65,655	0			65,655
Total other financing sources (uses)		481,985			_	481,985
Net change in fund balances		930,666		609,615		1,540,281
Fund balances at beginning of year		1,398,236			A.	1,398,236
Fund balances at end of year	\$	2,328,902	\$	609,615	\$	2,938,517

The accompanying notes are an integral part of this statement.

# 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, 2021

Net change in fund balances - total governmental funds	\$ 1,540,281
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 (\$302,225) exceeded capital outlays (\$79,232) in the current period.	(222,993)
The net effect of various transactions involving capital assets (sales, trade-ins, donated infrastructure, etc.) is to increase net assets.	(220,423)
The nonallocation method of accounting for prepayments is used in the fund statements, since the prepayment does not provide expendable financial resources.	(6,169)
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	103,635
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 Pension expense	3,224 169,865
Change in net position of governmental activities	\$ 1,367,420

## Town of Haughton Haughton, Louisiana Statement of Net Position Proprietary Funds December 31, 2021

		В	usine	ss-type Activit	es - E	nterprise Fur	nds	
	Water			Sewer		Sanitation	100	
		Fund		Fund		Fund		Total
Assets								
Current assets:					1940		191	
Cash and cash equivalents	\$	1,736,063	\$	963,851	\$	175,412	\$	2,875,326
Investments		7 004		4.040		35,066		35,066
Prepaids		7,861		4,019				11,880
Receivables Accounts		110 020		424 607		22.000		275 505
Ad valorem taxes		110,839		131,697 38,968		32,969		275,505 38,968
Other		435		2,377		213		3,025
Restricted cash and cash equivalents		139,250		2,377		213		139,250
Restricted investments		75,830						75,830
Due from other funds		75,000		11,466		109,972		121,438
Total current assets		2,070,278		1,152,378		353,632	_	3,576,288
			(Ref					
Noncurrent assets:  Restricted cash				204.004				204.004
				204,804				204,804
Capital assets: Land		23,180						23,180
Construction in progress		23,100		2,871,318				2,871,318
Plant and equipment		5,743,796		11,546,536				17,290,332
Less: accumulated depreciation		(3,758,760)		(3,871,719)				(7,630,479)
Total noncurrent assets	_	2,008,216		10,750,939			_	12,759,155
Total horiouncile assets		2,000,210		10,100,000				12,100,100
Total assets		4,078,494		11,903,317		353,632		16,335,443
Deferred outflows of resources - pension related		19,361		57,154				76,515
Liabilities								
Current liabilities:		FF 000		004 500		00.040		0.40.400
Accounts payable and accrued expenses		55,363		804,529		88,240		948,132
Due to other funds		166,608		86,364				252,972
Payable from restricted assets: Customer deposits		215,080						215,080
Revenue bonds		215,000		208,000				208,000
Total current liabilities		437,051	_	1,098,893		88,240		1,624,184
Noncurrent liabilities:				7.044.050				7.044.050
Revenue bonds		222.052		7,041,952				7,041,952
Net pension liability Total noncurrent liabilities		232,652 232,652	_	7,274,685			_	7,507,337
				Add San Malanno Andre		Haraketa year	_	
Total liabilities		669,703	_	8,373,578		88,240		9,131,521
Deferred inflows of resources - pension related		112,169		50,194	-			162,363
Net position				2010/2010/00/00				og/obstockie/constite
Net investment in capital assets		2,008,216		2,527,439				4,535,655
Restricted - debt service				204,804				204,804
Unrestricted	_	1,307,767	_	804,456		265,392	_	2,377,615
Total net position	\$	3,315,983	\$	3,536,699	\$	265,392	\$	7,118,074

## Statement of Revenues, Expenses, and Changes in Fund Net Position

## Proprietary Funds

For the Year Ended December 31, 2021

	В	usine	ess-type Activiti	es -	Enterprise Fun	ds	
	Water Sewer Sanitation						
	Fund		Fund		Fund		Total
Operating revenues:		7.0		X=1			
Charges for service -							
Water sales	\$ 1,074,757	\$		\$		\$	1,074,757
Sewerage service charges			1,123,793				1,123,793
Solid waste collection				_	327,905		327,905
Total operating revenues	 1,074,757		1,123,793		327,905	7	2,526,455
Operating expenses:							
Salaries	277,115		274,817				551,932
Payroll taxes and benefits	18,853		18,674				37,527
Contractual services	41,638		78,307		307,087		427,032
Supplies and materials	134,282		40,610				174,892
Utilities	65,582		74,329				139,911
Insurance	97,652		93,219				190,871
Repairs and maintenance	103,637		82,430				186,067
Bad debt	6,515		7,665		3,238		17,418
Depreciation	207,821		309,337				517,158
Other	33,657		8,028		42		41,727
Total operating expenses	986,752	-	987,416		310,367		2,284,535
Operating income (loss)	 88,005		136,377		17,538		241,920
Non-operating revenues (expenses):							
Interest income	1,785		1,265		396		3,446
Miscellaneous	3,752						3,752
Ad valorem taxes			230,707				230,707
Non-employer contributions-pension related	6,241		6,243				12,484
Interest expense			(169,087)				(169,087)
Total non-operating revenues (expenses)	11,778		69,128		396		81,302
Other financing sources (uses):							
Transfer in			42,764				42,764
Transfers out	(90,847)		(17,572)				(108,419)
Total other financing sources (uses)	(90,847)		25,192			_	(65,655)
Change in net position	8,936		230,697		17,934		257,567
Net position - beginning of year	3,307,047	i <del>n</del>	3,306,002		247,458		6,860,507
Net position - end of year	\$ 3,315,983	\$	3,536,699	\$	265,392	\$	7,118,074

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, 2021

		Busi	ness-type Activi	ties -	Enterprise	Fun	ds
		Water	Sewer		anitation		
		Fund	Fund		Fund	_	Total
Cash Flows From Operating Activities			The second second second second second	1000	na fizika baran wa T	Visit	
Receipts from customers	\$ 1	1,076,414	\$ 1,115,893	\$	327,571	\$	2,519,878
Cash payments to suppliers for goods and services		(457,225)	(452,646)		(257,291)		(1,167,162)
Cash payments to employees for services		(294,289)	(248,439)			_	(542,728)
Net cash provided by operating activities		324,900	414,808		70,280		809,988
Cash Flows From Non-Capital Financing Activities							
Advances to other funds		411,096	189,126		65,037		665,259
Advances from other funds		(158,278)	14,069				(144,209)
Transfers from other funds		-	42,764				42,764
Transfers to other funds		(90,847)	(17,572)				(108,419)
Ad valorem taxes			237,553				237,553
Other		(19,093)	(23,592)				(42,685)
Net cash provided by non-capital financing activities	-	142,878	442,348		65,037	_	650,263
Cash Flows From Capital and Related Financing Activities							
Principal paid on capital debt			(2,763,900)				(2,763,900)
Proceeds of capital debt			4,538,980				4,538,980
Interest paid on capital debt			(154,675)				(154,675)
Acquisition and construction of capital assets		(3,025)	(2,290,062)				(2,293,087)
Net cash (used) by capital and related financing activities	-	(3,025)	(669,657)				(672,682)
Cash Flows From Investing Activities							
Interest received		1,785	1,265		396		3,446
Purchase of investments		(75,830)	1,200		(35,066)		(110,896)
Sale of investments		(15,050)			34,775		34,775
Net cash provided (used) by investing activities	-	(74,045)	1,265		105	-	(72,675)
Net increase in cash, cash equivalents, and restricted cash		390,708	188,764		135,422		714,894
Cash, cash equivalents, and restricted cash, beginning of year	-	1,484,605	979,891		39,990		2,504,486
Cash, cash equivalents, and restricted cash, end of year	\$ 1	1,875,313	\$ 1,168,655	\$	175,412	\$	3,219,380
Cook and each assistations are reflected on the Statement	8						
Cash and cash equivalents are reflected on the Statement of Net Position as follows:							
	•	726 062	r 063 951	6	175 110	•	2,875,326
Cash and cash equivalents	<b>P</b>	1,736,063 139,250	\$ 963,851 204,804	\$	175,412	Φ	344,054
Cash and cash equivalents - restricted Total	\$ 1	1,875,313	\$ 1,168,655	\$	175,412	\$	3,219,380
Total	<u> </u>	1,070,010	\$ 1,100,000		175,412	_	3,219,300
Reconciliation of Operating Income to Net Cash Provided							
(Used) By Operating Activities:	•	00.005	e 426.277	6	47 520	•	241,920
Operating income (loss)	\$	88,005	\$ 136,377	\$	17,538	\$	241,920
Adjustments to reconcile operating (loss) to net cash							
provided (used) by operating activities:		207 024	200 227				547.450
Depreciation expense		207,821	309,337				517,158
Customer deposits		8,800	/4 CET\		(224)		8,800
Accounts receivable		(902)	(1,657)		(334)		(2,893)
Accounts payable and accrued expenses		31,390	(20,436)		53,076		64,030
Prepaid		(3,973)	(2,570)				(6,543)
Pension related	_	(6,241)	(6,243)	_	70.000	_	(12,484)
Net Cash Flows From Operating Activities	\$	324,900	\$ 414,808		70,280	\$	809,988
Non-cash investing and financing transaction:							
Acquisition of property		2 (2022)		1920			20.22.000.22
Cost of property and equipment	\$	3,025	\$ 3,058,807	\$		\$	3,061,832
Vendor payable - prior year			(768,745)			_	(768,745)
Cash down payment for property and equipment	\$	3,025	\$ 2,290,062	\$		\$	2,293,087

#### 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
  - The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the Town.
- Organizations for which the Town does not appoint a voting majority but are fiscally dependent on the Town.
- 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:

 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.

- 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.
- 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.).

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:

- 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.
  - Capital project funds are used to account for financial resources that are restricted, committed, or assigned to expenditure for capital outlays.
- 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.

American Rescue Plan Fund - accounts for proceeds from the American Rescue Plan Act (ARPA) funds received in 2021.

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:

- 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.
- 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.
- A public hearing is held on the proposed budget after publication of the call for the hearing.
- 4. After the holding of the public hearing and completion of all action necessary to finalize and implement the budget, the budget is adopted through passage of an ordinance prior to the commencement of the fiscal year for which the budget is being adopted.

- 5. The budget ordinance is structured such that revenues are budgeted by source and appropriations are budgeted by department and by principal object of expenditure. The Board of Aldermen may revise or amend the budget at its discretion during legally convened sessions. Management may amend the budget only below the department level.
- 6. All budgetary appropriations lapse at the end of each fiscal year.
- 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.

#### 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.

#### 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.

### 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 \$46,310, \$54,341, and \$20,728, 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.

#### 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.

#### 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:

<u>Level 1 inputs</u> – The valuation is based on quoted market prices for identical assets or liabilities traded in active markets:

<u>Level 2 inputs</u> – 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;

<u>Level 3 inputs</u> – 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.

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

	Authorized	Levied	Expiration
	Millage	Millage	Date_
General	4.59	4.50	N/A
Sewerage system	8.69	8.52	2035

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

## (3) Cash, Cash Equivalents, and Investments

At December 31, 2021, the Town has cash, cash equivalents, and investments (book balances) totaling \$5,893,602 as detailed below:

## A. Cash and Cash Equivalents

Cash and cash equivalents at December 31, 2020 (book balances) totaled \$5,518,403, of which \$344,054 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, 2021, the Town had investments totaling \$375,199, of which \$75,830 is shown as restricted., consisting of certificates of deposit with initial maturities of 90 days or greater. The certificates of deposits are carried at cost, which approximates market.

#### C. Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of December 31, 2021, \$5,482,016 of the Town's bank balance of \$5,982,016 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	\$	5,094,205
Certificates of Deposit	1	387,811
Total	\$	5,482,016

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.

## (4) Receivables

The following is a summary of receivables at December 31, 2021:

Class of		
Receivable		
Governmental activities –		
Ad valorem taxes	\$	15,868
Sales taxes		258,442
Gaming taxes		34,123
Franchise taxes		47,863
Grant		21,985
Miscellaneous		15,469
	_	393,750
Business-type activities –		
Accounts receivable - water, sewer, and		
and sanitation charges		275,505
Property taxes		38,968
Other		3,025
		317,498
Total	\$	711,248

The accounts receivable-water, sewer, and sanitation charges of \$275,505 is shown net of a reserve for uncollectible accounts of \$121,379.

## (5) Restricted Assets

Restricted assets were applicable to the following at December 31, 2021:

Business-type activities:	
Debt service	\$ 204,804
Customer deposits	215,080
•	\$ 419,884

## (6) On-behalf Payments

The Town received a total of \$77,422 in police supplemental pay and a total of \$54,750 in firemen supplemental pay from the State of Louisiana. The Town recognizes this supplemental pay received by the employees as revenues and expenditures of the Town. The revenue is reported in the General Fund under intergovernmental revenues and the expenditure is reported as public safety expenditures.

## (7) Capital Assets

Capital asset activity for the year ended December 31, 2021, was as follows:

	Balance at			Balance at
	Jan. 1, 2021	Additions	Deletions	Dec. 31, 2021
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 387,518	\$	\$	\$ 387,518
Construction in progress	153,765	29,465		183,230
Total capital assets, not being				
depreciated	541,283	29,465		570,748
Capital assets, being depreciated:				
Buildings	1,458,434		(333,434)	1,125,000
Improvements other than buildings	2,536,237		(200) Es (100)	2,536,237
Equipment	2,711,425	100,972	(32,272)	2,780,125
Total capital assets, being				
depreciated, at historical cost	6,706,096	100,972	(365,706)	6,441,362
Less accumulated depreciation:				
Buildings	(526,544)	(51,699)	62,056	(516,187)
Improvements other than buildings	(1,277,739)			(1,395,064)
Equipment	(2,132,929)	700	32,022	(2,234,108)
Total accumulated depreciation	(3,937,212)		94,078	(4,145,359)
Total capital assets, being	0.700.004	(004.050)	(074 000)	0.000.000
depreciated, net	2,768,884	(201,253)	(271,628)	2,296,003
Governmental activities capital				
assets, net	\$ 3,310,167	\$ (171,788)	\$ (271,628)	\$ 2,866,751

	Balance at Jan. 1, 2021	Additions	Deletions	Transfers	Balance at Dec. 31, 2021
Business-Type Activities:					
Capital assets, not being depreciated:					
Land	\$ 23,180	\$	\$	\$	\$ 23,180
Construction in progress	986,974	2,871,318		(986,974)	2,871,318
Total capital assets, not being					
depreciated, at historical cost	1,010,154	2,871,318		(986,974)	2,894,498
Capital assets, being depreciated:					
Buildings	10,359				10,359
Equipment	481,382	3,025			484,407
Water system and equipment	5,687,836	187,489		986,974	6,862,299
Sewer plant	9,933,267				9,933,267
Total capital assets, being					
depreciated, at historical cost	16,112,844	190,514		986,974	17,290,332
Less accumulated depreciation:					
Buildings	(10,359)				(10,359)
Equipment	(253, 157)	(16,392)			(269,549)
Water system and equipment	(3,552,039)	(207,821)			(3,759,860)
Sewer plant	(3,297,766)	(292,945)			(3,590,711)
Total accumulated depreciation	(7,113,321)	(517,158)			(7,630,479)
Total capital assets, being					
depreciated, net	8,999,523	(326,644)		986,974	9,659,853
Business-type activities capital					
assets, net	\$10,009,677	\$ 2,544,674	\$	\$	\$12,554,351

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

		vernmental Activities	siness-type Activities	 Total
General government	\$	118,717	\$	\$ 118,717
Public safety		141,670		141,670
Streets and drainage		41,838		41,838
Water			207,821	207,821
Sewer	l management		 309,337	 309,337
Total	\$	302,225	\$ 517,158	\$ 819,383

#### (8) Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses at December 31, 2021, consisted of the following:

Class of Payable		vernmental activities	siness-type Activities	-	Total
Accounts Retainage	\$	63,234	\$ 790,973 118,106	\$	854,207 118,106
Accrued leave		3,364	5,548		8,912
Payroll liabilities		83,495	4,803		88,298
Accrued interest	-		28,702		28,702
Total	\$	150,093	\$ 948,132	\$	1,098,225

#### (9) Customers' Deposits

Deposits held for customers that are currently active on the water system total \$215,080 at December 31, 2021.

#### (10) Interfund Transfers

Interfund transfers for the year ended December 31, 2021 consisted of the following:

	Ţ	ransfer In	7	ransfer Out		Net
Governmental Funds: General fund	\$	65,655	\$		\$	65,655
Enterprise Funds: Water Sewer Total Enterprise funds		42,764 42,764	(	90,847) 17,572) 108,419)	( (	90,847) 25,192) 65,655)
	\$	108,419	\$(	108,419)	\$	

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, 2021, the Town is involved in a lawsuit. The lawsuit seeks no monetary damages.

#### (13) Interfund Balances

Interfund balances at December 31, 2021 consisted of the following:

	ue From her Fund	1.7	Due To her Fund	Net	
Governmental Funds: General	\$ 135,017	\$	(3,483)	\$	131,534
Enterprise Funds:					
Water			(166,608)		(166,608)
Sewer	11,466		(86, 364)		(74,898)
Sanitation	109,972		18 1555 85		109,972
Total Enterprise Funds	121,438	7	(252,972)	_	(131,534)
Total	\$ 256,455	\$	(256,455)	\$	

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, 2021, consisting of the following:

	vernmental Activities	siness-type Activities		Total
Pension related - MERS	\$ 62,884	\$ 162,363	\$	225,247
Pension related - MPERS	541,723			541,723
Pension related - Firefighters	565,441		_	565,441
18 30 3 5 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0	\$ 1,170,048	\$ 162,363	\$	1,332,411

The Statement of Net Position reports deferred outflows of resources at December 31, 2021, consisting of the following:

	vernmental Activities	iness-type ctivities	Total
Pension related - MERS	\$ 59,111	\$ 76,515	\$ 135,626
Pension related - MPERS	190,002		190,002
Pension related - Firefighters	 366,080		366,080
The state of the s	\$ 615,193	\$ 76,515	\$ 691,708

Information about each retirement plan is detailed in Note 16.

#### (15) Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2021, was as follows:

	Beginning Balance	Additions	Reductions	 Ending Balance	D	Amounts ue Within One Year
Governmental Activities: Long-term liabilities Net pension						
liabilitiy - MERS Net pension	\$ 329,044	\$	\$ (117,119)	\$ 211,925	\$	
liability - MPERS Net pension	1,638,702		(759,722)	878,980		
liabilitiy - Firefighters Compensated absences	1,512,346 48,049		(754,401) (6,563)	757,945 41,486		41,486
Total - Governmental Activites long-term liabilties	\$ 3,528,141	\$	\$ (1,637,805)	1,890,336		41,486
Less amounts due within period of availability				(3,364)		(3,364)
Total long-term liabilities, Government-wide Statemer	nts			\$ 1,886,972	\$	38,122
Business-type Activities: Long-term liabilities Direct borrowings and direct placements: Revenue Bonds: Utility revenue bonds				.,,		
Series 2013 Sales tax bonds	\$ 1,990,672	\$ 69,328	\$ (145,000)	\$ 1,915,000	\$	148,000
Series 2016 Utility revenue bonds	2,560,000		(2,560,000)			
Series 2019 Bond anticipation	924,200		(58,900)	865,300		60,000
notes		4,469,652		 4,469,652		
Total revenue bonds	5,474,872	4,538,980	(2,763,900)	7,249,952		208,000
Other long-term liabilities: Compensated absences Net pension	\$ 6,800		(1,251)	5,549		5,549
liabilitiy - MERS	722,578		(257,193)	 465,385		
Total - Business-type Activites long-term liabilities	\$ 6,204,250	\$ 4,538,980	\$ (3,022,344)	\$ 7,720,886	\$	213,549
Less amounts due within period of availability				(5,549)		(5,549)
Total long-term liabilities, government-wide statements	5			\$ 7,715,337	\$	208,000

Information about each retirement plan is detailed in Note 16.

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.

\$ 1,915,000

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.

865,300

Future debt service requirements at December 31, 2021, were as follows:

Fiscal Year	Principle	Interest	Total
2022	\$ 208,000	\$ 38,791	\$ 246,791
2023	211,000	36,274	247,274
2024	214,000	33,665	247,665
2025	218,000	30,971	248,971
2026	221,000	28,192	249,192
2027-2031	1,164,000	94,976	1,258,976
2032-2036	544,300	11,987	556,287
	\$ 2,780,300	\$ 274,856	\$ 3,055,156

#### **Bond Anticipation Notes**

Bond anticipation notes were issued in July 2021 for the purpose of funding a portion of the costs of constructing and acquiring improvements, renovations and replacement to the sewerage collection and disposal system of the town and to refund the Town's outstanding Sales Tax Bonds, Series 2016, in the amount of \$2,560,000. The bond anticipation notes were used to provide interim financing for the project. Permanent financing was provided by Sewer Revenue Bonds Series 2022, funded by the United States Department of Agriculture – Rural Development, issued in April 2022, in the amount of \$6,849,000. Annual debt service requirements will be approximately \$250,000 per year and will be paid from sewerage service charges.

#### (16) 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.
- Survivor's benefits require five (5) years creditable service at death of member.
- 5. Any age with 20 years of creditable service, exclusive of military service with an actuarially reduced early benefit.

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

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

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

#### Survivor Benefits:

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

#### **DROP Benefits:**

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

#### Disability Benefits:

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

#### Cost of Living Increases:

The System is authorized under state law to grant a cost of living increase to members who have been retired for at least one year. The adjustment cannot exceed 2% of the retiree's original benefit for each full calendar year since retirement and may only be granted if sufficient funds are available from investment income in excess of normal requirements. State law allows the System to grant an additional cost of living increase to all retirees and beneficiaries who are age sixty-five 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, 2021, the actual employer contribution rate was 29.50% for Plan A. The Town's contributions to the System for the years ended December 31, 2021, 2020, and 2019 were \$155,497, \$134,533, and \$119,728, respectively. Included in contributions for the year ended December 31, 2021, are contributions for the month of December 2021 totaling \$13,445 which were paid subsequent to December 31, 2021.

#### 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 \$18,170 are recognized as revenue during the year ended December 31, 2021 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, 2021, the Town reported a liability of \$677,310 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, 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, 2021 as compared to the total of all employers' contributions received by the System during the fiscal year ended June 30, 2021. The Town's proportion as measured at June 30, 2021, was .243505%, which was an increase of .00027% from its proportion measured as of June 30, 2020.

For the year ended December 31, 2021, the Town recognized pension expense of \$64,561, plus employer's amortization of change in proportionate share and the difference between employer contributions and proportionate share of contributions, \$672.

At December 31, 2021, 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 Changes in proportion and differences between employer contributions and proportionate share of	\$ 1,817	\$ 5,267	
contributions		27,329	
Net difference between projected and actual earnings	04.007	100 707	
on pension plan investments	61,067	100	
Total	\$ 62,884	<u>\$ 162,363</u>	
		ows of Resources	
	Deferred Outfl Governmental Activities	Business-type Activities	
Differences between expected and actual experience	Governmental	Business-type Activities	
Differences between expected and actual experience Changes of assumptions	Governmental Activities	Business-type Activities \$ 166	
Changes of assumptions Changes in proportion and differences between	Governmental Activities \$ 78	Business-type Activities \$ 166	
Changes of assumptions	Governmental Activities \$ 78	Business-type Activities \$ 166 16,831	
Changes of assumptions Changes in proportion and differences between employer contributions and proportionate share of	Governmental Activities \$ 78 7,920	Business-type Activities \$ 166 16,831	
Changes of assumptions Changes in proportion and differences between employer contributions and proportionate share of contributions	Governmental Activities \$ 78 7,920	Business-type Activities \$ 166 16,831	

The Town reported a total of \$82,314 as deferred outflow of resources related to pension contributions made subsequent to the measurement period of June 30, 2021, which will be recognized as a reduction in net pension liability in the year ended December 31, 2022.

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
2022	\$	(21,876)
2023		(35,061)
2024		(49,798)
2025		(65,200)
Total	\$	(171,935)

#### **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, 2021 are as follows:

Valuation Date

Inflation Rate

June 30, 2021

Actuarial Cost Method

Entry Age Normal Cost

Actuarial Assumptions:

Investment Rate of Return

6.85%, decreased from 6.95% in 2020

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, 2021 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 (Continued)

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, 2021 are summarized in the following table:

		Long-Term Expected
	Target Asset	Portfolio Real Rate of
	<u>Allocation</u>	Return
Public equity	53%	2.31%
Public fixed income	38%	1.65%
Alternatives	<u>9%</u>	<u>39%</u>
Totals	100%	<u>4.35%</u>
Inflation		2.6%
Expected Arithmetic Nominal Return		6.95%

The discount rate used to measure the total pension liability was 6.85%. 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 6.85%, 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:

	Changes in Discount Rate					
	1%	Current	1%			
	Decrease 5.85%	Discount Rate 6.85%	Increase 7.85%			
Net Pension Liability	\$1,003,131	\$677,310	\$ 402,109			

#### Changes in Net Pension Liability

The changes in the net pension liability for the year ended December 31, 2021 were recognized in the current reporting period except as follows:

#### Differences between Expected and Actual Experience:

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

Differences between Projected and Actual Investment Earnings:

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

#### 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, 2021.

#### 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, 2021. Access to these reports can be found on the Louisiana Legislative Auditor's website, www.lla.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.

#### **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 statues, 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.

#### 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 This could result in a negative earnings rate being applied to the market investment return. 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, 2021, total contributions due from employers and employees was 43.75%. The employer and employee contribution rates for all members hired prior to January 1, 2013 and Hazardous Duty members hired after January 1, 2013 were 33.75% and 10%, respectively. The employer and employee contribution rates for all Non-Hazardous Duty members hired after January 1, 2013 were 33.75% and 8%, respectively. The employer and employee contribution rates for all members whose earnable compensation is less than or equal to the poverty guidelines issued by the United States Department of Health and Human Services

were 36.25% and 7.5%, respectively. The Town contributions to the System for the years ended December 31, 2021, 2020, and 2019 were \$159,177, \$173,875, and \$178,576, respectively. Included in contributions for the year ended December 31, 2021, are contributions for the month of December 2021 totaling \$12,615 which were paid subsequent to December 31, 2021.

#### **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 \$36,850 are recognized as revenue during the year ended December 31, 2021 and excluded from pension expense.

#### <u>Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred</u> Inflows of Resources Related to Pensions

At December 31, 2021, the Town reported a liability of \$878,980 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, 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, 2021, as compared to the total of all employers' contributions to the System for the year ended June 30, 2021. At June 30, 2021, the Town's proportion was .164895%, which was a decrease of .01241% from its proportion measured as of June 30, 20120.

For the year ended December 31, 2021, the Town recognized pension expense of \$81,474, plus employer's amortization of change in proportionate share and the difference between employer contributions and proportionate share of contributions, (\$284).

At December 31, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Governmental Activities		
	<b>Deferred Outflows</b>	Deferred Inflows	
	of Resources	of Resources	
Differences between expected and actual experience	\$	\$ 27,070	
Changes of assumptions	97,342	25,074	
Net difference between projected and actual earnings			
on pension plan investments		410,415	
Changes in proportion and differences between			
employer contributions and proportionate share of			
contributions	17,552	79,164	
Employer contributions subsequent to the measurement	ŧ		
date	75,108		
Total	\$ 190,002	\$ 541,723	

The Town reported a total of \$75,108 as deferred outflow of resources related to pension contributions made subsequent to the measurement period of June 30, 2021, which will be recognized as a reduction in net pension liability in the year ended December 31, 2022. 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
2022	\$ (76,069
2023	(104,639
2024	(104,723
2025	(141,398
Total	\$ (426.829

#### Actuarial Methods and Assumptions

The actuarial assumptions used in the June 30, 2021 valuation were based on the assumptions used in the June 30, 2021 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, 2021 are as follows:

Valuation Date June 30, 2021

Actuarial Cost Method Entry Age Normal Cost

Investment Rate of Return 6.750%, net of investment expense, decreased from 7.125% in 2019

Expected Remaining Service Lives 4 years

Lives 4 years Inflation Rate 2.5%

Salary increases, including inflation and merit

1-2
Above 2

Salary Growth Rate

1-2
12.3%
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 sale 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.

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, 2021 are summarized in the following table:

		Long-Term Expected Portfolio
	Target Asset	Real Rate of
Asset Class	Allocation	Return
Equity	55.50%	3.47%
Fixed income	30.50%	0.59%
Alternatives	14.00%	1.01%
Other	0%	0.00%
Totals	100%	5.08%
Inflation		2.22%
Expected Arithmetic Nominal Return		7.30%

#### Sensitivity to Changes in Discount Rate

The following presents the net pension liability of the participating employers calculated using the discount rate of 6.75%, 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 5.75% or one percentage point higher 7.75% than the current rate as of June 30, 2021:

	Changes in Discount Rate			
	Current			
	1%	1%		
	Decrease	Rate	Increase	
	5.75%	6.75%	7.75%	
Net Pension Liability	\$1,531,924	\$878,980	\$333,993	

#### Change in Net Pension Liability

The changes in the net pension liability for the year ended December 31, 2021 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, 2021. Access to these reports can be found on the Louisiana Legislative Auditor's website, <a href="https://www.lla.la.gov">www.lla.la.gov</a>.

#### STATE OF LOUISIANA FIREFIGHTERS' RETIREMENT SYSTEM

The Town participates in the State of Louisiana Firefighters' Retirement System (System), a costsharing 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.

#### **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.

#### Employer and Employee Contributions

According to State statute, employer contributions are actuarially determined each year. For the year ended June 30, 2021, employer and employee contributions for members above the poverty line were 32.25% and 10.0%, respectively. The employer and employee contribution rates for those members below the poverty line were 34.25% and 8.0%, respectively. The Town's contributions to the System for the years ended December 31, 2021, 2020, and 2019 were \$174,707, \$164,655, and \$143,331, respectively. Included in contributions for the year ended December 31, 2021, are contributions for the month of December 2021 totaling \$16,351 which were paid subsequent to December 31, 2021.

#### 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, 2021 and were excluded from pension expense. Non-employer contributions received by the System and attributable to the Town during the year ended December 31, 2021 were \$61,100.

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

At December 31, 2021, the Town reported a liability of \$757,945 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, 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, 2021 as compared to the total of all combined contributions to the System during the fiscal year ended June 30, 2021. At June 30, 2021, the Town's proportion was .2138760%, which was a decrease of .0043070% from its proportion measured as of June 30, 2020.

For the year ended December 31, 2021, the Town recognized pension expense of \$109,323, plus employer's amortization of change in proportionate share and the difference between employer contributions and proportionate share of contributions, \$1,813.

At December 31, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflow of Resources		
Differences between expected and actual				Par new V	
experience	\$	10,816	\$	68,065	
Changes of assumptions		164,241		459,965	
Changes in proportion and differences between employer contributions and proportionate share		- 10 A COLOR - 10 A			
of contributions		102,224		37,411	
Employer contributions subsequent to the					
measurement date	New Vandage	88,799			
Total	\$	366,080	\$	565,441	

The Town reported a total of \$88,799 as deferred outflow of resources related to pension contributions made subsequent to the measurement period of June 30, 2021, which will be recognized as a reduction in net pension liability in the year ended December 31, 2022.

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	
2022	\$ (43,770	))
2023	(49,984	1)
2024	(89,422	2)
2025	(130,925	5)
2026	18,73	1
2027	7,21	0
Total	\$ (288,160	))

#### **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, 2021, the reasonable range was set at 6.19% through 7.33% and the Board of Trustees elected to set the System's assumed rate of return at 6.90% for

Fiscal 2021. For the fiscal year ended June 30, 2020, the Board of Trustees elected to set the System's assumed rate of return at 7.15% for Fiscal 2020. The actuarial valuation interest rates selected by the board, which were within the reasonable range, were 6.90% and 7.00% for fiscal years 2020 and 2019, respectively.

The remaining actuarial assumptions utilized for this report are based on the results of an actuarial experience study completed September 24, 2020, for the period July 1, 2014 – June 30, 2019, unless otherwise specified in this report. Additional details are given in the actuary's complete 2020 Experience Report for the period July 1, 2014 – June 30, 2019 which can be obtained from the Firefighters' Retirement System website at www.ffret.com under the Finance tab, Actuarial Valuations section. A summary of the actuarial methods and assumptions used in determining the total pension liability as of June 30, 2021, are as follows:

Valuation Date June 30, 2021

Actuarial Cost Method Entry Age Normal Cost

Estimated Remaining Service Life 7 years closed period

Investment Rate of Return 6.90% per annum (net of investment

expenses, including inflation) (decreased from 7.00% in 2020)

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

Cost of Living Adjustments For the purpose of determining the

present value of benefits, COLAs were deemed not to be substantively automatic and only those previously

granted were included.

For the June 30, 2021 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 MP-2019 scale.

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. 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 change integrates data from multiple sources to produce average values thereby reducing reliance on a single data source.

The June 30, 2021, 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 as of January 2021 and the G.S. Curran & Company Consultant Average study for 2021. The Consultant 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. Subsequent to the actuary's calculation of the long term expected real rate of return in January 2021, the Board voted to amend the target asset allocation. These changes include an increase to target weight in public equity, a decrease in the target weight in fixed income, and the inclusion of a target weight in private real assets. The changes to the target asset allocation are reflected in the table below. The System's long-term assumed rate of inflation of 2.50% was used in this process for the fiscal year ended June 30, 2021. Best estimates of arithmetic real rates of return for each major class included in the System's target asset allocation as of June 30, 2021, are summarized in the following tables:

	Target Asset	Long-Term Expected Real
Asset Class	Allocation	Rates of Return
Fixed income		
U.S. Core Fixed Income	18.00%	.97%
U.S. TIPS	3.00%	.40%
Emerging Market Debt	5.00%	2.75%
Equity		
US Equity	27.50%	5.86%
Non-US Equity	11.50%	6.44%
Global Equity	10.00%	6.40%
Emerging Market Equity	7.00%	8.64%
Multi-Asset Strategies		
Global Tactical Asset Allocation	0.00%	4.17%
Risk Parity	0.00%	4.17%
Alternatives		
Real Estate	6.00%	5.31%
Real Assets	3.00%	0.00%
Private Equity	9.00%	9.53%
Totals	100%	
(Continued	)	

The discount rate used to measure the total pension liability was 6.90%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates, and that contributions from participating employers and non-employer contributing entities will be made at the actuarially-determined rates approved by the Board of Trustees and by the Public Retirement Systems' Actuarial Committee taking into consideration the recommendation of the System's actuary. Based on these 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 6.90%, 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 5.90% or one percentage point higher 7.90% than the current rate as of June 30, 2021.

	Changes in Discount Rate				
		Current			
	1%	Discount	1%		
	Decrease	Rate	Increase		
	5.90%	6.90%	7.90%		
Net Pension Liability	\$ 1,454,061	\$757,945	\$ 177,391		

#### Change in Net Pension Liability

The changes in the net pension liability for the year ended June 30, 2021 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.

#### 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, 2021. Access to these reports can be found on the Louisiana Legislative Auditor's website, www.lla.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, 2021. Access to the audit report can be found on the System's website: <a href="https://www.ffret.com">www.ffret.com</a> or on the Office of Louisiana Legislative Auditor's official website: <a href="https://www.ffret.com">www.ffret.com</a> or on the Office of Louisiana Legislative Auditor's official website: <a href="https://www.ffret.com">www.ffret.com</a> or on the Office of Louisiana Legislative Auditor's official website:

#### (17) Leases

For the year ended December 31, 2021, the Town had two operating leases for property utilized by the Town. Lease payments on these leases for the year ended December 31, 2021 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, 2021 were \$3,642. Future minimum lease payments under these leases are as follows:

Year Ending December 31,

2022

1,499

#### (18) Commitments

The Town signed an engineering and two construction contracts for sewer system upgrades in the amount of \$6,467,472. As of December 31, 2021, the town has incurred \$2,861,878 under these contracts. The remaining \$3,605,594, will be incurred in the subsequent year. Funding for these projects is to be provided by the series 2022 Revenue Bonds.

The Town has an engineering contract for drainage improvements in the amount of \$342,825. As of December 31, 2021, the town has incurred \$183,230 under this contract. The remaining \$159,595 will be incurred in the subsequent year.

#### (19) Subsequent Events

In 2022, The Town awarded a contract for lift station improvements in the amount of \$73,074. This is expected to be funded by the American Rescue Plan funds received.

In April 2022, the Town issued \$6,849,000 of Sewer Revenue Bonds Series 2022, of which, approximately \$3,909,000 is to be used to pay a portion of the costs of constructing and acquiring improvements, renovations and replacements to the sewerage collection and disposal system, and approximately \$2,940,000 to refund the Town's outstanding Sales Tax Bonds, series 2016.

Subsequent events have been evaluated through June 29, 2022, 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, 2021

							iance with al Budget
	Budgeted Amounts				Act	ual Amounts	Positive
Revenues:		Original		Final		Igetary Basis)	legative)
Ad valorem taxes	\$	118,000	\$	109,000	\$	125,991	\$ 16,991
Franchise taxes		140,000		150,000		180,240	 30,240
Sales taxes		1,600,000		2,100,000		2,212,602	112,602
Licenses and permits		219,000		216,000		228,367	12,367
Grant revenue		190,800					
Intergovernmental		366,000		353,467		458,408	104,941
Interest		1,000		1,000		1,640	640
Fines and forfeits		232,225		169,676		163,769	(5,907)
Other		15,000		32,106		83,499	51,393
Total revenues		2,882,025		3,131,249		3,454,516	323,267
Expenditures:							
Current:							
General government		346,943		415,482		446,573	(31,091)
Public safety		2,362,890		2,491,782		2,384,315	107,467
Street and drainage		66,850		106,169		96,643	9,526
Capital outlay		373,060		5,000		79,232	(74,232)
Total expenditures		3,149,743		3,018,433		3,006,763	11,670
Excess (deficiency) of revenues		1000000000000					
over (under) expenditures		(267,718)		112,816	-	447,753	 334,937
Other financing sources (uses):							
Sale of assets						416,330	416,330
Transfers in		200,000				65,655	65,655
Total other financing sources (uses)		200,000				481,985	481,985
Excess (deficiency) of revenues and other				on consider to become			Viality of the backgraphy 7
sources over expenditures and other uses		(67,718)		112,816		929,738	816,922
Fund balances at beginning of year		867,355		933,344		933,343	 (1)
Fund balances at end of year	\$	799,637	\$	1,046,160	\$	1,863,081	\$ 816,921

#### Town of Haughton Haughton, Louisiana Notes to Required Supplementary Information December 31, 2021

The Town's budget is adopted on a cash basis for all funds. There was one amendment to the 2021 budget. Budget comparison statements included in the accompanying financial statements include the original and adopted budgets and all amendments. The schedule below reconciles excess (deficiency) of revenues and other sources over expenditures and other uses on the budget basis with GAAP basis:

	 General Fund
Excess of revenues and other sources over expenditures and	
other uses (budget basis)	\$ 929,738
Adjustments:	
Revenue accruals - net	42,996
Expenditure accruals - net	(42,068)
Excess of revenues and other sources over expenditures and	
other uses (GAAP) basis	\$ 930,666

#### Town of Haughton Haughton, Louisiana Schedule of Proportionate Share of Net Pension Liability For the Year Ended December 31, 2021

Year Ended June 30  Municipal Employe	Proportion of the net pension liability (asset)	of th	ortionate share ne net pension bility (asset) siana	Cover	ed-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
2021	0.24351%	\$	677,310	\$	479,949	141.12%	77.82%
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%
Municipal Police E	imployees Retirement S	ystem	of Louisiana				
2021	0.16490%	\$	878,980	\$	503,485	174.58%	84.09%
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%
Firefighters Retire	ment System						
2021	0.21388%	\$	757,945	\$	542,500	139.71%	86.78%
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, 2021

Year Ended		tatutorily lequired	in re	ntributions lation to the	Contribution	Cover	ad amplayaa	Contributions as a percentage of covered-employee
June 30		ntribution		tatutorily ed contribution	Deficiency (Excess)		ed-employee payroll	payroll
Julie 30		Huibation	require	ed Contribution	Deliciency (Excess)		payroli	payron
Municipal Emplo	oyees Re	tirement Syste	m of Lou	uisiana				
2021	\$	155,457	\$	155,457	\$	\$	526,974	29.50%
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	190	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%
Municipal Police					2	•	504 405	24.70%
2021	\$	159,177	\$	159,177	\$	\$	501,135	31.76%
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 2016		145,369		145,369			465,291	31.24%
2015		124,649		124,649			403,356 400,839	30.90% 30.56%
2015		122,490		122,490			400,639	30.36%
Firefighters Ret	irement S	System						
2021	\$	174,707	\$	174,707	\$	\$	529,490	33.00%
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%

<sup>\*</sup>Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

<sup>\*\*</sup>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, 2021

Mayor Kim Gaspard	\$ 50,000
Town Council:	
Carlton Anderson	6,000
Buck Mcgee	7,200
Doug Adams	6,000
Colby Isom	6,000
Phillip Smith	 6,000
	\$ 81,200

#### Town of Haughton Haughton, Louisiana Schedule of Compensation, Benefits, and Other Payments to Agency Head For the Year Ended December 31, 2021

Agency Head: Kim Gaspard, Mayor

Purpose	Amount
Salary	\$ 50,000
Per Diem	430

#### Town of Haughton Haughton, Louisiana

#### Schedule of Expenditures of Federal Awards For the Year Ended December 31, 2021

Federal Grantor / Pass-Through Grantor / Program Title	Assistance Listing Number	Pass-Through Grantor's Number	Passed Through to Subrecipients	Expenditures
U.S. Department of Agriculture  Direct Progam - Water and Waste disposal systems for Rural Communites	10.760			\$ 5,214,133
Passed through the Louisiana Department of Agriculture & Forestry 2021 Volunteer Fire Assistance Grant	10.664	Unknown		1,985
Total U.S. Department of Agriculture				5,216,118
Environmental Protection Agency Passed through the Louisiana Department of Environmental Quality Capitalization Grants for Clean Water State Revolving Funds  Total Environmental Protection Agency	66.458	Unknown		69,328 69,328
U.S. Department of Homeland Security  Passed through the Governor's Office of Homeland Security and Emergency Preparedness  Disaster Assistance	97.036	Unknown		10,957
U.S. Department of Homeland Security  U.S. Department of Transportation Highway Safety Cluster Passed through Louisiana Highway Safety Commission Special Enforcement Waves	20.600	Unknown		10,957
Total U.S. Department of Transportation				993
Total Federal Expenditures				\$ 5,297,396

# Town of Haughton Haughton, Louisiana Schedule of Expenditures of Federal Awards For the Year Ended December 31, 2021

#### NOTE A: Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Town of Haughton under programs of the federal government for the year ended December 31, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Town of Haughton, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Town of Haughton.

#### NOTE B: Summary of Significant Accounting Policies

- (1) The accompanying schedule of expenditures of federal awards is prepared on the accrual basis of accounting.
- (2) Town of Haughton does not utilize an indirect cost rate.

#### NOTE C: Water and Waste disposal systems for Rural Communites

Included in Water and Waste Disposal Systems for Rural Communites, ALN 10.760, totaling \$5,214,133, are expenditures funded by interim financing from Bond Anticipation Notes. These Bond Anticipation Notes were paid in full subsequent to December 31, 2021, by Series 2022 Revenue Bonds issued by the Town from the United States Department of Agriculture - Rural Development in the amount of \$6,849,000. Balances outstanding on the Bond Anticipation Notes at 12/31/21 totaled \$4,469,652.

Included in Water and Waste Disposal Systems for Rural Communites, ALN 10.760, are expenditures totaling \$744,481, which were incured in 2021, for which the proceeds/draws from Bond Anticipation notes were received subsquent to December 31, 2021.

#### 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, 2021

Cash Basis Presentation	January 2021 - June 2021	July 2021 - December 2021
Beginning Balance of Amounts Collected (i.e. cash on hand)	477	593
Add: Collections Criminal Fines - Other	81,156	78,482
Offinial Files - Other	01,100	10,402
Subtotal Collections	81,156	78,482
Less: Disbursements to Governments and Nonprofits		
Louisiana Traumatic Head and Spinal Cord Injury Trust Fund - Criminal Fines - Other	50	65
North Louisiana Criminalistics Laboratory Commission - Criminal Fines - Other	4,440	8,920
State of Louisiana Treasurer - Criminal Fines - Other	390	711
Louisiana Judicial College - Criminal Fines - Other	65	119
Louisiana Association of Chiefs of Police - Criminal Fines - Other	410	474
Louisiana Commission on Law Enforcement, POST Law Enforcement Training and Assistance Fund - Criminal Fines - Other	24	41
Louisiana Commission on Law Enforcement, Crime Victims Reparation Fund - Criminal Fines -		
Other	90	210
Less: Amounts Retained by Collecting Agency		
Amounts self-disbursed to collecting agency - Criminal fines - Other	75,571	67,857
Less: Disbursements to Individuals/3rd Party Collection or Processing Agencies		
Subtotal Disbursements/Retainage	81,040	78,397
Total: Ending Balance of Amounts Collected but not Disbursed/Retained (i.e. cash on hand)	593	678
Ending Balance of "Partial Payments" Collected but not Disbursed	0	0
Other Information:		
Ending Balance of Total Amounts Assessed but not yet Collected (i.e. receivable balance)	0	0
Total Waivers During the Fiscal Period (i.e. non-cash reduction of receivable balances, such as time served or community service)	0	0

## 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, 2021

Cash Basis Presentation	January 2021 - June 2021		July 2021 - December 2021	
Receipts From:				
Louisiana Department of Public Safety - Criminal Court Cost/Fees	\$	275	\$	413
Bossier Parish Sheriff - Criminal Fines - Other		810		1,520
District Attorney for the Twenty-Sixth Judicial District - asset forfeiture/sle		469		9,088
Restitution		2,374		
Subtotal Receipts	(	3,928		11,021
Ending Balance of Amounts Assessed but Not Received		-	_	-

#### COOK & MOREHART

Certified Public Accountants

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SOCIETY OF LOUISIANA CERTIFIED PUBLIC ACCOUNTANTS

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

Independent Auditor's Report

The Honorable Kim Gaspard, 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, 2021, 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 29, 2022.

#### Report on 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 weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

### Report on 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*.

### 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 29, 2022

### **COOK & MOREHART**

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SOCIETY OF LOUISIANA
CERTIFIED PUBLIC ACCOUNTANTS

Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance

### Independent Auditors' Report

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

### Report on Compliance for Each Major Federal Program

### Opinion on Each Major Federal Program

We have audited the Town of Haughton's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Town of Haughton's major federal programs for the year ended December 31, 2021. The Town of Haughton's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Town of Haughton complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal program for the year ended December 31, 2021.

### Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Town of Haughton and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Town of Haughton's compliance with the compliance requirements referred to above.

### Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Town of Haughton's federal programs.

### Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Town of Haughton's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Town of Haughton's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, Government Auditing Standards, and the Uniform Guidance, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design
  and perform audit procedures responsive to those risks. Such procedures include examining, on a
  test basis, evidence regarding Town of Haughton's compliance with the compliance requirements
  referred to above and performing such other procedures as we considered necessary in the
  circumstances.
- obtain an understanding of Town of Haughton's internal control over compliance relevant to the audit
  in order to design audit procedures that are appropriate in the circumstances and to test and report
  on internal control over compliance in accordance with the Uniform Guidance, but not for the
  purpose of expressing an opinion on the effectiveness of Town of Haughton's internal control over
  compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Cook & Morehart

Certified Public Accountants

June 29, 2022



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K.W. Gaspard

### SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

June 29, 2022

Town of Haughton respectfully submits the following Summary Schedule of Prior Audit Findings for the audit period ended December 31, 2021.

Name and address of independent public accounting firm:

Cook & Morehart, CPAs 1215 Hawn Ave Shreveport, LA 71107

Audit period: Year Ended December 31, 2021

#### **FINDINGS - FINANCIAL STATEMENT AUDIT**

### 2020-001 Significant Deficiency - Police Department Collections

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: The Town has implemented additional controls so that the individuals collecting payments no longer have the ability to post adjustments in the subsidiary software. In addition, all adjustments are approved through Mayor's court.

### 2020-002 Significant Deficiency - Accounts Receivable - Utility Funds

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: The Town has implemented additional controls for reviewing and monitoring accounts receivable postings on a routine basis, including a comparison to amounts in the general ledger.

#### FINDINGS - FEDERAL AWARD PROGRAMS AUDIT: None

If additional information is needed, please contact me at 318-949-9401.

Sincerely,

Mayor

Town of Haughton

### Town of Haughton Haughton, Louisiana Schedule of Finding and Questioned Costs December 31, 2021

### A. Summary of Audit Results

### Financial Statements

	Type of audit report issued :			
	Unmodified-governmental activities, business-type	e activ	vities, e	ach major
	fund, aggregate remaining fund information			
	Adverse-aggregate discretely presented compon	ent un	its	
	Internal control over financial reporting :			
	Material weaknessess identified :	yes	٧	no
	Significant deficiencies identified :	yes	٧	none reported
	Noncompliance material to financial			
	statements noted :	yes		_ no
	Federal Awards			
	Internal control over major programs :			
	Material weaknessess identified :	yes	٧	no
	Significant deficiencies identified :	yes	٧	none reported
	Type of auditors' report issued on compliance for major federal programs : Unmodified			
	Any audit findings disclosed that are required to			
	be reported in accordance with 2 CFR section			
	200.516(a)	yes		_ no
	Identification of major federal programs: Water and Waste Disposal System for Rural Communities ALN #10.760 Dollar threshold used to distinguish between type A and type B programs: \$750,000			
	Auditee qualified as low risk :	yes	٧	_ no
В.	Findings – Financial Statements Audit: None.			
C.	Findings and Questioned Costs – Major Federal Awa	rd Pro	grams	Audit: None

Town of Haughton Haughton, Louisiana Summary Schedule of Prior Year Audit Findings Schedule For Louisiana Legislative Auditor December 31, 2021

There were two findings for the prior year audit period ended December 31, 2020, as described in the accompanying Summary Schedule of Prior Audit Findings.

Summary Schedule of Current Year Audit Findings Schedule For Louisiana Legislative Auditor December 31, 2021

### Summary Schedule of Current Year Audit Findings

There are no findings for the current year audit for the year ended December 31, 2021.

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Independent Accountants' Report on Applying Agreed-Upon Procedures

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

We have performed the procedures enumerated below on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's (LLA's) Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2021 through December 31, 2021. The Town of Haughton's management is responsible for those C/C areas identified in the SAUPs.

Town of Haughton has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the C/C areas identified in LLA's SAUPs for the fiscal period January 1, 2021 through December 31, 2021. Additionally, LLA has agreed to and acknowledges that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are as follows:

### Written Policies and Procedures

- Obtain and inspect the entity's written policies and procedures and observe whether they address each of the following categories and subcategories if applicable to public funds and the entity's operations:
  - a) Budgeting, including preparing, adopting, monitoring, and amending the budget.
  - b) Purchasing, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.
  - c) Disbursements, including processing, reviewing, and approving.
  - d) Receipts/Collections, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collection for each type of revenue or agency fund additions (including periodic confirmation with outside

- parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).
- e) Payroll/Personnel, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee(s) rate of pay or approval and maintenance of pay rate schedules.
- f) Contracting, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
- g) Credit Cards (and debit cards, fuel cards, P-Cards, if applicable), including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage.
- h) *Travel and expense reimbursement*, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
- i) Ethics, including (1) the prohibitions as defined in Louisiana Revised Statues (R.S.)42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) a requirement that documentation is maintained to demonstrate that all employees and officials were notified of any changes to the entity's ethics policy.
- j) Debt Service, including (1) debt issuance approval, (2) continuing disclosures/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
- k) Information Technology Disaster Recovery/Business Continuity, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.
- I) Sexual Harassment, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

Management provided written policies and procedures addressing all of the above, except as noted below:

Exception: The Town's sexual harassment policy did not address annual employee training and annual reporting.

Management's Response: The Town will update its sexual harassment policy.

### **Board or Finance Committee**

- 2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
  - a) Observe that the board/finance committee met with a quorum at least monthly or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.

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

b) For those entities reporting on the governmental accounting model, observe whether the minutes referenced or included monthly budget-to-actual comparisons on the general fund, quarterly budget-to-actual, at a minimum, on proprietary funds, and semi-annual budget- to-actual, at a minimum, on all special revenue funds. Alternately, for those entities reporting on the nonprofit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.

Exception: The minutes of the board of alderman did not reference budget to actual comparisons on the general fund.

Management's Response: The Town will implement procedures to have the Board of Alderman approve their review of the financials in the future meetings.

c) For governmental entities, obtain the prior year audit report and observe the unassigned fund balance in the general fund. If the general fund had a negative ending unassigned fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unassigned fund balance in the general fund.

The Town did not have a negative unassigned fund balance in the general fund in the prior year audit report.

#### Bank Reconciliations

3. Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for selected each account, and observe that:

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

a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);

Bank reconciliations selected included evidence that they were prepared within 2 months of the related statement closing date, except as noted below:

Exception: One bank reconciliations selected for testing was prepared more than 2 months after the related statement closing date.

Management's Response: The Town will implement procedures to ensure the bank reconciliations are prepared within 2 months of the related statements.

 Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and

Exception: There were no attributes indicating that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation.

Management's Response: The Town will implement procedures to have a member of management/board member who does not handle cash, post ledgers, or issue checks review each bank reconciliation. Bank reconciliations are prepared by contracted CPA firm.

c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Exception: There were twenty-three (23) outstanding checks totaling \$6,148 and three (3) outstanding deposits totaling \$660, on two bank reconciliation selected for testing that were more than 12 months old. There was no indication that management had researched these outstanding items.

Management's Response: Management will research and follow up on old outstanding items.

#### Collections

- 4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).
  - Management provided the requested information, along with management's representation that the listing is complete.
- 5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:
  - a) Employees that are responsible for cash collections do not share cash drawers/registers.
  - Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.
  - c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.
  - d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.
    - Management provided the requested information, along with management's representation that the listing was complete. Employees responsible for cash collections do not share cash drawers except as noted below. Employees responsible for collecting cash are not responsible for preparing/making bank deposits, unless another employee is responsible for reconciling collection documentation to the deposit; are not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit; and are not responsible for reconciling cash collections to the general ledger by revenue source unless another employee verifies the reconciliation.
- Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe the bond or insurance policy for theft was enforced during the fiscal period.
  - The Town has a crime policy which includes coverage for employee theft.
- 7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). Obtain supporting documentation for each of the 10 deposits and:
  - a) Observe that receipts are sequentially pre-numbered.
  - b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.

- c) Trace the deposit slip total to the actual deposit per the bank statement.
- d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100 and the cash is stored securely in a locked safe drawer).
- e) Trace the actual deposit per the bank statement to the general ledger.

For the deposits selected for testing, the deposit slip total was located on the bank statement, deposits were made within one business day, and the actual deposit was traced to the general ledger.

# Non-Payroll Disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases)

- 8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5). Management provided the requested information, along with management's representation that the listing is complete.
- 9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:
  - At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
  - b) At least two employees are involved in processing and approving payments to vendors.
  - c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.
  - d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.
    - Exception: The employee responsible for processing payments also mails the checks out after the checks are signed.
    - Management's Response: Disbursements are approved by the Mayor. Bank reconciliation are prepared by contract CPA firm.
- 10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:
  - a) Observe whether the disbursement matched the related original itemized invoice and supporting documentation indicates deliverables included on the invoice were received by the entity.
  - b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.
    - Management provided the requested information, along with management's representation that the listing is complete. For the transactions selected for testing, the disbursement matched the related original invoice, included supporting documentation indicating deliverables were received by the Town, and included evidence of segregation of duties.

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

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

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

- 12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:
  - a) Observe whether there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) were reviewed and approved, in writing (or electronically approved), by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.].

Exception: For each card selected for testing, there were no attributes indicating that someone other than the authorized card holder reviewed and approved the monthly statements and supporting documentation for the items selected for testing.

Management's Response: All payments for credit cards are approved by management prior to payment.

b) Observe that finance charges and late fees were not assessed on the selected statements.

Exception: One statement selected for testing included a late fee charge of \$39.00.

Management's Response: All payments for credit cards are approved by management prior to payment.

- 13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e., each card should have 10 transactions subject to testing). For each transaction, observe it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and note whether management had a compensating control to address missing receipts, such as a "missing receipt statement" that is subject to increased scrutiny. For each transaction, report whether the transaction is supported by:
  - 1) An original itemized receipt (i.e., identifies precisely what was purchased)

Exception: Six receipts totaling \$1,153.81 could not be located.

Management's Response: All payments for credit cards are approved by management prior to payment.

- Written documentation of the business/public purpose.
   Transactions tested were supported with the business purpose documentation.
- 3) Documentation of the individuals participating in meals (foe meal charges only).

None of the transactions selected for testing were for meal charges.

### Travel and Travel-Related Expense Reimbursements (excluding card transactions)

- 14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:
  - a) If reimbursed using a per diem, observe the approved reimbursement rate is no more than those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).
  - b) If reimbursed using actual costs, observe the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
  - c) Observe each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).
  - d) Observe each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Management provided the requested information, along with management's representation that the listing is complete. Per diem rates used were within U.S. General Services Administration rates. The reimbursements selected for testing were for actual costs and were supported by an original itemized receipt that identified what was purchased, supported by documentation of business purpose, and was reviewed and approved, in writing, by someone other than the person receiving the reimbursement

### Contracts

- 15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. Alternately, the practitioner may use an equivalent selection source, such as an active vendor list. Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:
  - a) Observe whether the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.
  - b) Observe whether the contract was approved by the governing body/board, if required by policy or law (e.g., Lawrason Act, Home Rule Charter).

- c) If the contract was amended (e.g., change order), observe the original contract terms provided for such an amendment and that amendments were made in compliance with the contract terms (e.g., if approval is required for any amendment, was approval documented).
- d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe the invoice and related payment agreed to the terms and conditions of the contract.

The contracts selected for testing were bid in accordance with the Louisiana Public Bid Law, as applicable, were approved by the governing board, and the amendments were approved by the governing board. The payments selected for testing were supported by an invoice, which agreed with contract terms.

### Payroll and Personnel

- 16. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.
  - Management provided the requested information, along with management's representation that the listing is complete. For the 5 employees selected for testing, the paid salaries agreed with the authorized salaries/pay rates in the personnel files.
- 17. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:
  - a) Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory).
    - Daily attendance and leave was documented for the employees selected for testing.
  - Observe that supervisors approved the attendance and leave of the selected employees or officials.
    - For the transactions selected for testing, attendance and leave records were approved by supervisors.
  - Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.
    - For the transactions selected for testing, leave taken was reflected in the Town's cumulative leave records.
  - d) Observe the rate paid to the employees or officials agree to the authorized salary/pay rate found within the personnel file.
    - For the transactions selected for testing, the rate of pay to the employees agreed to the authorized salary/pay rate found within the personnel file.
- 18. Obtain a listing of those employees or officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees or officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations and the entity's policy on termination payments. Agree the hours to the employee or officials' cumulative leave records, agree the pay rates to the employee or officials' authorized pay rates in the employee or officials' personnel files, and agree the termination payment to entity policy.

- Management provided the requested listing and management's representation that the listing was complete. The termination payments selected for testing agreed with the supporting documentation
- 19. Obtain management's representation that employer and employee portions of third party payroll related amounts (e.g. payroll taxes, retirement contributions, health insurance premiums, garnishments, workers' compensation premiums, etc) have been paid, and any associated forms have been filed, by required deadlines.

Management provided representation that employer and employee portions of third party payroll related amounts, including payroll taxes, retirement contributions, health insurance premiums, garnishments, and workers' compensation premiums, have been paid, and any associated forms have been filed, by required deadlines.

### **Ethics**

- 20. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, obtain ethics documentation from management, and:
  - a) Observe whether the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.

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

b) Observe whether the entity maintains documentation which demonstrates each employee and official were notified of any changes to the entity's ethics policy during the fiscal period, as applicable.

The Town did not make any changes to the ethics policy during the fiscal period.

### **Debt Service**

- 21. Obtain a listing of bonds/notes and other debt instruments issued during the fiscal period and management's representation that the listing is complete. Select all debt instruments on the listing, obtain supporting documentation, and observe State Bond Commission approval was obtained for each debt instrument issued.
  - Management provided the requested information, along with management's representation that the listing is complete. State Bond Commission approval was obtained for the debt issued during the fiscal period.
- 22. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants (including contingency funds, short-lived asset funds, or other funds required by the debt covenants).
  - Management provided the requested information, along with management's representation that the listing is complete. For the bond selected for testing, the actual reserve balances and payments to those required by the debt covenants were in substantial agreement.

### Fraud Notice

23. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the Town attorney of the parish in which the entity is domiciled.

The Town's management represented that there were no misappropriations of public funds and assets during the fiscal period.

24. Observe the entity has posted, on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds

We observed the Town has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud waste, or abuse of public funds.

### Information Technology Disaster Recovery/Business Continuity

- 25. Perform the following procedures, verbally discuss the results with management, and report "We performed the procedure and discussed the results with management."
  - a) Obtain and inspect the entity's most recent documentation that it has backed up its critical data (if no written documentation, inquire of personnel responsible for backing up critical data) and observe that such backup occurred within the past week. If backups are stored on a physical medium (e.g., tapes, CDs), observe evidence that backups are encrypted before being transported.
  - b) Obtain and inspect the entity's most recent documentation that it has tested/verified that its backups can be restored (if no written documentation, inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.
  - c) Obtain a listing of the entity's computers currently in use and their related locations, and management's representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor.

We performed the procedures and discussed the results with management.

### Sexual Harassment

- 26. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, obtain sexual harassment training documentation from management, and observe the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year.
  - Management provided documentation demonstrating that each employee selected for testing obtained the required sexual harassment training.
- 27. Observe the entity has posted its sexual harassment policy and complaint procedure on its website (or in a conspicuous location on the entity's premises if the entity does not have a website).
  - Exception: The Town did not have its sexual harassment policy and complaint procedure on its website.
  - Management's Response: The Town will add the sexual harassment policy and complaint procedure to its website.
- 28. Obtain the entity's annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1, and observe it includes the applicable requirements of R.S. 42:344:
  - a) Number and percentage of public servants in the agency who have completed the training requirements:
  - b) Number of sexual harassment complaints received by the agency;
  - c) Number of complaints which resulted in a finding that sexual harassment occurred;

- d) Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and
- e) Amount of time it took to resolve each complaint.

Exception: The Town did not complete the required report by the February 1, for the current fiscal period.

Management's Response: The Town will complete the required report by the required deadline in the future.

We were engaged by Town of Haughton, to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of Town of Haughton, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

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

Cook & Morehart

Certified Public Accountants

June 29, 2022