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TOWN OF HAUGHTON, LOUISIANA
ANNUAL FINANCIAL STATEMENTS
December 31, 2003

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 7-21-04



TOWN OF HAUGHTON, LOUISIANA

Table of Contents

	<u>Page</u>
Independent Auditor's Report	1
General Purpose Financial Statements:	
Combined Balance Sheet – All Fund Types and Account Groups	2-3
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances – All Governmental Fund Types	4
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget (GAAP Basis) and Actual – General and Debt Service Fund Types.....	5
Combined Statement of Revenues, Expenses, and Changes in Retained Earnings – Proprietary Fund Types.....	6
Combined Statement of Cash Flows – Proprietary Fund Types.....	7
Notes to Financial Statements	8-20
Combining and Individual Fund Statements:	
<u>Governmental Funds:</u>	
General Fund:	
Balance Sheet	21
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget (GAAP Basis) and Actual.....	22
Debt Service Funds:	
Combining Balance Sheet	23
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances.....	24
<u>Proprietary Funds:</u>	
Enterprise Funds – Water, Sewer, and Sanitation Funds:	
Combining Balance Sheet.....	25
Combining Statement of Revenues, Expenses, and Changes in Retained Earnings	26
Combining Statement of Cash Flows.....	27-28

TOWN OF HAUGHTON, LOUISIANA

**Table of Contents
(Continued)**

	<u>Page</u>
Supplementary Information:	
Schedule of Mayor's and Aldermen's Compensation	29
Additional Report Required by <i>Government Auditing Standards</i>:	
Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	30
Audit Findings:	
Schedule of Audit Findings	31-33
Corrective Action Plan.....	34
Schedule of Prior Audit Findings.....	35-36



Certified Public Accountants • Management Consultants • Business Advisors

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying general purpose financial statements and the combining and individual fund financial statements of the Town of Haughton, Louisiana, as of and for the year ended December 31, 2003, as listed in the accompanying table of contents. These general purpose financial statements are the responsibility of the Town of Haughton, Louisiana's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Town of Haughton, Louisiana, as of December 31, 2003, and the results of its operations and cash flows of its proprietary fund types for the year ended in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the combining and individual fund financial statements referred to above, present fairly, in all material respects, the financial position of each of the individual funds of the Town of Haughton, Louisiana, as of December 31, 2003, and the results of operations of such funds and cash flows of individual proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2004, on our consideration of the Town of Haughton, Louisiana's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole and the combining and individual fund financial statements. The accompanying financial information listed as supplementary information in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of the Town of Haughton, Louisiana. Such information has been subjected to the auditing procedures applied in the audit of the general purpose, combining, and individual fund financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements of each respective individual fund taken as a whole.

Smith Pugh & Company, LLP

Smith Pugh & Company, LLP
Certified Public Accountants
Shreveport, Louisiana
June 25, 2004

GENERAL PURPOSE FINANCIAL STATEMENTS

TOWN OF HAUGHTON, LOUISIANA

Combined Balance Sheet - All Fund Types and Account Groups
December 31, 2003

	Governmental Fund Types			Proprietary Fund Type		Account Groups			Totals (Memorandum Only)	
	General	Debt Service	Capital Projects	Enterprise	General	Fixed Assets	General	Long-Term Debt	2003	2002
Assets										
Cash and cash equivalents	\$ 1,704,775	\$ 108,384	\$ 1	\$ 637,056	\$ -	\$ -	\$ -	\$ -	\$ 2,450,216	\$ 2,024,548
Certificates of deposit	163,053	-	-	168,507	-	-	-	-	331,560	316,280
Receivables (net where applicable, of allowances for uncollectibles):										
Accounts	117,131	22,208	-	66,323	-	-	-	-	205,662	207,861
Accrued interest	930	-	-	514	-	-	-	-	1,444	9,211
Prepaid expenses	6,195	-	-	9,292	-	-	-	-	15,487	15,616
Interfund receivables	71,793	76,866	-	5,421	-	-	-	-	154,080	129,125
Restricted assets:										
Cash and cash equivalents	-	-	-	425,339	-	-	-	-	425,339	544,464
Certificates of deposit	-	-	-	68,571	-	-	-	-	68,571	67,821
Property, plant and equipment (net of accumulated depreciation, where applicable, of \$2,217,516)	-	-	-	2,348,953	1,995,620	-	-	-	4,344,573	4,304,908
Amount available in Debt Service Funds	-	-	-	-	-	-	108,384	-	108,384	97,038
Amount to be provided for retirement of general long-term debt	-	-	-	-	-	-	174,616	-	174,616	214,962
Total assets	\$ 2,063,877	\$ 207,458	\$ 1	\$ 3,729,976	\$ 1,995,620	\$ -	\$ 283,000	\$ -	\$ 8,279,932	\$ 7,931,834

TOWN OF HAUGHTON, LOUISIANA

Combined Balance Sheet - All Fund Types and Account Groups
December 31, 2003

	Governmental Fund Types			Proprietary Fund Type	Account Groups			Totals (Memorandum Only)		
	General	Debt Service	Capital Projects		General Fixed Assets	General Long-Term Debt	2003	2002		
Liabilities										
Accounts and other payables	\$ 8,101	\$ -	\$ -	\$ 14,337	\$ -	\$ -	\$ 22,438	\$ 112,171		
Deferred property taxes	-	3,093	-	-	-	-	3,093	-		
Interfund payables	1,931	-	1	152,148	-	-	154,080	129,125		
Payable from restricted assets:										
Current portion of bonds payable	-	-	-	19,962	-	30,000	49,962	47,823		
Interest payable	-	-	-	10,864	-	-	10,864	12,009		
Deposits	-	-	-	68,383	-	-	68,383	73,060		
General obligation bonds payable	-	-	-	-	10,000	-	10,000	20,000		
Revenue bonds payable	-	-	-	161,546	243,000	-	404,546	445,347		
Total liabilities	10,032	3,093	1	427,240	-	283,000	723,366	839,535		
Fund equity										
Contributed capital	-	-	-	1,566,068	-	-	1,566,068	1,662,923		
Investment in general fixed assets	-	-	-	-	1,995,620	-	1,995,620	1,889,132		
Retained earnings:										
Unreserved	-	-	-	1,736,668	-	-	1,736,668	1,796,934		
Fund balances:										
Reserved for debt service	-	204,365	-	-	-	-	204,365	173,286		
Unreserved	2,053,845	-	-	-	-	-	2,053,845	1,570,024		
Total retained earnings/fund balances	2,053,845	204,365	-	1,736,668	-	-	3,994,878	3,540,244		
Total fund equity	2,053,845	204,365	-	3,302,736	-	-	7,556,566	7,092,299		
Total liabilities and fund equity	\$ 2,063,877	\$ 207,458	\$ 1	\$ 3,729,976	\$ 1,995,620	\$ 283,000	\$ 8,279,932	\$ 7,931,834		

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

TOWN OF HAUGHTON, LOUISIANA

Combined Statement of Revenues, Expenditures, and Changes
in Fund Balances - All Governmental Fund Types
Year Ended December 31, 2003

	Governmental Fund Types			Totals (Memorandum Only)	
	General	Debt Service	Capital Projects	2003	2002
Revenues:					
Property taxes	\$ 23,254	\$ 42,091	\$ -	\$ 65,345	\$ 64,847
Franchise taxes	86,153	-	-	86,153	49,810
Other taxes	560,926	-	-	560,926	515,168
Licenses and permits	123,675	-	-	123,675	126,178
Grant revenue	19,211	-	-	19,211	289,007
Intergovernmental	281,099	-	-	281,099	113,684
Interest	20,096	635	-	20,731	27,501
Fines and forfeits	148,735	-	-	148,735	119,474
Other	50,457	-	-	50,457	14,828
Total revenues	<u>1,313,606</u>	<u>42,726</u>	<u>-</u>	<u>1,356,332</u>	<u>1,320,497</u>
Expenditures:					
General government	226,999	-	-	226,999	178,562
Public safety	534,556	-	-	534,556	446,445
Streets and drainage	22,635	-	-	22,635	392,055
Capital outlays	106,514	-	-	106,514	60,749
Debt service:					
Principal retirement	-	29,000	-	29,000	29,000
Interest	-	18,208	-	18,208	19,979
Other	-	1,350	-	1,350	901
Total expenditures	<u>890,704</u>	<u>48,558</u>	<u>-</u>	<u>939,262</u>	<u>1,127,691</u>
Excess (deficiency) of revenues over expenditures	<u>422,902</u>	<u>(5,832)</u>	<u>-</u>	<u>417,070</u>	<u>192,806</u>
Other financing sources (uses):					
Cash shortage	-	-	-	-	(17,444)
Transfers in	97,830	36,911	-	134,741	64,087
Transfers out	(36,911)	-	-	(36,911)	(188,711)
Net other financing sources (uses)	<u>60,919</u>	<u>36,911</u>	<u>-</u>	<u>97,830</u>	<u>(142,068)</u>
Excess of revenues over expenditures and other financing sources (uses)	<u>483,821</u>	<u>31,079</u>	<u>-</u>	<u>514,900</u>	<u>50,738</u>
Fund balance at beginning of year	1,570,024	173,286	-	1,743,310	1,692,572
Fund balance at end of year	<u>\$ 2,053,845</u>	<u>\$ 204,365</u>	<u>\$ -</u>	<u>\$ 2,258,210</u>	<u>\$ 1,743,310</u>

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

TOWN OF HAUGHTON, LOUISIANA

**Combined Statement of Revenues, Expenditures and Changes
in Fund Balances - Budget (GAAP Basis) and Actual - General and Debt Service Fund Types
Year Ended December 31, 2003**

	General Fund			Debt Service Fund			Variance Favorable (Unfavorable)
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	
Revenues:							
Property taxes	\$ 20,000	\$ 23,254	\$ 3,254	\$ 30,000	\$ 42,091	\$ 12,091	
Franchise taxes	40,000	86,153	46,153	-	-	-	
Other taxes	500,000	560,926	60,926	-	-	-	
Licenses and permits	108,000	123,675	15,675	-	-	-	
Grant revenue	25,000	19,211	(5,789)	-	-	-	
Intergovernmental	144,000	281,099	137,099	-	-	-	
Interest	18,000	20,096	2,096	2,000	635	(1,365)	
Fines and forfeits	92,000	148,735	56,735	-	-	-	
Other	36,000	50,457	14,457	-	-	-	
Total revenues	983,000	1,313,606	330,606	32,000	42,726	10,726	
Expenditures:							
General government	228,200	226,999	1,201	-	-	-	
Public safety	512,420	534,556	(22,136)	-	-	-	
Streets and drainage	214,250	22,635	191,615	-	-	-	
Capital outlays	89,200	106,514	(17,314)	-	-	-	
Debt service:							
Principal retirement	-	-	-	29,000	29,000	-	
Interest	-	-	-	18,208	18,208	-	
Other	-	-	-	-	1,350	(1,350)	
Total expenditures	1,044,070	890,704	153,366	47,208	48,558	(1,350)	
Excess (deficiency) of revenues over expenditures	(61,070)	422,902	483,972	(15,208)	(5,832)	9,376	
Other financing sources (uses):							
Cash shortage	-	-	-	-	-	-	
Transfers in	28,800	97,830	69,030	37,000	36,911	(89)	
Transfers out	(37,000)	(36,911)	89	-	-	-	
Total other financing sources (uses)	(8,200)	60,919	69,119	37,000	36,911	(89)	
Excess of revenues over expenditures and other financing sources (uses)	(69,270)	483,821	553,091	21,792	31,079	9,287	
Fund balance at beginning of year	1,570,024	1,570,024	-	173,286	173,286	-	
Fund balance at end of year	\$ 1,500,754	\$ 2,053,845	\$ 553,091	\$ 195,078	\$ 204,365	\$ 9,287	

The notes to the financial statements are an integral part of this statement.

See the accompanying independent auditor's report.

TOWN OF HAUGHTON, LOUISIANA

Combined Statement of Revenues, Expenses, and
Changes in Retained Earnings - Proprietary Fund Types
Year Ended December 31, 2003
with Comparative Totals for Year Ended December 31, 2002

	Enterprise Funds	
	2003	2002
Operating revenues:		
Charges for services	\$ 505,762	\$ 502,472
Other	25,093	6,802
Total operating revenues	<u>530,855</u>	<u>509,274</u>
Operating expenses:		
Personal services	162,112	144,692
Contractual services	130,191	117,646
Supplies and materials	46,785	67,600
Utilities	22,794	21,348
Insurance	38,772	42,735
Repairs and maintenance	34,733	34,537
Depreciation	156,323	147,166
Other	3,481	928
Total operating expenses	<u>595,191</u>	<u>576,652</u>
Operating income (loss)	<u>(64,336)</u>	<u>(67,378)</u>
Non-operating revenues (expenses):		
Interest income	16,834	16,129
Interest expense	(11,789)	(13,065)
Loss on disposed of assets	-	(520)
Total non-operating revenues (expenses)	<u>5,045</u>	<u>2,544</u>
Income before other financing uses	<u>(59,291)</u>	<u>(64,834)</u>
Other financing uses:		
Cash shortage	-	(398)
Transfers in	-	151,024
Transfers out	(97,830)	(26,400)
Total other financing uses	<u>(97,830)</u>	<u>124,226</u>
Net income	<u>(157,121)</u>	<u>59,392</u>
Amount charged to contribution accounts - depreciation	96,855	87,274
Retained earnings at beginning of year	1,796,934	1,650,268
Retained earnings at end of year	<u>\$ 1,736,668</u>	<u>\$ 1,796,934</u>

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

TOWN OF HAUGHTON, LOUISIANA

Combined Statement of Cash Flows - Proprietary Fund Types
Year Ended December 31, 2003
with Comparative Totals for Year Ended December 31, 2002

	Enterprise Funds	
	2003	2002
Cash flows from operating activities:		
Operating income	\$ (64,336)	\$ (67,378)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Cash shortage	-	(398)
Depreciation	156,323	147,166
(Increase) decrease in accounts receivable	(424)	7,868
(Increase) decrease in prepaid expenses	78	(3,126)
Increase (decrease) in accounts payable	28,295	(336)
Increase (decrease) in customers' deposits	(4,677)	3,560
Total adjustments	179,595	154,734
Net cash provided by operating activities	115,259	87,356
Cash flows from capital and related financing activities:		
Principal payments	(19,662)	(19,095)
Interest paid	(12,934)	(14,146)
Contributed capital - proceeds from grant	-	414,792
Net cash used for capital and related financing activities	(32,596)	381,551
Cash flows from noncapital financing activities:		
Operating transfers in (out), net	(97,830)	212,277
Net cash provided by noncapital financing activities	(97,830)	212,277
Cash flows from investing activities:		
Interest income received	23,986	11,311
Payments for investments	(237,078)	(57,821)
Proceeds from investments	223,926	56,056
Purchase of fixed assets	(89,500)	(419,792)
Net cash provided by investing activities	(78,666)	(410,246)
Net increase in cash and cash equivalents	(93,833)	270,938
Cash and cash equivalents at beginning of year (including \$501,541 in restricted cash in 2002)	1,156,228	885,290
Cash and cash equivalents at end of year (including \$425,339 in restricted cash in 2003)	\$ 1,062,395	\$ 1,156,228

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

TOWN OF HAUGHTON, LOUISIANA

Notes to Financial Statements
For the Year Ended December 31, 2003

1. Summary of Significant Accounting Policies:

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

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

The following is a summary of certain significant accounting policies:

- A. Reporting Entity – This report includes all funds and account groups, which are controlled by, or dependent on the Town's Executive and Legislative Branches (the Mayor and Board of Aldermen). Control by or dependence on the Town was determined on the basis of budget adoption, taxing authority, authority to issue debt, election or appointment of governing body, and other general oversight responsibility.
- B. Fund Accounting – The accounts of the Town are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The following funds and groups of accounts are used by the Town:

GOVERNMENTAL FUNDS

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

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

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

PROPRIETARY FUNDS

The proprietary funds are used to account for the Town's ongoing organizations and activities which are similar to those often found in the private sector. The proprietary funds are accounted for on a capital maintenance measurement focus; that is the measurement focus is upon determination of net income.

TOWN OF HAUGHTON, LOUISIANA

Notes to Financial Statements
For the Year Ended December 31, 2003

1. Summary of Significant Accounting Policies (Continued):

B. Fund Accounting (Continued)

PROPRIETARY FUNDS (CONTINUED)

Enterprise Funds – Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis are financed through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

ACCOUNT GROUPS

Account groups are used to establish accounting control and accountability for the Town's general fixed assets and general long-term obligations. The following are the Town's account groups:

General Fixed Assets Account Group – This account group is used to account for fixed assets used in governmental fund type operations for control purposes. All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date of donation. No depreciation is recorded on general fixed assets.

General Long-Term Debt Account Group – This account group is established to account for long-term obligations to be financed from governmental funds.

- C. Basis of Accounting – The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

The modified accrual basis of accounting is used by all governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The government considers property taxes available if they are collected within 60 days after year end. A one-year availability period is used for revenue recognition for all other governmental revenues. Expenditures are recorded when the related fund liability is incurred.

Those revenues susceptible to accrual are property taxes, franchise taxes, interest revenue and charges for services. Revenues from fines, permits, and licenses are not susceptible to accrual because generally they are not measurable until received in cash.

TOWN OF HAUGHTON, LOUISIANA

Notes to Financial Statements
For the Year Ended December 31, 2003

1. Summary of Significant Accounting Policies (Continued):

C. Basis of Accounting (Continued)

The accrual basis of accounting is utilized by the proprietary fund type. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

D. Estimates

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

E. Budgets and Budgetary Accounting – The Town follows these procedures in establishing the budgetary data reflected in these financial statements:

1. The Mayor prepares a proposed budget and submits same to the Board of Aldermen no later than fifteen days prior to the beginning of each fiscal year.
2. A summary of the proposed budget is published and the public notified that the proposed budget is available for public inspection. At the same time, a public hearing is called.
3. A public hearing is held on the proposed budget at least ten days after publication of the call for the hearing.
4. After the holding of the public hearing and completion of all action necessary to finalize and implement the budget, the budget is adopted through passage of an ordinance prior to the commencement of the fiscal year for which the budget is being adopted.
5. The budget ordinance is structured such that revenues are budgeted by source and appropriations are budgeted by department and by principal object of expenditure. The Board of Aldermen may revise or amend the budget at its discretion during legally convened sessions. Management may amend the budget only below the department level.
6. The Town utilizes formal budgetary integration as a management control device for all funds.

The budget was not amended during the year ended December 31, 2003.

F. Cash, Cash Equivalents and Investments – Cash includes cash on hand and amounts in demand deposits and interest bearing demand deposits. Cash equivalents include highly liquid investments with an original maturity date of less than three months when originally purchased. All investments are interest-bearing deposits with original maturity dates in excess of three months when originally purchased and are stated at cost which approximates market value. The Town's investments comply with Louisiana Statutes (LSA R.S. 33:2955).

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

TOWN OF HAUGHTON, LOUISIANA

Notes to Financial Statements
For the Year Ended December 31, 2003

1. Summary of Significant Accounting Policies (Continued):

H. Bad Debts -- Uncollectible amounts due for the customers' utility and ad valorem taxes receivables are recognized as bad debts through the establishment of an allowance account at the time information becomes available which would indicate the uncollectibility of the particular receivable. Provision for uncollectible utility receivables has been deemed necessary. The allowance for uncollectible ad valorem taxes was \$720 and \$1,763 at December 31, 2003 and 2002, respectively.

I. Property, Plant, and Equipment

GENERAL FIXED ASSETS ACCOUNT GROUP

Fixed assets in governmental fund type operations are accounted for in the General Fixed Assets Account Group, rather than in governmental funds. Public domain ("infrastructure") general fixed assets, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems are not capitalized along with other general fixed assets. No depreciation has been provided on such assets.

WATER AND SEWER SYSTEM

Additions to the utility plant in service are recorded at cost or, if contributed property, at their estimated fair value at time of contribution. Repairs and maintenance are recorded as expenses; renewals and betterments are capitalized. The sale or disposal of fixed assets is recorded by removing cost and accumulated depreciation from the accounts and charging the resulting gain or loss to income.

Depreciation has been calculated on each class of depreciable property using the straight-line method, with one-half year's depreciation calculated in the year of acquisition. The estimated service lives by asset type are as follows:

Building.....	15-40 Years
Water Reservation and Treatment Plant.....	10-40 Years
Transmission and Distribution System.....	10-40 Years
Equipment	3 & 10 Years

J. Restricted Assets – The Debt Service and Enterprise Funds, because of certain bond covenants, are required to establish and maintain prescribed amounts of resources (consisting of cash and temporary investments) that can be used only to service outstanding debt. The Enterprise Funds also restrict customer and vendor deposits.

K. Compensated Absences – No liability is recorded for nonvesting accumulating rights to receive vacation or sick pay benefits.

L. Comparative Data – Comparative totals for the prior year have been presented in the accompanying general purpose financial statements in order to provide an understanding of changes in the Town's financial position and operations. However, presentation of prior year amounts by fund type has not been presented in each of the statements since their inclusions would make the statements unduly complex and difficult to read.

TOWN OF HAUGHTON, LOUISIANA

Notes to Financial Statements
For the Year Ended December 31, 2003

1. Summary of Significant Accounting Policies (Continued):

- M. Total Columns on Combined Statements – Total columns on the combined statements are captioned “Memorandum Only” to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.
- N. Statements of Cash Flows – For the purposes of the statement of cash flows, the Town considers all highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents.
- O. Refundable Deposits -- The Water Fund of the Town requires customers to place a deposit before service is rendered. These monies are considered restricted and are held until the customer discontinues service.
- P. Reclassifications -- Certain 2002 amounts were reclassified to conform to 2003 presentation.

2. Cash and Certificates of Deposit:

At December 31, 2003, the Town has cash and certificates of deposit (book balances) of \$3,275,686 as follows:

	Cash	Certificates of Deposit	Total
General Fund	\$ 1,704,775	\$ 163,053	\$ 1,867,828
Debt Service Fund	108,384	-	108,384
Capital Projects	1	-	1
Enterprise Funds	1,062,395	237,078	1,299,473
	\$ 2,875,555	\$ 400,131	\$ 3,275,686

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. The Town has deposit balances (collected bank balances) of \$3,320,489 at December 31, 2003. These deposits are secured from risk by \$100,000 of federal deposit insurance (GASB Risk Category 1) and \$4,065,685 of pledged securities held by the custodial bank in the name of the Town (GASB Risk Category 3).

Investment pools are under the custody of the Town Clerk. Investing is performed in accordance with investment policies complying with State Statutes and the Town Charter. Pooled funds may be invested in: (1) direct obligations of the United States government to the payment of which the full faith and credit of the United States government is pledged, (2) certificates of deposit at savings and loan associations and federally insured banks when secured by acceptable collateral, and (3) savings accounts at savings and loan associations and banks, to the extent fully insured.

TOWN OF HAUGHTON, LOUISIANA

Notes to Financial Statements
For the Year Ended December 31, 2003

3. Interfund Receivables, Payables:

A summary of interfund receivables and payables is as follows:

	Interfund Receivable	Interfund Payable
General Fund	\$ 71,793	\$ 1,931
Debt Service	76,866	-
Capital Projects Fund	-	1
Enterprise Funds	5,421	152,148
	\$ 154,080	\$ 154,080

4. Restricted Assets:

Restricted assets consisting of cash and certificates of deposit maturing in more than three months at December 31, 2003, are as follows:

<u>Enterprise Fund:</u>	
Water Revenue Bonds	\$ 21,274
Water Revenue Bonds Sinking Fund	37,914
Sewer Contingency Fund	366,151
Water Meter Deposit	58,571
Contract Deposits	10,000
Total	\$ 493,910

5. Fixed Assets:

A summary of changes in general fixed assets is as follows:

	Balance December 31, 2002	Additions	Deletions	Balance December 31, 2003
Land	\$ 86,521	\$ -	\$ -	\$ 86,521
Buildings and improvements	656,945	29,799	-	686,744
Equipment	1,145,640	76,715	-	1,222,355
Total	\$ 1,889,106	\$ 106,514	\$ -	\$ 1,995,620

TOWN OF HAUGHTON, LOUISIANA

Notes to Financial Statements
For the Year Ended December 31, 2003

5. Fixed Assets (Continued):

A summary of proprietary fund-type property, plant, and equipment as of December 31, 2003, is as follows:

	Water Fund	Sewer Fund	Total
Land	\$ 17,200	\$ -	\$ 17,200
Buildings	8,362	10,359	18,721
Water System	1,940,788	-	1,940,788
Sewer System	-	2,547,510	2,547,510
Equipment	104,260	94,314	198,574
	<u>2,070,610</u>	<u>2,652,183</u>	<u>4,722,793</u>
Less accumulated depreciation	(1,213,532)	(1,160,308)	(2,373,840)
Property, plant and equipment – net	<u>\$ 857,078</u>	<u>\$ 1,491,875</u>	<u>\$ 2,348,953</u>

6. Long-Term Obligations:

The following is a summary of bond transactions for the year ended December 31, 2003:

	Proprietary Fund- Revenue	General Obligation	Sales Tax Refunding	Total
Bonds payable at December 31, 2002	\$ 201,170	\$ 30,000	\$ 282,000	\$ 513,170
Debt retired – serial bonds	(19,662)	(10,000)	(19,000)	(48,662)
Bond payable at December 31, 2003	<u>\$ 181,508</u>	<u>\$ 20,000</u>	<u>\$ 263,000</u>	<u>\$ 464,508</u>

Bonds payable at December 31, 2003, are comprised of the following issues:

General Obligation Bonds

\$125,000, 1986 public improvement serial bonds due in annual installments of \$5,000 to \$10,000 through March 1, 2006; interest at 8.00% to 12.00%, collectible on or after March 1, 1997. \$ 20,000

Sales Tax Refunding Bonds

\$423,000, Sales Tax Refunding Bonds, Series 1994, due in annual installments of \$12,000 to \$34,000 through November 1, 2013; interest at 3.2% to 6.0%. 263,000

\$332,000 water revenue bonds, Series A and B, dated February 1, 1993, due in annual installments approximately \$28,473; including interest to yield 6.26%, maturing February 1, 2013. 181,508

Total Bonds Payable \$ 464,508

TOWN OF HAUGHTON, LOUISIANA

Notes to Financial Statements
For the Year Ended December 31, 2003

6. Long-Term Obligations (Continued):

The annual requirements to amortize all debt outstanding as of December 31, 2003, including interest payments of \$105,201 are as follows:

Year Ending December 31, 2003	Sales Tax Refunding Bonds Series 1994	General Obligation Bonds 03/01/06	Proprietary Fund Series A & B	Total
2004	\$ 35,158	\$ 11,260	\$ 31,936	\$ 78,354
2005	35,138	5,630	31,261	72,029
2006	35,025	5,210	30,561	70,796
2007	35,793	-	29,861	65,654
2008	35,425	-	29,161	64,586
2009-2014	179,087	-	92,303	271,390
Totals	<u>\$ 355,626</u>	<u>\$ 22,100</u>	<u>\$ 245,083</u>	<u>\$ 622,809</u>

The amount to be provided for retirement of general long-term debt is as follows:

	Sales Tax Refunding Bonds Series 1994	General Obligation Bonds 03/01/06	Total
Debt Service Cash Balance	\$ 64,027	\$ 44,357	\$ 108,384
Bonds Payable	(263,000)	(20,000)	(283,000)
Net amount to be provided for retirement of general long-term debt	<u>\$ (198,973)</u>	<u>\$ 24,357</u>	<u>\$ (174,616)</u>

7. Sinking Fund Requirements:

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

- A. The payment of all reasonable and necessary expenses of collection and administration of the tax.
- B. The establishment and maintenance of a Sales Tax Bond Sinking Fund – 1994 sufficient in amount to pay promptly and fully the principal of and the interest on the bonds as they become payable by transferring from the Sales Tax Fund to the Sinking Fund on or before the 20th day of each month, a sum equal to one-twelfth (1/12) of the principal and one-sixth (1/6) of the interest falling due on the next payment date.
- C. The establishment and maintenance of a Sales Tax Bond Reserve Fund – 1994 by transferring a lump sum of \$12,000 and, thereafter, monthly from the Sales Tax Fund to the Reserve Fund a sum at least equal to five percent (5%) of the amount required to be paid monthly into the Sinking Fund, and to continue until such time as there has been accumulated in the Reserve Fund sums in an amount equal to the ten percent (10%) of the proceeds of the bonds (\$42,300) or the highest combined principal and interest requirements for any succeeding bond year (\$36,040). The money is to be retained solely for the purpose of paying the principal of and interest on bonds payable from the Sinking Fund as to which there would otherwise be default.

TOWN OF HAUGHTON, LOUISIANA

Notes to Financial Statements
For the Year Ended December 31, 2003

7. Sinking Fund Requirements (Continued):

- D. All money remaining in the Sales Tax Fund on the 20th day of the month in excess of these requirements shall be considered surplus. Such surplus may be used by the Town for any of the purposes for which the imposition of the tax is authorized or for the purpose of retiring installments of principal of the bond in advance of their payment date.

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

- A. As provided in the Resolution, all income and revenues earned or derived from the operation of the System shall be deposited as the same may be collected in the Revenue Fund. Out of the funds on deposit in the Revenue Fund, after the reasonable and necessary expenses of operating and maintaining the System have been paid, monies are to be transferred to the Sinking Fund, the Reserve Fund and/or the Contingencies Fund as provided in the Resolution.
- B. The Sinking Fund is designed to achieve a proper matching of revenues and debt service on the bonds and any additional parity bonds within each Bond Year (ending February 1). Amounts transferred from the Revenue Fund and the Reserve Fund and deposited in the Sinking Fund will be applied to the next payment of principal or interest on the bonds following such transfer. The issuer is required by the Resolution to make monthly deposits into the Sinking Fund, the Reserve Fund and the Contingency Fund from the Net Revenues, no later than the 20th day of each month in the amount of \$2,716 for 2003. All amounts deposited in the Sinking Fund are expected to be deleted at least once a year on February 1 (the principal and interest payment date for the bonds), except for a reasonable carryover amount which will not exceed the greater of (1) one year's earnings on such funds, or (2) 1/12 of the annual debt service on the bonds and any additional parity bonds payable therefrom.
- C. The Reserve Fund is maintained solely for the purpose of paying the principal of and the interest on bonds payable from the Sinking Fund as to which there would otherwise be default (except such amounts as may be payable to the United States of America as a rebate of arbitrage pursuant to Section 148(f) of the Code). A sum of \$10,000 deposited therein simultaneously with the delivery of the bonds and thereafter a monthly payment at least equal to five percent (5%) of the monthly Sinking Fund payment until an amount equal to the Reserve Fund requirement is accumulated therein.
- D. The Contingencies Fund is established to care for extensions, additions, improvements, renewals and replacements necessary to properly operate the System, by transferring from the System Fund on or before the 20th day of each month of each year a sum of \$148. Such payments into the Contingencies Fund are to continue over the life of the bonds. In addition to caring for extensions, additions, improvements, renewals and replacements necessary to properly operate the System, the money in the Contingencies Fund may also be used to pay the principal of and the interest bonds, including any additional pari passu bonds issued hereafter in the manner provided by the Resolution, for the payment of which there is not sufficient money in the Sinking Fund or Reserve Fund.

TOWN OF HAUGHTON, LOUISIANA

Notes to Financial Statements
For the Year Ended December 31, 2003

8. Contributed Capital:

The Enterprise Fund receives contributions from federal and state sources for the purposes of acquiring or constructing capital facilities. The addition and source of contributed capital during the year ended December 31, 2003, follows:

Contributed capital – December 31, 2002	\$ 1,662,923
Additions – 2000 LCDBG – sewer improvement project	-
Deductions – Depreciation expense charged to contributed assets	<u>(96,855)</u>
Contributed capital – December 31, 2003	<u>\$ 1,566,068</u>

9. Ad Valorem Taxes:

Ad valorem taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied by the Town in September or October and are actually billed to the taxpayers in November of the same year. 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.

For the year ended December 31, 2003, taxes at the rate of 13.26 mills were levied on property with assessed valuations totaling \$5,162,560. Of the total millage levied, 4.57 mills are available for general purposes and 8.69 mills are dedicated for retirement of general obligation bonds.

10. Retirement Commitments:

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

MUNICIPAL POLICE EMPLOYEES RETIREMENT SYSTEM OF LOUISIANA (SYSTEM)

A. Plan Description

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

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

TOWN OF HAUGHTON, LOUISIANA

Notes to Financial Statements
For the Year Ended December 31, 2003

10. Retirement Commitments (Continued):

MUNICIPAL POLICE EMPLOYEES RETIREMENT SYSTEM OF LOUISIANA (SYSTEM) (CONTINUED)

B. Funding Policy

Plan members are required by state statute to contribute 7.5% of their annual covered salary and the Town of Haughton is required to contribute at an actuarial determined rate. The current rate is 9.0% of annual covered payroll. The contribution requirements of plan members and the Town of Haughton are established and may be amended by state statute. As provided by R.S. 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Town of Haughton's contributions to the system for the years ending December 31, 2003, 2002, and 2001, were \$16,360, \$10,416, and \$10,969, respectively, equal to the required contributions for each year.

MUNICIPAL EMPLOYEES RETIREMENT SYSTEM OF LOUISIANA (SYSTEM)

A. Plan Description

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

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

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

B. Funding Policy

Under Plan A, members are required by state statute to contribute 9.25% of their annual covered salary and the Town of Haughton is required to contribute at an actuarially determined rate. The rate was 7.00% for periods through June 30, 2002 and the current rate effective July 1, 2002 is 8.00% of annual covered payroll. Contributions to the System also include one-fourth of 1% (except Orleans and East Baton Rouge parishes) of the taxes shown to be collectible by the tax rolls of each parish. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. The contribution requirements of plan members and the Town of Haughton are established and may be amended by state statute. As provided by R.S. 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Town of Haughton began this retirement plan in 2001 and contributions to the System

TOWN OF HAUGHTON, LOUISIANA

Notes to Financial Statements
For the Year Ended December 31, 2003

10. Retirement Commitments (Continued):

MUNICIPAL EMPLOYEES RETIREMENT SYSTEM OF LOUISIANA (SYSTEM) (CONTINUED)

B. Funding Policy (Continued)

under Plan A for the years ending December 31, 2003, 2002, and 2001 were \$20,549, \$13,995, and \$12,063, respectively, equal to the required contributions for each year.

FIREFIGHTERS' RETIREMENT SYSTEM OF LOUISIANA

A. Plan Description

Membership in the Louisiana Firefighters' Retirement System is mandatory for all full-time firefighters employed by a municipality, parish, or fire protection district that did not enact an ordinance before January 1, 1980, exempting itself from participating in the System. Employees are eligible to retire at or after age 55 with at least 12 years of creditable service or at or after age 50 with at least 20 years of creditable service. Upon retirement, members are entitled to a retirement benefit, payable monthly for life, equal to 3 1/3% of their final-average salary for each year of creditable service, not to exceed 100% of their final-average salary. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least 12 years of service and do not withdraw their employee contributions may retire at or after age 55 (or at or after age 50 with at least 20 years of creditable service at termination) and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

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

B. Funding Policy

Plan members are required by state statute to contribute 8.0% of their annual covered salary and the Town of Haughton is required to contribute at an actuarially determined rate. The rate was 9.00% for periods through November 2002 and the current rate effective December 1, 2002, is 18.25% of annual covered payroll. The contribution requirements of plan members and the Town of Haughton are established and may be amended by state statute. As provided by R.S. 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Town's contributions to the System for the years ending December 31, 2003, 2002, and 2001, was \$11,089, \$3,511, and \$1,816, respectively, equal to the required contributions.

11. Interfund Operating Transfers:

Individual fund operating transfers for fiscal year 2003 are as follows:

	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ 97,830	\$ 36,911
Debt Service Fund	36,911	-
Water Fund	-	48,915
Sewer Fund	-	48,915
Sanitation Fund	-	-
Totals	<u>\$ 134,741</u>	<u>\$ 134,741</u>

TOWN OF HAUGHTON, LOUISIANA

Notes to Financial Statements
For the Year Ended December 31, 2003

12. Commitments and Contingencies:

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town carries commercial insurance for all risks of loss, including workers' compensation and employee health and accident insurance. Settlements have not exceeded insurance coverage in any of the past three fiscal years.

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

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

13. On-Behalf Payments:

Three Town police employees received a total of \$19,800 in police supplemental pay and one Town fireman employee received a total of \$9,100 in firemen supplemental pay from the State of Louisiana. The Town is responsible for withholding taxes from these employees and paying the Town's matching portion of social security taxes for the amount of supplemental pay received. The Town must recognize this supplemental pay received by the employees as revenues and expenditures of the Town. The revenue is reported in the General Fund under intergovernmental revenues and the expenditure is reported in the Police and Fire Departments.

14 Subsequent Events:

On January 26, 2004, the mayor was authorized by the board of aldermen to execute documents to purchase property located at 224 McKinley for the amount of \$40,000. The property is intended to be used as the location of a new fire station.

On February 10, 2004 the Town approved a resolution to provide fire protection and water to areas annexed on Highway 157 South. The estimated cost of providing this service is \$93,000 with approximately \$40,000 to be funded with a Louisiana Capital Outlay Grant and the remaining \$53,000 to be funded through water revenues.

COMBINING AND INDIVIDUAL FUND STATEMENTS

TOWN OF HAUGHTON, LOUISIANA

General Fund
Balance Sheet
December 31, 2003

	2003	2002
<u>Assets</u>		
Cash and cash equivalents	\$ 1,704,775	\$ 1,315,915
Certificates of deposit	163,053	160,174
Receivables (net where applicable, of allowances for uncollectibles):		
Accounts	117,131	39,476
Accrued interest	930	1,546
Prepaid expenses	6,195	6,246
Due from other funds	71,793	55,395
Total assets	\$ 2,063,877	\$ 1,578,752
<u>Liabilities and Fund Balances</u>		
Accounts payable	\$ 6,634	\$ 7,997
Accrued payroll liabilities	1,467	731
Due to other funds	1,931	-
Total liabilities	10,032	8,728
Fund Balances:		
Unreserved	2,053,845	1,570,024
Total fund balances	2,053,845	1,570,024
Total liabilities and fund balances	\$ 2,063,877	\$ 1,578,752

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

TOWN OF HAUGHTON, LOUISIANA

General Fund
Statement of Revenues, Expenditures, and Changes
in Fund Balances - Budget (GAAP Basis) and Actual
For the Year Ended December 31, 2003
with Comparative Actual Amounts for the Year Ended December 31, 2002

	2003		Variance- Over (Under)	2002 Actual
	Budget	Actual		
Revenues:				
Property taxes	\$ 20,000	\$ 23,254	\$ 3,254	\$ 22,350
Franchise taxes	40,000	86,153	46,153	49,810
Other taxes	500,000	560,926	60,926	515,168
Licenses and permits	108,000	123,675	15,675	126,178
Grant revenue	25,000	19,211	(5,789)	47,206
Intergovernmental	144,000	281,099	137,099	113,684
Interest	18,000	20,096	2,096	24,443
Fines and forfeits	92,000	148,735	56,735	119,474
Other	36,000	50,456	14,456	14,828
Total revenues	<u>983,000</u>	<u>1,313,605</u>	<u>330,605</u>	<u>1,033,141</u>
Expenditures:				
General Government:	228,200	226,999	1,201	178,562
Public Safety:				
Police department	326,300	381,797	(55,497)	316,247
Fire department	186,120	152,759	33,361	130,198
Total public safety	<u>512,420</u>	<u>534,556</u>	<u>(22,136)</u>	<u>446,445</u>
Streets and drainage	214,250	22,635	191,615	150,254
Capital outlays	89,200	106,514	(17,314)	60,749
Total expenditures	<u>1,044,070</u>	<u>890,704</u>	<u>153,366</u>	<u>836,010</u>
Excess (deficiency) of revenues over expenditures	<u>(61,070)</u>	<u>422,902</u>	<u>483,972</u>	<u>197,131</u>
Other financing sources (uses):				
Cash shortage	-	-	-	(17,444)
Transfers in	28,800	97,830	69,030	26,400
Transfers out	(37,000)	(36,911)	89	(37,687)
Net other financing sources (uses)	<u>(8,200)</u>	<u>60,919</u>	<u>69,119</u>	<u>(28,731)</u>
Excess (deficiency) of revenues over expenditures and other financing uses	<u>(69,270)</u>	<u>483,821</u>	<u>553,091</u>	<u>168,400</u>
Fund balance at beginning of year	<u>1,570,024</u>	<u>1,570,024</u>	<u>-</u>	<u>1,401,624</u>
Fund balance at end of year	<u>\$ 1,500,754</u>	<u>\$ 2,053,845</u>	<u>\$ 553,091</u>	<u>\$ 1,570,024</u>

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

TOWN OF HAUGHTON, LOUISIANA

Debt Service Funds
 Combining Balance Sheet
 December 31, 2003
 with Comparative Totals for December 31, 2002

	General Obligation Bonds	Sales Tax Refunding Bonds	Totals	
			2003	2002
<u>Assets</u>				
Cash	\$ 44,357	\$ 64,027	\$ 108,384	\$ 97,039
Receivables (net where applicable, of allowances for uncollectibles):				
Accounts	22,208	-	22,208	10,801
Due from other funds	76,866	-	76,866	65,447
Total assets	<u>\$ 143,431</u>	<u>\$ 64,027</u>	<u>\$ 207,458</u>	<u>\$ 173,286</u>
<u>Liabilities and Fund Balances</u>				
Deferred property taxes	\$ 3,093	\$ -	\$ 3,093	\$ -
Fund Balances:				
Reserved for debt service	140,338	64,027	204,365	173,286
Total fund balances	140,338	64,027	204,365	173,286
Total liabilities and fund balances	<u>\$ 143,431</u>	<u>\$ 64,027</u>	<u>\$ 207,458</u>	<u>\$ 173,286</u>

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

TOWN OF HAUGHTON, LOUISIANA

Debt Service Funds
 Combining Statement of Revenues, Expenditures,
 and Changes in Fund Balances
 For the Year Ended December 31, 2003
 with Comparative Totals for the Year Ended December 31, 2002

	General Obligation Bonds	Sales Tax Refunding Bonds	Totals	
			2003	2002
Revenues:				
Property taxes	\$ 42,091	\$ -	\$ 42,091	\$ 42,497
Interest	147	488	635	3,058
Total revenues	<u>42,238</u>	<u>488</u>	<u>42,727</u>	<u>45,555</u>
Expenditures:				
Debt service:				
Principal retirement	10,000	19,000	29,000	29,000
Interest	2,100	16,108	18,208	19,979
Bank Fees	350	1,000	1,350	901
Total expenditures	<u>12,450</u>	<u>36,108</u>	<u>48,558</u>	<u>49,880</u>
Excess (deficiency) of revenues over expenditures	<u>29,788</u>	<u>(35,620)</u>	<u>(5,831)</u>	<u>(4,325)</u>
Other financing sources:				
Transfers in	-	36,911	36,911	37,687
Transfers out	-	-	-	(151,024)
Total other financing sources	<u>-</u>	<u>36,911</u>	<u>36,911</u>	<u>(113,337)</u>
Excess of revenues and other sources over expenditures	<u>29,788</u>	<u>1,291</u>	<u>31,080</u>	<u>(117,662)</u>
Fund balance at beginning of year	110,550	62,736	173,286	290,948
Fund balance at end of year	<u>\$ 140,338</u>	<u>\$ 64,027</u>	<u>\$ 204,365</u>	<u>\$ 173,286</u>

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

TOWN OF HAUGHTON, LOUISIANA

Enterprise Fund - Water, Sewer, and Sanitation Funds
 Combining Balance Sheet
 December 31, 2003
 with Comparative Totals for December 31, 2002

	Water Fund	Sewer Fund	Sanitation Fund	Totals	
				2003	2002
Assets					
Cash and cash equivalents	\$ 488,869	\$ 4,269	\$ 143,918	\$ 637,056	\$ 654,687
Certificates of deposit	154,174	-	14,333	168,507	156,106
Receivables (net, where applicable, of allowances for uncollectibles):					
Accounts	28,440	22,706	15,177	66,323	63,572
Accrued interest	313	-	201	514	7,665
Prepaid expenses	3,652	3,652	1,988	9,292	9,370
Due from other funds	1,925	1,833	1,663	5,421	8,283
Restricted assets:					
Cash and cash equivalents	59,188	366,151	-	425,339	501,541
Certificates of deposit	58,571	-	10,000	68,571	67,821
Property, plant and equipment (net of accumulated depreciation)	857,078	1,491,875	-	2,348,953	2,415,776
Total assets	\$ 1,652,210	\$ 1,890,486	\$ 187,280	\$ 3,729,976	\$ 3,884,821
Liabilities and Fund Equity					
Accounts payable	\$ 3,036	\$ 2,447	\$ 8,854	\$ 14,337	\$ 13,716
Due to other funds	35,354	115,389	1,405	152,148	125,009
Payable from restricted assets:					
Current portion of bonds payable	19,962	-	-	19,962	18,823
Interest payable	10,864	-	-	10,864	12,009
Deposits	58,383	-	10,000	68,383	73,060
Revenue bonds payable	161,546	-	-	161,546	182,347
Total liabilities	289,145	117,836	20,259	427,240	424,964
Fund equity:					
Contributed capital	335,412	1,230,656	-	1,566,068	1,662,923
Retained earnings:					
Unreserved	1,027,653	541,994	167,021	1,736,668	1,796,934
Total retained earnings	1,027,653	541,994	167,021	1,736,668	1,796,934
Total fund equity	1,363,065	1,772,650	167,021	3,302,736	3,459,857
Total liabilities and fund equity	\$ 1,652,210	\$ 1,890,486	\$ 187,280	\$ 3,729,976	\$ 3,884,821

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

TOWN OF HAUGHTON, LOUISIANA

Enterprise Fund - Water, Sewer, and Sanitation Funds
 Combining Statement of Revenues, Expenses
 and Changes in Retained Earnings
 For the Year Ended December 31, 2003
 with Comparative Totals for the Year Ended December 31, 2002

	Water Fund	Sewer Fund	Sanitation Fund	Totals	
				2003	2002
Operating revenues:					
Charges for service	\$ 238,206	\$ 150,050	\$ 117,506	\$ 505,762	\$ 502,472
Other	18,654	4,541	1,898	25,093	6,802
Total operating revenues	256,860	154,591	119,404	530,855	509,274
Operating expenses:					
Personal services	81,056	81,056	-	162,112	144,692
Contractual services	12,793	12,510	104,888	130,191	117,496
Supplies and materials	25,570	21,215	-	46,785	67,750
Utilities	18,009	4,785	-	22,794	21,348
Insurance	19,386	19,386	-	38,772	42,735
Repairs and maintenance	13,662	21,071	-	34,733	34,537
Depreciation	81,319	75,004	-	156,323	147,166
Other	1,399	2,036	46	3,481	928
Total operating expenses	253,194	237,063	104,934	595,191	576,652
Operating income (loss)	3,666	(82,472)	14,470	(64,336)	(67,378)
Non-operating revenues (expenses):					
Interest income	10,278	4,152	2,404	16,834	16,129
Interest expense	(11,789)	-	-	(11,789)	(13,065)
Loss on disposed of assets	-	-	-	-	(520)
Total non-operating revenues (expenses)	(1,511)	4,152	2,404	5,045	2,544
Income (loss) before other financing sources (uses)	2,155	(78,320)	16,874	(59,291)	(64,834)
Other financing sources (uses):					
Cash shortage	-	-	-	-	(398)
Transfers in	-	-	-	-	151,024
Transfers out	(48,915)	(48,915)	-	(97,830)	(26,400)
Total other financing sources (uses)	(48,915)	(48,915)	-	(97,830)	124,226
Net income (loss)	(46,760)	(127,235)	16,874	(157,121)	59,392
Amount charged to contribution accounts—depreciation on fixed assets	42,616	54,239	-	96,855	87,274
Retained earnings at beginning of year	1,031,797	614,990	150,147	1,796,934	1,650,268
Retained earnings at end of year	\$ 1,027,653	\$ 541,994	\$ 167,021	\$ 1,736,668	\$ 1,796,934

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

TOWN OF HAUGHTON, LOUISIANA

Enterprise Fund - Water, Sewer, and Sanitation Funds

Combining Statement of Cash Flows

For the Year Ended December 31, 2003

with Comparative Totals for the Year Ended December 31, 2002

	2003			2002	
	Water Fund	Sewer Fund	Sanitation Fund		Combined
Cash flows from operating activities:					
Operating income (loss)	\$ 3,666	\$ (82,472)	\$ 14,470	\$ (64,336)	\$ (67,378)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Cash shortage	-	-	-	-	(398)
Depreciation	81,319	75,004	-	156,323	147,166
(Increase) decrease in accounts receivable	(870)	2,819	(2,373)	(424)	7,868
(Increase) decrease in prepaid expenses	26	26	26	78	(3,126)
Increase (decrease) in accounts payable	7,131	21,135	29	28,295	(336)
Increase (decrease) in customers' deposits	(4,677)	-	-	(4,677)	3,560
Total adjustments	82,929	98,984	(2,318)	179,595	154,734
Net cash provided by operating activities	86,595	16,512	12,152	115,259	87,356
Cash flows from capital and related financing activities:					
Principal payments	(19,662)	-	-	(19,662)	(19,095)
Interest paid	(12,934)	-	-	(12,934)	(14,146)
Contributed capital - proceeds	-	-	-	-	414,792
Net cash used for capital and related financing activities:	(32,596)	-	-	(32,596)	381,551
Cash flows from noncapital financing activities:					
Operating transfers in (out), net	(48,915)	(48,915)	-	(97,830)	212,277
Net cash provided by noncapital financing activities	(48,915)	(48,915)	-	(97,830)	212,277

(Continued)

TOWN OF HAUGHTON, LOUISIANA

Enterprise Fund - Water, Sewer, and Sanitation Funds

Combining Statement of Cash Flows - Continued

For the Year Ended December 31, 2003

with Comparative Totals for the Year Ended December 31, 2002

	2003			Combined	2002
	Water Fund	Sewer Fund	Sanitation Fund		
Cash flows from investing activities:					
Interest income received	14,751	4,152	5,083	23,986	11,311
Payments for investments	(212,745)	-	(24,333)	(237,078)	(57,821)
Proceeds from investments	203,380	-	20,546	223,926	56,056
Purchase of fixed assets	(55,013)	(34,487)	-	(89,500)	(419,792)
Net cash provided by investing activities	(49,627)	(30,335)	1,296	(78,666)	(410,246)
Net increase in cash and cash equivalents	(44,543)	(62,738)	13,448	(93,833)	(359,668)
Cash and cash equivalents at the beginning of year	592,600	433,158	130,470	1,156,228	885,290
Cash and cash equivalents at the end of year	<u>\$ 548,057</u>	<u>\$ 370,420</u>	<u>\$ 143,918</u>	<u>\$ 1,062,395</u>	<u>\$ 525,622</u>

The notes to the financial statements are an integral part of this statement.

See the accompanying independent auditor's report.

SUPPLEMENTARY INFORMATION

TOWN OF HAUGHTON, LOUISIANA

Schedule of Mayor's and Aldermen's
Compensation
For the Year Ended December 31, 2003

	<u>Payroll Compensation</u>
Mayor Maxey	\$ 14,429
Alderman Hollis	4,200
Alderwoman McGee	4,200
Alderman Hicks	4,200
Alderman Anderson	4,200
Alderman Winnfield	<u>4,200</u>
Totals	<u>\$ 36,900</u>

Supplementary schedule.
Presented for purposes of additional analysis only.

**ADDITIONAL REPORT REQUIRED BY
*GOVERNMENT AUDITING STANDARDS***



Certified Public Accountants • Management Consultants • Business Advisors

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

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

We have audited the general purpose financial statements of the Town of Haughton, Louisiana, as of and for the year ended December 31, 2003, and have issued our report thereon dated June 25, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Town of Haughton, Louisiana's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operations that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Town of Haughton, Louisiana's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general purpose financial statements. Reportable conditions are described in the accompanying Schedule of Audit Findings as Findings 03-1, 03-2, and 03-3.

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

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

Smith Pugh & Company, LLP

Smith Pugh & Company, LLP
Certified Public Accountants
Shreveport, Louisiana
June 25, 2004

AUDIT FINDINGS

TOWN OF HAUGHTON, LOUISIANA

Summary Schedule of Audit Findings
December 31, 2003

FINDINGS RELATED TO COMPLIANCE

None

FINDINGS RELATED TO INTERNAL CONTROL

Item: 03-1

Criteria or specific requirement:

The Town is required to restrict cash in the enterprise funds equal to deposits paid by utility customers for service (meter deposits). These deposits should be reconciled on a monthly basis.

Condition:

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

Questioned costs:

None

Context:

Failure to compare and reconcile the detailed trial of customer deposits to restricted cash amounts is a significant internal control weakness.

Effect:

The Town is unable to determine if all customer deposits are properly reported as a liability with a related restriction of funds. Also, the town cannot determine if all refunded deposits were properly recorded in the financial statements.

Cause:

The town clerk and utility fund clerk are not sufficiently familiar with the utility software to print needed reports.

Recommendation:

The town clerk and the utility fund clerk should obtain addition training in the use of the utility fund software. At the end of each month, a detailed trial balance of customer deposits should be printed and retained. This trial should be used to reconcile the liability account "Customer Meter Deposits" and the cash amount restricted to satisfy this liability.

The amount of customer deposits should be proven each month by adding new customer deposits and subtracting customer deposits applied and/or refunded from the prior months ending balance and comparing that amount to the end of month detailed trial of customer deposits.

TOWN OF HAUGHTON, LOUISIANA

Summary Schedule of Audit Findings
December 31, 2003

Item: 03-2

Criteria or specific requirement:

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

Condition:

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

Questioned costs:

None

Context:

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

Effect:

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

Cause:

Unknown.

Recommendation:

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

TOWN OF HAUGHTON, LOUISIANA

Summary Schedule of Audit Findings
December 31, 2003

Item: 03-3

Criteria or specific requirement:

In order to monitor water usage and the relative efficiency of the pumps charging the water system, a master meter needs to be placed on each water well.

Condition:

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

Questioned costs:

None

Context:

Failure to compare the total amount of water pumped into the system with the total water sold on a monthly basis is a significant internal control weakness. The Town does not know the average shrinkage rate for its water system.

Effect:

The Town may not detect a significant leak or a significant misappropriation of water in a timely fashion.

Cause:

The Town's water wells are not equipped with master meters.

Recommendation:

The Town should equip each water well with a master meter. The amount of water charged into the system should be recorded each month at the same time customer meters are read. The total amount of water charged into the system should be compared on a monthly basis to the total water sold. The shrinkage rate should be carefully monitored. Unexplained fluctuations in the normal shrinkage rate could indicate an undetected leak or a possible misappropriation of water.

Town of Haughton

POST OFFICE BOX 729
HAUGHTON, LOUISIANA 71037-0729

Phone: (318) 949-9401
Fax: (318) 949-2609

CORRECTIVE ACTION PLAN

June 30, 2004

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

Dear Mr. Theriot:

The Town of Haughton, Louisiana, respectfully submits the following corrective action plan for the year ended December 31, 2003, for the Schedule of Audit Findings. The findings are numbered consistently with the numbers assigned in the schedule.

FINDINGS RELATED TO INTERNAL CONTROL

Finding 03-1: Meter deposit trial balance

The clerk will contact our software support and learn how to produce and print a detailed trial balance of customer deposits held by the town. The clerk will print the detailed trial at the end of each month and use it to reconcile the customer deposits per the general ledger to the cash amounts restricted to fund those deposits.

Finding 03-2: Tracking average miles per gallon

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

Finding 03-3: Master meter

The town will investigate the cost of placing master meters on all water wells. If the cost is not prohibitive, master meters will be installed on the water wells as quickly as possible.

Sincerely,



Billy Maxey, Mayor
Town of Haughton, Louisiana

TOWN OF HAUGHTON, LOUISIANA

**Summary Schedule of Prior Audit Findings
December 31, 2003**

FINDINGS RELATED TO COMPLIANCE

Finding 02-1: FY 2000 LCDBG November 4, 2002 Monitoring Findings

- Criteria:* Fair Housing/Equal Opportunity and 504 Requirements require that the Town have a written and adopted policy for the accommodation of handicapped persons.
- Condition:* The Town did not have a written and adopted policy for the accommodation of handicapped persons.
- Status:* Corrected.

Finding 02-2: FY 2000 LCDBG November 4, 2002 Monitoring Findings

- Criteria:* The Financial Management Manual for the LCDBG program requires that the Town reconcile all monthly bank statements for the months which had financial activity.
- Condition:* The Town did not reconcile five of the months covered in this monitoring visit.
- Status:* Corrected.

Finding 02-3: General Obligation Bonds 03/01/06

- Criteria* Section 3 of the Bond Resolution adopted by the Mayor and Board of Aldermen on June 30, 1986, ad valorem tax levies dedicated for retirement of general obligation bonds require certain provisions to be enforceable liens on property.
- Condition:* The Town has collected and earned excess funds from ad valorem taxes dedicated for retirement of general obligation bonds
- Status :* Corrected. Consulted Town Attorney.

TOWN OF HAUGHTON, LOUISIANA

**Summary Schedule of Prior Audit Findings
December 31, 2003**

FINDINGS RELATED TO INTERNAL CONTROL

Finding 02-4: Various Internal Control Issues

Condition: During our audit, we noted several internal control areas that need improvement.

Recommendation: These internal control areas should be considered, but not limited to the following:

- a. The Town's police department should carefully monitor the assignment of ticket books and access to those books. We noted that 2 tickets selected for testing were written by an officer to whom the related ticket book was not assigned.
- b. The Town council should formally approve all bank accounts opened or closed. The Town opened a new Capital Outlay Fund in July 2002 without approval by the council.
- c. The Town clerks should have additional training on the new utility billing program to ensure that the Town is provided adequate and accurate monthly billing reports. During our audit, we were unable to obtain accurate billing reports and other documentation to test utility accounts receivable, total utility revenue, and total water meter deposits as of December 31, 2002. We performed alternative procedures for audit purposes.
- d. The Town should verify that they have all the proper documentation of expenditures in their vendor files. During our sample testing of 60 disbursements, we were unable to locate 5 purchase orders. We also noted that 1 check cleared with a different check number than the invoice indicated and 1 invoice was not properly approved.
- e. The Town should develop formal policies and procedures especially for procurement of goods and services.
- f. The Town does not require employees to turn in signed payroll records, approved by a department head, for time worked before issuing payroll checks.

Status: Partially corrected. See Summary Schedule of Current Year Audit Findings