

TOWN OF HENDERSON, LOUISIANA

Financial Report
Year Ended June 30, 2019

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INDEPENDENT AUDITORS' REPORT

The Honorable Sherbin Collette, Mayor
and Members of the Town Council
Town of Henderson, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Henderson, Louisiana, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town of Henderson, Louisiana's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Henderson, Louisiana, as of June 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information, schedule of employer's share of net pension liability, schedule of employer contributions, and notes to the required supplementary information on pages 45 through 49 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 inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Henderson, Louisiana's basic financial statements. The other supplementary information on pages 51 through 57 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The statements of net position-proprietary fund, statements of revenues, expenses, and changes in fund net position-proprietary fund, and the statements of cash flows-proprietary fund are the responsibility of management and were derived from and relate 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, these

proprietary fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

We also have previously audited, in accordance with auditing standards generally accepted in the United States of America, the Town of Henderson, Louisiana's basic financial statements for the year ended June 30, 2018, which are not presented with the accompanying financial statements and we expressed unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information. That audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Henderson, Louisiana's basic financial statements as a whole. The other supplementary information, such as the statements of net position-proprietary fund, statements of revenues, expenses, and changes in fund net position-proprietary fund, and the statements of cash flows-proprietary fund, related to the 2018 financial statements for the year ended June 30, 2018, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2018 basic financial statements. The information on pages 51 through 54 has been subjected to the auditing procedures applied in the audit of those 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 2018 other supplementary information, such as the statements of net position-proprietary fund, statements of revenues, expenses, and changes in fund net position-proprietary fund, and the statements of cash flows-proprietary fund are fairly stated in all material respects in relation to the basic financial statements from which they have been derived.

The schedules of insurance in force, number of sewer customers and rates, and aged accounts receivables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 19, 2019, on our consideration of the Town of Henderson, 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 Henderson, 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 Henderson, Louisiana's internal control over financial reporting and compliance.

Champagne & Company, LLC
Certified Public Accountants

Breaux Bridge, Louisiana
September 19, 2019

BASIC FINANCIAL STATEMENTS

**GOVERNMENT-WIDE
FINANCIAL STATEMENTS (GWFS)**

TOWN OF HENDERSON, LOUISIANA

Statement of Net Position
June 30, 2019

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and interest bearing deposits	\$ 2,796,295	\$ 26,041	\$ 2,822,336
Accounts receivable	27,426	29,049	56,475
Accrued interest receivable	2,358	-	2,358
Sales tax receivable	46,122	-	46,122
Due from other governmental units	1,963	-	1,963
Prepaid items	5,830	-	5,830
Total current assets	<u>2,879,994</u>	<u>55,090</u>	<u>2,935,084</u>
Noncurrent assets:			
Restricted cash	-	73,230	73,230
Capital assets, net	2,013,097	4,095,413	6,108,510
Total noncurrent assets	<u>2,013,097</u>	<u>4,168,643</u>	<u>6,181,740</u>
Total assets	<u>4,893,091</u>	<u>4,223,733</u>	<u>9,116,824</u>
DEFERRED OUTFLOWS OF RESOURCES			
	<u>-</u>	<u>-</u>	<u>-</u>
LIABILITIES			
Current liabilities:			
Accounts and salaries payables	82,220	13,000	95,220
Accrued interest payable	10,002	-	10,002
Bonds payable	52,000	52,452	104,452
Capital lease payable	16,991	-	16,991
Compensated absences payable	3,536	-	3,536
Total current liabilities	<u>164,749</u>	<u>65,452</u>	<u>230,201</u>
Noncurrent liabilities:			
Capital lease payable	18,139	-	18,139
Bonds payable	774,000	1,096,773	1,870,773
Total noncurrent liabilities	<u>792,139</u>	<u>1,096,773</u>	<u>1,888,912</u>
Total liabilities	<u>956,888</u>	<u>1,162,225</u>	<u>2,119,113</u>
DEFERRED INFLOWS OF RESOURCES			
	<u>20,803</u>	<u>-</u>	<u>20,803</u>
NET POSITION			
Net investment in capital assets	2,013,097	2,998,640	5,011,737
Restricted	-	20,778	20,778
Unrestricted	1,902,303	42,090	1,944,393
Total net position	<u>\$ 3,915,400</u>	<u>\$ 3,061,508</u>	<u>\$ 6,976,908</u>

The accompanying notes are an integral part of this statement.

TOWN OF HENDERSON, LOUISIANA

Statement of Activities
For the Year Ended June 30, 2019

Activities	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Position		
		Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government	\$ 415,003	\$ 31,764	\$ -	\$ -	\$ (383,239)	\$ -	\$ (383,239)
Sanitation	111,866	116,072	-	-	4,206	-	4,206
Public safety	1,178,304	1,751,013	-	-	572,709	-	572,709
Culture & recreation	47,662	19,965	-	-	(27,697)	-	(27,697)
Interest on long-term debt	24,076	-	-	-	(24,076)	-	(24,076)
Total governmental activities	<u>1,776,911</u>	<u>1,918,814</u>	<u>-</u>	<u>-</u>	<u>141,903</u>	<u>-</u>	<u>141,903</u>
Business-type activities:							
Sewer	434,492	200,476	-	10,000	-	(224,016)	(224,016)
Interest on long-term debt	42,175	-	-	-	-	(42,175)	(42,175)
Total business-type activities	<u>476,667</u>	<u>200,476</u>	<u>-</u>	<u>10,000</u>	<u>-</u>	<u>(266,191)</u>	<u>(266,191)</u>
Total	<u>\$2,253,578</u>	<u>\$2,119,290</u>	<u>\$ -</u>	<u>\$ 10,000</u>	<u>141,903</u>	<u>(266,191)</u>	<u>(124,288)</u>
General revenues:							
Taxes -							
Property taxes, levied for general purposes					9,706	-	9,706
Sales and use taxes, levied for general purposes					460,149	-	460,149
Beer & tobacco taxes					1,256	-	1,256
Franchise taxes					72,032	-	72,032
State funds -							
State revenue sharing					1,205	-	1,205
Intergovernmental revenue					57,470	-	57,470
Investment income					31,437	-	31,437
Miscellaneous income					8,712	8,498	17,210
Transfers					(46,000)	46,000	-
Total general revenues					<u>595,967</u>	<u>54,498</u>	<u>650,465</u>
Change in net position					737,870	(211,693)	526,177
Net position - July 1, 2018					<u>3,177,530</u>	<u>3,273,201</u>	<u>6,450,731</u>
Net position - June 30, 2019					<u>\$ 3,915,400</u>	<u>\$ 3,061,508</u>	<u>\$ 6,976,908</u>

The accompanying notes are an integral part of this statement.

FUND FINANCIAL STATEMENTS (FFS)

FUND DESCRIPTIONS

MAJOR FUNDS

General Fund

The General Fund is used to account for resources traditionally associated with governments which are not required to be accounted for in another fund.

Special Revenue Fund

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Sales Tax Fund -

To account for the receipt and use of proceeds of the Town's 1% sales and use tax approved in a special election in June 1972 and redicated in April of 2016. These taxes are dedicated for the purpose of constructing, acquiring, improving, operating and maintaining public streets, including incidental drainage, parks and recreational facilities, public buildings, and sewage collection and disposal system, including land, equipment, fixtures and furnishings for said purposes and, maintaining and operating garbage and solid waste collection and disposal facilities.

Enterprise Fund

Utility Fund -

To account for the provision of wastewater services to residents of the Town and operations of the wastewater plant.

NONMAJOR FUNDS

Debt Service Fund -

To account for the payment of the principal and interest of the Series 2016 Sales Tax Revenue Bonds.

Park Fund -

To account for the revenues from park usage fees and expenses for maintaining the park.

TOWN OF HENDERSON, LOUISIANA

Balance Sheet
Governmental Funds
June 30, 2019

	General	Sales Tax Special Revenue	Nonmajor Funds	Total Governmental Funds
	<u>General</u>	<u>Special Revenue</u>	<u>Nonmajor Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and interest bearing deposits	\$2,249,612	\$404,883	\$ 141,800	\$ 2,796,295
Accounts receivable	18,064	9,362	-	27,426
Accrued interest receivable	2,358	-	-	2,358
Sales tax receivable	-	46,122	-	46,122
Due from other governments	1,963	-	-	1,963
Prepaid items	5,830	-	-	5,830
Total assets	<u>\$2,277,827</u>	<u>\$460,367</u>	<u>\$ 141,800</u>	<u>\$ 2,879,994</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 65,957	\$ 10,984	\$ 3,779	\$ 80,720
Payroll liabilities	1,315	135	50	1,500
Total liabilities	<u>67,272</u>	<u>11,119</u>	<u>3,829</u>	<u>82,220</u>
Fund balances:				
Nonspendable	5,830	-	-	5,830
Restricted	-	449,248	137,971	587,219
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	2,204,725	-	-	2,204,725
Total fund balances	<u>2,210,555</u>	<u>449,248</u>	<u>137,971</u>	<u>2,797,774</u>
Total liabilities and fund balances	<u>\$2,277,827</u>	<u>\$460,367</u>	<u>\$ 141,800</u>	<u>\$ 2,879,994</u>

The accompanying notes are an integral part of this statement.

TOWN OF HENDERSON, LOUISIANA

Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2019

Total fund balances for governmental funds at June 30, 2019 \$2,797,774

Total net position reported for governmental activities in the statement of net position is different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Those assets consist of:

Land	\$ 31,000	
Buildings and improvements, net of \$195,877 accumulated depreciation	171,438	
Equipment and vehicles, net of \$390,976 accumulated depreciation	207,289	
Streets and improvements, net of \$518,938 accumulated depreciation	1,164,203	
Parks and facilities, net of \$208,822 accumulated depreciation	437,559	
Office equipment, net of \$38,007 accumulated depreciation	<u>1,608</u>	2,013,097

General long-term debt of governmental activities is not payable from current resources and, therefore, not reported in the funds. This debt is:

Bonds payable and underlying accrued interest	(836,002)	
Capital lease payable	(35,130)	
Compensated absences payable	<u>(3,536)</u>	(874,668)

The deferred inflows of contributions are not available resources, and therefore, not reported in the funds:

Pension plan	<u>(20,803)</u>
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Total net position of governmental activities at June 30, 2019 \$3,915,400

The accompanying notes are an integral part of this statement.

TOWN OF HENDERSON, LOUISIANA

Statement of Revenues, Expenditures, and Changes in Fund Balances-
Governmental Funds
For the Year Ended June 30, 2019

	General	Sales Tax Special Revenue	Nonmajor Funds	Total
Revenues:				
Taxes	\$ 82,994	\$ 460,149	\$ -	\$ 543,143
Licenses and permits	31,764	-	-	31,764
Intergovernmental	8,820	-	-	8,820
State funds	49,855	-	-	49,855
Fines and forfeitures	1,751,013	-	-	1,751,013
Fees	-	116,072	-	116,072
Miscellaneous	8,712	-	-	8,712
Investment income	27,573	3,864	-	31,437
Park revenue	-	-	19,965	19,965
Total revenues	<u>1,960,731</u>	<u>580,085</u>	<u>19,965</u>	<u>2,560,781</u>
Expenditures:				
Current -				
General government	292,321	65,349	258	357,928
Sanitation	-	111,866	-	111,866
Public safety	1,156,091	-	-	1,156,091
Park and recreation	-	-	26,687	26,687
Debt service - principal	19,362	-	50,000	69,362
Debt service - interest	-	-	24,429	24,429
Capital outlay	58,846	-	42,983	101,829
Total expenditures	<u>1,526,620</u>	<u>177,215</u>	<u>144,357</u>	<u>1,848,192</u>
Excess/(deficiency) of revenues over expenditures	<u>434,111</u>	<u>402,870</u>	<u>(124,392)</u>	<u>712,589</u>
Other financing sources (uses):				
Proceeds from capital lease	54,492	-	-	54,492
Operating transfers in	-	-	75,909	75,909
Operating transfers out	-	(121,909)	-	(121,909)
Total other financing sources (uses)	<u>54,492</u>	<u>(121,909)</u>	<u>75,909</u>	<u>8,492</u>
Net changes in fund balances	488,603	280,961	(48,483)	721,081
Fund balances, beginning	<u>1,721,952</u>	<u>168,287</u>	<u>186,454</u>	<u>2,076,693</u>
Fund balances, ending	<u>\$ 2,210,555</u>	<u>\$ 449,248</u>	<u>\$ 137,971</u>	<u>\$ 2,797,774</u>

The accompanying notes are an integral part of this statement.

TOWN OF HENDERSON, LOUISIANA

Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds
to the Statements of Activities
For the Year Ended June 30, 2019

Total net changes in fund balances per Statement of Revenues, Expenditures and Changes in Fund Balances	\$ 721,081
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The change in net position reported for governmental activities in the statement of activities is 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.

Capital outlay which is considered expenditures on Statement of Revenues, Expenditures and Changes in Fund Balances	\$ 101,829	
Depreciation expense	<u>(122,555)</u>	(20,726)

Expenses not requiring the use of current financial resources and therefore, are not reported as expenditures in the governmental funds:

Net change in bonds payable, accrued interest and related deferreds	50,353	
Net change in capital lease payable	(35,130)	
Net change in compensated absences payable	(286)	
Net change in pension liability and related deferreds	<u>22,578</u>	<u>37,515</u>

Total changes in net position at June 30, 2019 per Statement of Activities	\$ <u>737,870</u>
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The accompanying notes are an integral part of this statement.

TOWN OF HENDERSON, LOUISIANA

Statement of Net Position
Proprietary Fund
June 30, 2019

ASSETS

Current assets:

Cash	\$ 26,041
Accounts receivable	<u>29,049</u>
Total current assets	<u>55,090</u>

Noncurrent assets:

Restricted cash	73,230
Capital assets	<u>4,095,413</u>
Total noncurrent assets	<u>4,168,643</u>

Total assets	<u>4,223,733</u>
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DEFERRED OUTFLOWS OF RESOURCES

-

LIABILITIES

Current liabilities:

Accounts payable	13,000
Accrued interest payable	-
Bonds payable	<u>52,452</u>
Total current liabilities	<u>65,452</u>

Noncurrent liabilities:

Bonds payable	<u>1,096,773</u>
Total liabilities	<u>1,162,225</u>

DEFERRED INFLOWS OF RESOURCES

NET POSITION

Net investment in capital assets	2,998,640
Restricted	20,778
Unrestricted	<u>42,090</u>
Total net position	<u>\$3,061,508</u>

The accompanying notes are an integral part of this statement.

TOWN OF HENDERSON, LOUISIANA

Statement of Revenues, Expenses, and Changes in Fund Net Position -
Proprietary Fund

For the Year Ended June 30, 2019

Operating revenues:	
Charges for services -	
Sewer service charges	\$ 200,476
Total operating revenue	<u>200,476</u>
Operating expenses:	
Administrative fees	1,676
Contract labor	26,400
Supplies, repairs and maintenance	82,422
Professional fees	6,018
Depreciation	285,464
Testing and inspection fees	3,246
Utilities	19,998
Waste disposal fees	750
Salaries	4,500
Payroll expenses	353
Miscellaneous	<u>3,665</u>
Total operating expenses	<u>434,492</u>
Operating loss	<u>(234,016)</u>
Non-operating revenues (expenses):	
Grants:	
LGAP grant	10,000
Interest expense	(42,175)
Miscellaneous income	<u>8,498</u>
Total non-operating expense	<u>(23,677)</u>
Loss before transfers	(257,693)
Transfers in	<u>46,000</u>
Change in net position	(211,693)
Net position, beginning	<u>3,273,201</u>
Net position, ending	<u>\$ 3,061,508</u>

The accompanying notes are an integral part of this statement.

TOWN OF HENDERSON, LOUISIANA

Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2019

Cash flows from operating activities:	
Receipts from customers	\$ 198,647
Payments to suppliers	(152,801)
Payments to employees	<u>(4,500)</u>
Net cash provided by operating activities	<u>41,346</u>
Cash flows from noncapital financing activities:	
Other receipts	8,498
Transfers in	<u>46,000</u>
Net cash provided by noncapital financing activities	<u>54,498</u>
Cash flows from capital and related financing activities:	
Proceeds from grants	10,000
Interest paid on bonds & notes payable	(44,911)
Principal paid on bonds & notes payable	(50,666)
Acquisition of capital assets	<u>(4,400)</u>
Net cash used by capital and related financing activities	<u>(89,977)</u>
Cash flows from investing activities	<u>-</u>
Net increase in cash and cash equivalents	5,867
Cash and cash equivalents, beginning of period	<u>93,404</u>
Cash and cash equivalents, end of period	<u>\$ 99,271</u>

(continued)

TOWN OF HENDERSON, LOUISIANA

Statement of Cash Flows
Proprietary Fund (continued)
For the Year Ended June 30, 2019

Reconciliation of operating income to net cash provided by
operating activities:

Cash flows from operating activities

Operating loss \$ (234,016)

Adjustments to reconcile operating loss to net cash provided

by operating activities-

Depreciation 285,464

Changes in current assets & liabilities:

Increase in accounts receivable (1,829)

Decrease in accounts payable (8,273)

Total adjustments 275,362

Net cash provided by operating activities \$ 41,346

The accompanying notes are an integral part of this statement.

TOWN OF HENDERSON, LOUISIANA

Notes to Basic Financial Statements

(1) Summary of Significant Accounting Policies

The Town of Henderson, Louisiana (the "Town") was incorporated in March 1971, under the provisions of the Lawrason Act, State of Louisiana. The Town operates under a Mayor-Town Council form of government and provides the following services as authorized by its charter; public safety (police and fire), streets, sanitation, health and social services, culture and recreation, public improvements, planning and zoning, and general administrative services.

The accounting and reporting practices of the Town of Henderson conform to generally accepted accounting principles as applicable to governmental units on a consistent basis between periods. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:517 and to the guides set forth in the industry audit guide, Audits of State and Local Governments, published by the American Institute of Certified Public Accountants. The Town's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

The Town Council is composed of five (5) members, duly elected by the citizens of the Town. The Town is located in the Northeast section of St. Martin Parish and has approximately 1,600 persons living within the town limits.

The following is a summary of certain significant accounting policies:

A. Financial Reporting Entity

As the municipal governing authority, for reporting purposes, the Town of Henderson is considered a separate financial reporting entity. The financial reporting entity consists of (a) the primary government (municipality), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The Town has no component units as described in (b) and (c) above.

The accompanying financial statements of the Town of Henderson (Town) have been prepared in conformity with generally accepted accounting principles (GAAP) generally accepted in the United States of America as applied to governmental units. GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this note.

The Town of Henderson has no authority over, nor is it involved in the record keeping of the Henderson Volunteer Fire Department; therefore, the Department is not considered to be a component unit of the Town and accordingly, is not included in the Town's audited financial statements.

TOWN OF HENDERSON, LOUISIANA

Notes to Basic Financial Statements (Continued)

B. Basis of Presentation

Government-Wide Financial Statements (GWFS)

The statement of net position and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of activities presents a comparison between direct expenses and program revenues for the business-type activities of the Town and for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements

The accounts of the Town are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a separate set of self-balancing accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

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

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

TOWN OF HENDERSON, LOUISIANA

Notes to Basic Financial Statements (Continued)

Several funds of the Town are considered to be major funds and are described below:

Governmental Fund Types-

General Fund

The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Fund –

Sales Tax Fund

To account for the receipt and use of proceeds of the Town's 1% sales and use tax approved in a special election in June 1972 and rededicated in April of 2016. These taxes are dedicated for the purpose of constructing, acquiring, improving, operating and maintaining public streets, including incidental drainage, parks and recreational facilities, public buildings, and sewage collection and disposal system, including land, equipment, fixtures and furnishings for said purposes and, maintaining and operating garbage and solid waste collection and disposal facilities.

Proprietary Fund Type –

Enterprise Fund

Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues are derived from charges for services. All other revenues are reported as nonoperating. The Town applies all applicable principles under the Governmental Accounting Standards Board (GASB) in accounting and reporting for its enterprise fund. The Town's enterprise fund is the Utility Fund.

The Town's nonmajor fund is described below:

Debt Service Fund

To account for the payment of the principal and interest of the Series 2016 Sales Tax Revenue Bonds.

Park Fund

To account for the revenues for park usage fees and expenses for maintaining the park.

TOWN OF HENDERSON, LOUISIANA

Notes to Basic Financial Statements (Continued)

C. Measurement Focus/Basis of Accounting

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

Measurement Focus

On the government-wide statement of net position and the statement of activities, both governmental and business-type activities are presented using the economic resources measurement focus as defined in item b. below.

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.

Basis of Accounting

In the government-wide statement of net position and statement of activities, governmental and business-type activities are presented using the accrual basis of accounting. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities and deferred inflows of resources resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities and deferred inflows of resources resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33 “Accounting and Financial Reporting for Nonexchange Transactions.”

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within 60 days of the end of the fiscal year. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. 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 total position. Ad

TOWN OF HENDERSON, LOUISIANA

Notes to Basic Financial Statements (Continued)

valorem taxes are recognized as revenue in the year for which they are budgeted, that is, in the year they are billed and collected. Other major revenues considered susceptible to accrual are earned grant revenues.

Proprietary fund-type operating statements present increases (e.g. revenues) and decreases (e.g. expenses) in net total position. The proprietary fund utilizes the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Equity

Cash and interest-bearing deposits

For purposes of the Statement of Net Position, cash and interest-bearing deposits include all demand accounts of the Town. For the purpose of the proprietary fund Statement of Cash Flows, "cash and cash equivalents" include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less. See Note (2) for additional disclosures.

Interfund receivables and payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds." Short-term interfund loans are reported as "interfund receivables and payables." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2019 are recorded as prepaid items. The only prepaid item that existed at June 30, 2019 was prepaid insurance.

Restricted Assets

Restricted assets include cash and interest-bearing deposits of the proprietary fund that are legally restricted as to their use. The restricted assets are related to cash comprising of the following: sinking fund, renewal and replacement fund, and reserve fund. These enterprise fund cash accounts are restricted for future payments on long-term debt.

TOWN OF HENDERSON, LOUISIANA

Notes to Basic Financial Statements (Continued)

Capital Assets

The accounting treatment for buildings, improvements and equipment (capital assets) depends on whether they are reported in the government-wide or fund financial statements.

In the government-wide financial statements, capital assets are capitalized at historical cost, or estimated historical cost if actual is unavailable, except for donated fixed assets, which are recorded at their estimated fair value at the date of donation. Interest costs are capitalized as they relate to fixed assets. The Town maintains a threshold level of \$1,000 or more for capitalizing capital assets.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. Land and construction in progress are not depreciated. The range of estimated useful lives by type of asset is as follows:

Buildings and improvements	20-40 years
Sewer distribution system	25 years
Equipment and vehicles	3-10 years
Infrastructure	10-40 years

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

Prior to the adoption of GASB 34, it was the Town's policy not to record infrastructure; therefore, the Town did not have a complete listing of infrastructure. However, through the years, a partial list of infrastructure was maintained. The Town has opted not to do a detailed analysis of existing infrastructure. Rather, we will include the infrastructure for which we do have cost information available, and begin accumulating infrastructure information prospectively.

Compensated Absences

Vacation and sick leave are awarded on a calendar year basis and cannot be carried over to the next year. Full-time employees of the Town earn from 5 to 10 days of noncumulative vacation leave, depending upon length of service. An employee may accept payment in lieu of taking actual vacation time, with the approval of the Mayor and the Town Council. Upon termination, all unused vacation time within the calendar year is payable at the hourly rate being earned by that employee at separation, with the exception of the police officers. The policy for the police officers for the Town is no vacation time is paid upon termination.

Full-time employees of the Town earn from 9 to 12 days of noncumulative sick leave each year, depending upon length of service. No sick leave is paid upon termination.

TOWN OF HENDERSON, LOUISIANA

Notes to Basic Financial Statements (Continued)

Long-term debt

All long-term debt to be repaid from governmental and business-type funds is reported as liabilities in the government-wide statements. The long-term debt consists of bonds payable.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt is reported as other financing sources and payment of principal and interest reported as expenditures.

Deferred Outflows of Resources and Deferred Inflows of Resources

In some instances, the GASB requires a government to delay recognition of decreases in net position as expenditures until a future period. In other instances, governments are required to delay recognition of increases in net position as revenues until a future period. In these circumstances, deferred outflows of resources and deferred inflows of resources result from the delayed recognition of expenditures or revenues, respectively.

Equity Classifications

In the government-wide statements, equity is classified as net position and displayed in three components:

- a. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position – Consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Constraints may be placed on the use, either by (1) external groups, such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – Net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in either of the other two categories of net position.

In the fund financial statements, governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements.

Nonspendable – amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

TOWN OF HENDERSON, LOUISIANA

Notes to Basic Financial Statements (Continued)

Restricted – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – amounts that can be used only for specific purposes determined by a formal action of the Town Council. The Council is the highest level of decision-making authority for the Town. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by Council members.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the Town’s adopted policy, only Council members or the Mayor may assign amounts for specific purposes.

Unassigned – all other spendable amounts.

As of June 30, 2019, fund balances are composed of the following:

	<u>General Fund</u>	<u>Sales Tax Fund</u>	<u>Nonmajor Governmental Fund</u>	<u>Total Governmental Funds</u>
Nonspendable:				
Prepaid items	\$ 5,830	\$ -	\$ -	\$ 5,830
Restricted:				
Sales tax	-	449,248	-	449,248
Park maintenance	-	-	68,134	68,134
Debt service	-	-	69,837	69,837
Committed:	-	-	-	-
Assigned:	-	-	-	-
Unassigned:	<u>2,204,725</u>	<u>-</u>	<u>-</u>	<u>2,204,725</u>
	<u>\$ 2,210,555</u>	<u>\$ 449,248</u>	<u>\$ 137,971</u>	<u>\$ 2,797,774</u>

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Town considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Town considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless Council members have provided otherwise in its commitment or assignment actions.

TOWN OF HENDERSON, LOUISIANA

Notes to Basic Financial Statements (Continued)

(2) Cash and interest-bearing deposits

Under state law, the Town may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. The Town may invest in certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana. At June 30, 2019, the Town has cash and interest-bearing deposits (book balances) totaling \$2,895,566.

Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, the Town's deposits may not be recovered or will not be able to recover the collateral securities that are in the possession of an outside party. 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 pledging financial institution. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit within the financial institution. These securities are held in the name of the pledging financial institution in a holding or custodial bank that is mutually acceptable to both parties. Deposit balances (bank balances) at June 30, 2019 are secured as follows:

Bank balances	<u>\$2,918,639</u>
At June 30, 2019 the deposits are secured as follows:	
Federal deposit insurance	\$ 398,207
Pledged securities	<u>2,520,432</u>
Total	<u>\$2,918,639</u>

Deposits in the amount of \$2,520,432 were exposed to custodial credit risk. These are uninsured and collateralized with securities held by the pledging financial institution's trust department or agent but not in the Town's name. The Town does not have a policy for custodial credit risk.

TOWN OF HENDERSON, LOUISIANA
Notes to Basic Financial Statements (Continued)

(3) Restricted Cash

Restricted cash at June 30, 2019 is comprised of the following:

	Business-Type Activities
Sinking Fund	\$ 4,832
Renewal and Replacement Fund	34,199
Reserve Fund	34,199
Total	\$ 73,230

Cash is restricted in the business-type activities for future payments on long-term debt.

(4) Receivables

The following is a summary of receivables at June 30, 2019:

	Governmental Activities	Business-Type Activities	Total
Franchise tax	\$ 18,064	\$ -	\$ 18,064
Garbage collections	9,362	-	9,362
Sewer collections	-	29,049	29,049
Total	\$ 27,426	\$ 29,049	\$ 56,475

(5) Due from Other Governments

Amounts due from other governments at June 30, 2019, consist of the following:

	Governmental Activities
Video poker	\$ 1,963

TOWN OF HENDERSON, LOUISIANA

Notes to Basic Financial Statements (Continued)

(6) Capital Assets

Capital asset activity for the year ended June 30, 2019 is as follows:

	<u>Balance</u> <u>07/01/18</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>06/30/19</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 31,000	\$ -	\$ -	\$ 31,000
Construction in progress	49,893	-	(49,893)	-
Other capital assets:				
Buildings	367,315	-	-	367,315
Autos & equipment	457,287	33,994	-	491,281
Autos & equipment - capital leases	52,492	54,492	-	106,984
Streets & improvements	1,683,141	-	-	1,683,141
Parks & facilities	583,145	63,236	-	646,381
Office equipment	39,615	-	-	39,615
Total capital assets	<u>3,263,888</u>	<u>151,722</u>	<u>(49,893)</u>	<u>3,365,717</u>
Less accumulated depreciation:				
Buildings	187,426	8,451	-	195,877
Autos & equipment	326,042	38,231	-	364,273
Autos & equipment - capital leases	15,976	10,727	-	26,703
Streets & improvements	475,358	43,580	-	518,938
Parks & facilities	187,847	20,975	-	208,822
Office equipment	37,416	591	-	38,007
Total accumulated depreciation	<u>1,230,065</u>	<u>122,555</u>	<u>-</u>	<u>1,352,620</u>
Governmental activities, capital assets, net	<u>\$ 2,033,823</u>	<u>\$ 29,167</u>	<u>\$ (49,893)</u>	<u>\$ 2,013,097</u>

TOWN OF HENDERSON, LOUISIANA

Notes to Basic Financial Statements (Continued)

	<u>Balance</u> 07/01/18	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> 06/30/19
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 21,600	\$ -	\$ -	\$ 21,600
Other capital assets:				
Sewer plant	5,714,898	-	-	5,714,898
Equipment	334,523	4,400	-	338,923
Sewer system	<u>1,050,228</u>	<u>-</u>	<u>-</u>	<u>1,050,228</u>
Total capital assets	<u>7,121,249</u>	<u>4,400</u>	<u>-</u>	<u>7,125,649</u>
Less accumulated depreciation:				
Sewer plant	2,473,369	228,383	-	2,701,752
Equipment	250,397	36,078	-	286,475
Sewer system	<u>21,005</u>	<u>21,004</u>	<u>-</u>	<u>42,009</u>
Total accumulated depreciation	<u>2,744,771</u>	<u>285,465</u>	<u>-</u>	<u>3,030,236</u>
Business-type activities, capital assets, net	<u>\$ 4,376,478</u>	<u>\$(281,065)</u>	<u>\$ -</u>	<u>\$ 4,095,413</u>

Depreciation expense was charged to governmental activities as follows:

General government	\$ 56,789
Police	44,791
Culture and recreation	<u>20,975</u>
Total depreciation expense	<u>\$ 122,555</u>

TOWN OF HENDERSON, LOUISIANA

Notes to Basic Financial Statements (Continued)

(7) Accounts, Salaries, and Other Payables

The accounts, salaries, and other payables consisted of the following at June 30, 2019:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Accounts	\$ 82,220	\$ 12,601	\$ 94,821
Payroll withholdings	-	399	399
Total	<u>\$ 82,220</u>	<u>\$ 13,000</u>	<u>\$ 95,220</u>

(8) Ad Valorem Taxes

For the year ended June 30, 2019, taxes of 1.79 mills were levied on property with assessed valuations totaling \$5,779,770.

Total taxes levied for the year ended June 30, 2019 were \$10,345. The taxes are levied and assessed around October or November, respectively, of each year. Tax bills are mailed in December, become liens on December 31, and are delinquent if unpaid as of March 1. The majority of collections occur in the months of December through February.

(9) Changes in Long-Term Debt

The following is a summary of long-term debt transactions of the Town of Henderson for the year ended June 30, 2019. The sales tax revenue bonds are paid by the sales tax fund. The other revenue bonds relate to business-type activities, which is paid for by the utility fund. The capital lease payments are paid by the general fund. In the past, payments on long-term debt were paid in the same manner.

	<u>Revenue Bonds</u>	<u>Vehicle Capital Lease</u>	<u>Total</u>
Long-term debt, June 30, 2018	\$ 2,075,891	\$ -	\$ 2,075,891
Additions	-	54,492	54,492
Deletions	(100,666)	(19,362)	(120,028)
Long-term debt, June 30, 2019	<u>\$ 1,975,225</u>	<u>\$ 35,130</u>	<u>\$ 2,010,355</u>

TOWN OF HENDERSON, LOUISIANA
Notes to Basic Financial Statements (Continued)

Long-term debt at June 30, 2019 is as follows:

Revenue bonds:

\$600,000 Sewer Revenue Bonds Series 2000, issued by the Louisiana Department of Environmental Quality, with an interest rate of 3.45% and a maturity date of March 1, 2027	\$ 302,000
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\$925,000 Sales Tax Revenue Bonds Series 2016, issued by the Town of Henderson, with an interest rate between 1% and 3.9% and a maturity date of August 1, 2031	826,000
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USDA Bonds:

\$641,000 bond payable, issued by USDA, due in monthly installments of \$2,930; interest rate of 4.50%; full maturity at August 2045	537,145
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\$375,000 bond payable, issued by USDA, due in monthly installments of \$1,625; interest rate of 4.125%; full maturity at August 2045	<u>310,080</u>
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Total bonds payable	<u><u>\$ 1,975,225</u></u>
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Vehicle Capital Lease:

\$54,492 capital lease on (2) 2019 Dodge Durangos, due in three annual payments of \$19,362; from May 13, 2019 to May 12, 2021; interest rate of 6.75%	<u><u>\$ 35,130</u></u>
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TOWN OF HENDERSON, LOUISIANA

Notes to Basic Financial Statements (Continued)

The annual requirements to amortize the outstanding debt as of June 30, 2019 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 121,444	\$ 69,482
2021	125,410	65,615
2022	111,129	61,508
2023	115,025	58,462
2024	118,960	55,248
2025 - 2029	572,351	222,357
2030 - 2034	380,835	130,630
2035 - 2039	193,748	79,579
2040 - 2044	240,904	32,024
2045 - 2046	30,549	-
Total	<u>\$ 2,010,355</u>	<u>\$ 774,905</u>

(10) Sales Taxes

Proceeds of a 1% sales and use tax approved in a special election in June 1972 were rededicated in an election held in April of 2016. The proceeds are now dedicated to be used for the purpose of constructing, acquiring, improving, operating and maintaining public streets, including incidental drainage, parks and recreational facilities, public buildings, and sewage collection and disposal system, including land, equipment, fixtures and furnishings for said purposes and, maintaining and operating garbage and solid waste collection and disposal facilities.

Proceeds from the 1% sales and use tax were \$460,149 for the year ended June 30, 2019.

(11) Park Fund

On April 13, 1984, the Town Council approved the establishment of a Park Fund. The fund is to be used to account for revenues from park usage fees and expenses for maintaining the park.

Park usage fees collected for the year ended June 30, 2019 were \$19,965.

TOWN OF HENDERSON, LOUISIANA
Notes to Basic Financial Statements (Continued)

(12) Compensation of Town Officials

A detail of compensation paid to Town officials for the year ended June 30, 2019 follows:

Sherbin Collette, Mayor (also, see Note 17)	<u>\$ 52,800</u>
Leroy Guidry, Chief of Police	<u>\$ 43,884</u>
Town Council-	
Nita Berard	\$ 1,300
Judy Broussard	1,300
Bill Legrand	1,300
Jody Meche	1,250
William White	<u>1,250</u>
	<u>\$ 6,400</u>

(13) Risk Management

The Town is exposed to risks of loss in the areas of general and auto liability, property hazards, and workers' compensation. Those risks are handled by purchasing commercial insurance. There have been no significant reductions in insurance coverage during the year ended June 30, 2019, nor have settlements exceeded insurance coverage for the past three years.

(14) Federal Financial Assistance Programs

Amounts received or receivable from grantor agencies are subject to audit and adjustment by the federal grantor agencies. No provision has been made in the financial statements for the reimbursement of any expenditures that may be disallowed as a result of such a review or audit.

(15) On-behalf Payments

The Town has recognized \$48,650 as a revenue and an expenditure for on-behalf salary payments made by the state of Louisiana.

(16) Litigation

At June 30, 2019, the Town is involved in two claims and/or lawsuits asserting damages. Management is of the opinion that the outcome will be favorable. As such, no liability has been recorded as of June 30, 2019.

TOWN OF HENDERSON, LOUISIANA

Notes to Basic Financial Statements (Continued)

(17) Act 706 – Schedule of Compensation, Reimbursements, Benefits and Other Payments to Entity Head

Under Act 706, the Town of Henderson, Louisiana is required to disclose the compensation, reimbursements, benefits, and other payments made to the mayor, in which the payments are related to the position. The following is a schedule of payments made to the mayor for the year ended June 30, 2019.

Entity head: Sherbin Collette, Mayor

Salary	\$ 52,800
Benefits - retirement	1,584
Reimbursements - supplemental insurance	4,840
Reimbursements - telephone, etc.	<u>825</u>
Total	<u>\$ 60,049</u>

(18) Interfund Transfers

Interfund transfers for the year ended June 30, 2019 consisted of \$75,909 to the Debt Service Nonmajor Fund from the Sales Tax Special Revenue Fund for the principal and interest payments on the sales tax revenue bonds and transfers from the Sales Tax Special Revenue Fund to the Utility Fund of \$46,000 to help fund operations.

(19) Pension Plan / GASB 68 / Deferred Compensation Plan

A. Pension Plan / GASB 68

The Town of Henderson participated in the Municipal Police Employees' Retirement System cost-sharing multiple-employer defined benefit pension plan during previous fiscal years. The Town terminated participation in this plan as of July 1, 2015. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Municipal Police Employees' Retirement System (System) and additions to/deductions from the System's fiduciary net position have been determined on the same basis as they are reported by the System. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Summary of Significant Accounting Policies:

The Municipal Police Employees' Retirement System prepares its employer schedules in accordance with Governmental Accounting Statement No. 68 – *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. GASB Statement No. 68 established standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures. It provides methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value and attribute that present value to periods of employee service. It also provides methods to calculate participating employer's

TOWN OF HENDERSON, LOUISIANA

Notes to Basic Financial Statements (Continued)

Basis of Accounting:

The System's employer schedules were prepared using the accrual basis of accounting. Employer contributions, for which the employer allocations are based, are recognized in the period in which the employee is compensated for services performed.

System Employees:

The System is not allocated a proportionate share of the net pension liability related to its employees. The net pension liability attributed to the System's employees is allocated to the remaining employers based on their respective employer allocation percentage.

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.

Plan Description:

The Municipal Police Employees' Retirement System (System) is a cost-sharing, multiple-employer defined benefit pension plan established by Act 189 of 1973 to provide retirement, disability, and survivor benefits to municipal police officers in Louisiana. The Municipal Police Employees' Retirement System is the administrator of a cost-sharing multiple-employer plan. 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, provided 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.

TOWN OF HENDERSON, LOUISIANA

Notes to Basic Financial Statements (Continued)

Benefit rates are $3\frac{1}{3}\%$ 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 40% to 60% of the member's average final compensation for the surviving spouse. In addition, each child under age 18 receives benefits equal to 10% of the member's average final compensation or \$200 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 3% and $2\frac{1}{2}\%$, respectively, of average final compensation (average monthly earnings during the highest 60 consecutive months or joined months if service was interrupted) per number of years of creditable service not to exceed 100% of final salary.

Upon death of an active contributing member, or disability retiree, the plan provides for surviving spouses and minor children. Under certain conditions outlined in the statutes, the benefits range from 25% to 55% of the member's average final compensation for the surviving spouse. In addition, each child under age 18 receives 10% of average final compensation or \$200 per month whichever is greater. If deceased member had less than 10 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.

TOWN OF HENDERSON, LOUISIANA

Notes to Basic Financial Statements (Continued)

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 the application 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 36 months or less. If employment is terminated after the three-year period, the participant may receive his benefits by lump sum payment or a true annuity. If employment is not terminated, active contributing membership into the System shall resume and upon later termination, he shall receive additional retirement benefit based on the additional service. For those eligible to enter DROP prior to January 1, 2004, DROP accounts shall earn interest subsequent to the termination of DROP participation at a rate of half of one percentage point below the percentage rate of return of the System's investment portfolio as certified by the actuary on an annual basis but will never lose money. For those eligible to enter DROP subsequent to January 1, 2004, an irrevocable election is made to earn interest based on the System's investment portfolio return or a money market investment return. This could result in a negative earnings rate being applied to the account.

If the member elects a money market investment return, the funds are transferred to a government money market account and earn interest at the money market rate.

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.

Employer 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, 2018, total contributions due from employers and employees were as follows:

	<u>Contribution Rates</u>		
	<u>Employee</u>	<u>Employer</u>	<u>Total</u>
Members hired prior to 1/1/2013	10.00%	30.75%	40.75%
Hazardous Duty Members hired after 1/1/2013	10.00%	30.75%	40.75%
Non Hazardous Duty Members hired after 1/1/2013	8.00%	30.75%	38.75%
Members whose earnable compensation is less than the poverty guidelines	7.50%	33.25%	40.75%

TOWN OF HENDERSON, LOUISIANA

Notes to Basic Financial Statements (Continued)

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, 2018, and excluded from pension expense. The Town did not have any non-employer contributions revenue to recognize.

Schedule of Employer Allocations:

The schedule of employer allocations reports the historical employer contributions in addition to the employer allocation percentages for each participating employer. The historical employer contributions are used to determine the proportionate relationship of each employer to all employers of the Municipal Police 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 pension amounts.

The allocation method used in determining each employer's proportion was based on each employer's contributions to the System during the year ended June 30, 2018, as compared to the total of all employers' contributions to the System for during the year ended June 30, 2018.

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

At June 30, 2019, the Town did not have a proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018 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 a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2018, the Town's proportion was 0%, which did not decrease nor increase from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Town recognized pension benefit of \$22,473 plus employer's amortization of change in proportionate share and differences between employer contributions and proportionate share of contributions, \$107.

At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

TOWN OF HENDERSON, LOUISIANA

Notes to Basic Financial Statements (Continued)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experiences	\$ -	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	-
Change in proportion and differences between employer contributions and proportionate share of contributions	-	20,803
Employer contributions subsequent to the measurement date	<u>-</u>	<u>-</u>
Total	<u>\$ -</u>	<u>\$ 20,803</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

<u>Fiscal Year Ended</u>	
6/30/2020	\$ (20,803)
6/30/2021	-
6/30/2022	-

Actuarial Methods and Assumptions:

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the assumptions used in the June 30, 2018 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.

TOWN OF HENDERSON, LOUISIANA

Notes to Basic Financial Statements (Continued)

A summary of the actuarial methods and assumptions used in determining the total pension liability as of June 30, 2018 are as follows:

Valuation Date	June 30, 2018	
Actuarial Cost Method	Entry Age Normal Cost	
Investment Rate of Return	7.20%, net of investment expense	
Expected Remaining Service lives	2018 - 4 years 2017 - 4 years 2016 - 4 years 2015 - 4 years	
Inflation Rate	2.60%	
Salary increases, including inflation and merit	<u>Years of Service</u> 1 - 2 3 - 23 Over 23	<u>Salary Growth Rate</u> 9.75% 4.75% 4.25%
Mortality	RP-2000 Combined Healthy with Blue Collar Adjustment Sex Distinct Tables projected to 2029 by Scale AA (set back 1 year for females) for healthy annuitants and beneficiaries. RP-2000 Disabled Lives Table set back 5 years for males and set back 3 years for females for disabled annuitants. RP-2000 Employee Table set back 4 years for males and 3 years for females for active members.	
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 July 1, 2009 through June 30, 2014, and review of similar law enforcement mortality. The data was assigned credibility weighting and combined with a standard table to produce current levels of mortality. This mortality was then projected forward to a period equivalent to the estimated duration of the System's liabilities. Annuity values calculated based on this mortality were compared to those produced by using a set-back of standard tables. The result of the procedure

TOWN OF HENDERSON, LOUISIANA

Notes to Basic Financial Statements (Continued)

indicated that the tables used would produce liability values approximating the appropriate generational mortality tables.

The best estimates of the arithmetic nominal rates of return for each major asset class included in the System's target allocation as of June 30, 2018 are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Portfolio Real Rate of Return
Equity	52.00%	3.58%
Fixed Income	22.00%	0.46%
Alternative	20.00%	1.07%
Other	6.00%	0.17%
Totals	100.00%	5.28%
	Inflation	<u>2.75%</u>
	Expected Nominal Return	<u>8.03%</u>

The discount rate used to measure the total pension liability was 7.20%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made at the actuarially determined rates approved by PRSAC taking into consideration the recommendation of the System's actuary. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity to Changes in Discount Rate:

The following presents the net pension liability of the participating employers calculated using the discount rate of 7.20%, as well as what the employers' net pension liability would be if it were calculated using a discount rate that is one percentage point lower, 6.20%, or one percentage point higher, 8.20%, than the current rate.

	Changes in Discount Rate		
	1% Decrease 6.20%	Current Discount Rate 7.20%	1% Increase 8.20%
Employer's proportionate share of the net pension liability	\$ -	\$ -	\$ -

TOWN OF HENDERSON, LOUISIANA

Notes to Basic Financial Statements (Continued)

Change in Net Pension Liability:

The changes in the net pension liability for the year ended June 30, 2018, were recognized in the current reporting period as pension expense except as follows:

- a. 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. The Town had no difference between expected and actual experience for the year ended June 30, 2018.
- b. 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. The Town had no difference between projected and actual investment earnings for the year ended June 30, 2018.
- c. Changes of assumptions or other inputs: 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. The Town had no changes of assumptions or other inputs for the year ended June 30, 2018.
- d. Change in proportion: Changes in the employer's proportionate shares of the collective net pension liability and collective deferred outflows of resources and deferred inflows of resources since the prior measurement date were recognized in employer's pension expense (benefit) using the straight-line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided pensions through the pension plan. The change in proportion resulted in a deferred inflow of resources in the amount of \$20,803 for the year ended June 30, 2018.

Contributions – Proportionate Share:

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

Retirement System Audit Report:

Municipal Police Employees Retirement System issued a stand-alone audit report on its financial statements for the year ended June 30, 2018. Access to the audit report can be found on the System's website: www.lampers.org or on the Office of Louisiana Legislative Auditor's official website: www.lla.state.la.us.

TOWN OF HENDERSON, LOUISIANA

Notes to Basic Financial Statements (Continued)

Estimates:

The process of preparing the schedule of employer allocations and schedule of pension amounts in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Accordingly, actual results may differ from estimated amounts.

B. Deferred Compensation Plan

The Town has a 457(b) deferred compensation plan (defined contribution plan). The Plan is a voluntary plan adopted under the provisions of Internal Revenue Code 457(b). The plan is administered by Valic Financial Advisors, Inc. The Town determines employee participation eligibility each plan year. A participant is immediately fully vested. In no event shall the assets of this plan revert to the benefit of the Town.

The Town contributions are discretionary. The Town contributed 3% of compensation for all eligible employees in the year ended June 30, 2019, which amounted to \$10,224. Employee contributions ranged from 1% to 7%. Participants can elect any combination of Pre-tax or Roth deferral options.

Benefits are payable to former employees at the time and in the manner designated by participants on a distribution election form. In no event may a participant defer payment of benefits later than April 1 of the calendar year immediately following the year in which participant attains age 70 ½ or the date on which participant terminates employment, if later.

**REQUIRED SUPPLEMENTARY
INFORMATION**

TOWN OF HENDERSON, LOUISIANA
General Fund

Budgetary Comparison Schedule
For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes:				
Ad valorem	\$ 6,000	\$ 6,000	\$ 9,706	\$ 3,706
Beer & tobacco taxes	3,000	3,000	1,256	(1,744)
Franchise taxes	42,000	42,000	72,032	30,032
Total taxes	<u>51,000</u>	<u>51,000</u>	<u>82,994</u>	<u>31,994</u>
Licenses and permits	<u>10,000</u>	<u>10,000</u>	<u>31,764</u>	<u>21,764</u>
Intergovernmental revenues:				
Video poker	<u>2,500</u>	<u>2,500</u>	<u>8,820</u>	<u>6,320</u>
Total intergovernmental revenues	<u>2,500</u>	<u>2,500</u>	<u>8,820</u>	<u>6,320</u>
State funds:				
State revenue sharing	3,400	3,400	1,205	(2,195)
Supplemental pay	<u>25,500</u>	<u>48,650</u>	<u>48,650</u>	<u>-</u>
Total state funds	<u>28,900</u>	<u>52,050</u>	<u>49,855</u>	<u>(2,195)</u>
Fines and forfeitures	<u>985,000</u>	<u>1,600,000</u>	<u>1,751,013</u>	<u>151,013</u>
Interest income	<u>-</u>	<u>-</u>	<u>27,573</u>	<u>27,573</u>
Miscellaneous income	<u>6,400</u>	<u>6,400</u>	<u>8,712</u>	<u>2,312</u>
Total revenues	<u>1,083,800</u>	<u>1,721,950</u>	<u>1,960,731</u>	<u>238,781</u>
Expenditures:				
General government:				
Legislative	6,750	6,750	6,400	350
Judicial	105,000	5,024	13,936	(8,912)
Executive	92,100	100,392	103,644	(3,252)
Finance & administrative	<u>195,500</u>	<u>205,500</u>	<u>168,341</u>	<u>37,159</u>
Total general government	<u>399,350</u>	<u>317,666</u>	<u>292,321</u>	<u>25,345</u>
Public safety	850,926	1,015,560	1,156,091	(140,531)
Debt service:				
Principal	16,173	16,173	19,362	(3,189)
Interest	1,989	1,989	-	1,989
Capital outlay	<u>143,300</u>	<u>83,500</u>	<u>58,846</u>	<u>24,654</u>
Total expenditures	<u>1,411,738</u>	<u>1,434,888</u>	<u>1,526,620</u>	<u>(91,732)</u>
Excess/(deficiency) of revenues over expenditures	<u>(327,938)</u>	<u>287,062</u>	<u>434,111</u>	<u>147,049</u>
Other financing sources:				
Proceeds from capital lease	<u>-</u>	<u>-</u>	<u>54,492</u>	<u>54,492</u>
Total other financing sources	<u>-</u>	<u>-</u>	<u>54,492</u>	<u>54,492</u>
Net change in fund balances	<u>(327,938)</u>	<u>287,062</u>	<u>488,603</u>	<u>201,541</u>
Fund balance, beginning	<u>1,721,952</u>	<u>1,721,952</u>	<u>1,721,952</u>	<u>-</u>
Fund balance, ending	<u>\$ 1,394,014</u>	<u>\$ 2,009,014</u>	<u>\$ 2,210,555</u>	<u>\$ 201,541</u>

TOWN OF HENDERSON, LOUISIANA
Sales Tax Special Revenue Fund

Budgetary Comparison Schedule
For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Sales and use tax	\$ 140,000	\$ 375,000	\$ 460,149	\$ 85,149
Garbage collection fees	102,000	102,000	116,072	14,072
Miscellaneous income	500	500	-	(500)
Investment income	1,000	1,000	3,864	2,864
Total revenues	243,500	478,500	580,085	101,585
Expenditures:				
General government -				
Finance & administrative	86,600	86,600	65,349	21,251
Sanitation	108,400	108,400	111,866	(3,466)
Capital outlay	60,000	60,000	-	60,000
Total expenditures	255,000	255,000	177,215	77,785
Excess/(deficiency) of revenues over expenditures	(11,500)	223,500	402,870	179,370
Other financing uses:				
Operating transfers out	156,500	122,000	121,909	(91)
Total other financing uses	156,500	122,000	121,909	(91)
Net changes in fund balances	(168,000)	101,500	280,961	179,461
Fund balance, beginning	168,287	168,287	168,287	-
Fund balance, ending	\$ 287	\$ 269,787	\$ 449,248	\$ 179,461

TOWN OF HENDERSON, LOUISIANA

Schedule of Employer's Share of Net Pension Liability
For the Year Ended June 30, 2019

Year ended June 30,	Employer Proportion of the Net Pension Liability (Asset)	Employer Proportionate Share of the Net Pension Liability (Asset)	Employer's Covered Employee Payroll	Employer's 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
2015	0.01204%	\$ 75,304	\$ 31,000	242.9%	75.1%
2016	0.01118%	87,568	29,900	292.9%	70.7%
2017	0.00000%	-	-	0.0%	0.0%
2018	0.00000%	-	-	0.0%	0.0%
2019	0.00000%	-	-	0.0%	0.0%

* The amounts presented have a measurement date of the previous fiscal year end.

The Town ended participation in the retirement system as of July 1, 2016.

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

TOWN OF HENDERSON, LOUISIANA

Schedule of Employer Contributions
For the Year Ended June 30, 2019

Year ended June 30,	Contractually Required Contribution	Contributions in Relation to Contractual Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Employee Payroll	Contributions as a % of Covered Employee Payroll
2015	\$ 9,419	\$ 9,009	\$ 410	\$ 29,900	30.13%
2016	9,419	-	9,419	-	0.00%
2017	-	-	-	-	0.00%
2018	-	-	-	-	0.00%
2019	-	-	-	-	0.00%

The Town ended participation in the retirement system as of July 1, 2016.

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

TOWN OF HENDERSON, LOUISIANA

Notes to the Required Supplementary Information
For the Year Ended June 30, 2019

(1) Budgets and Budgetary Accounting

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

1. The Town Clerk prepares a proposed budget and submits it to the Mayor and Town Council no later than fifteen days prior to the beginning of each fiscal year.
2. A summary of the proposed budget is published and the public is notified that the proposed budget is available for public inspection. At the same time, a public hearing is called.
3. A public hearing is held on the proposed budget at least ten days after publication of the call for the hearing.
4. After the holding of the public hearing and completion of all actions necessary to finalize and implement the budget, the budget is adopted through passage of a resolution prior to the commencement of the fiscal year for which the budget is being adopted.
5. Budgetary amendments involving the transfer of funds from one department, program or function to another or involving increases in expenditures resulting from revenues exceeding amounts estimated require the approval of the Town Council.
6. All budgetary appropriations lapse at the end of each fiscal year.
7. Budgets for all the funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted or as amended by the Town Council. Such amendments were not material in relation to the original appropriations.

(2) Pension Plan

Changes of Assumptions – 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.

OTHER SUPPLEMENTARY INFORMATION

TOWN OF HENDERSON, LOUISIANA

Statements of Net Position
 Proprietary Fund
 June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Current assets:		
Cash	\$ 26,041	\$ 26,658
Accounts receivable	<u>29,049</u>	<u>27,220</u>
Total current assets	<u>55,090</u>	<u>53,878</u>
Noncurrent assets:		
Restricted cash	73,230	66,746
Capital assets	<u>4,095,413</u>	<u>4,376,477</u>
Total noncurrent assets	<u>4,168,643</u>	<u>4,443,223</u>
Total assets	<u>4,223,733</u>	<u>4,497,101</u>
DEFERRED OUTFLOWS OF RESOURCES		
	<u>-</u>	<u>-</u>
LIABILITIES		
Current liabilities:		
Accounts payable	13,000	21,273
Accrued interest payable	-	2,736
Bonds payable	<u>52,452</u>	<u>50,666</u>
Total current liabilities	<u>65,452</u>	<u>74,675</u>
Noncurrent liabilities:		
Bonds payable	<u>1,096,773</u>	<u>1,149,225</u>
Total liabilities	<u>1,162,225</u>	<u>1,223,900</u>
DEFERRED INFLOWS OF RESOURCES		
	<u>-</u>	<u>-</u>
NET POSITION		
Net investment in capital assets	2,998,640	3,227,252
Restricted	20,778	16,080
Unrestricted	<u>42,090</u>	<u>29,869</u>
Total net position	<u>\$ 3,061,508</u>	<u>\$ 3,273,201</u>

TOWN OF HENDERSON, LOUISIANA

Statements of Revenues, Expenses, and Changes in Fund Net Position -
 Proprietary Fund
 For the Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Operating revenues:		
Charges for services -		
Sewer service charges	\$ 200,476	\$ 185,568
Total operating revenue	<u>200,476</u>	<u>185,568</u>
Operating expenses:		
Administrative fees	1,676	1,835
Contract labor	26,400	26,400
Supplies, repairs and maintenance	82,422	93,470
Professional fees	6,018	5,544
Depreciation	285,464	285,605
Testing and inspection fees	3,246	3,050
Utilities	19,998	22,682
Waste disposal fees	750	1,500
Salaries	4,500	4,500
Payroll expenses	353	355
Miscellaneous	<u>3,665</u>	<u>47,823</u>
Total operating expenses	<u>434,492</u>	<u>492,764</u>
Operating loss	<u>(234,016)</u>	<u>(307,196)</u>
Non-operating revenues (expenses):		
Grants:		
LGAP grant	10,000	9,955
Interest expense	(42,175)	(46,482)
Miscellaneous income	<u>8,498</u>	<u>4,850</u>
Total non-operating expenses	<u>(23,677)</u>	<u>(31,677)</u>
Loss before transfers	(257,693)	(338,873)
Transfers in	<u>46,000</u>	<u>26,000</u>
Change in net position	(211,693)	(312,873)
Net position, beginning	<u>3,273,201</u>	<u>3,586,074</u>
Net position, ending	<u>\$ 3,061,508</u>	<u>\$ 3,273,201</u>

TOWN OF HENDERSON, LOUISIANA

Statements of Cash Flows
 Proprietary Fund
 For the Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Receipts from customers	\$ 198,647	\$ 185,818
Payments to suppliers	(152,801)	(195,686)
Payments to employees	<u>(4,500)</u>	<u>(4,500)</u>
Net cash provided (used) by operating activities	<u>41,346</u>	<u>(14,368)</u>
Cash flows from noncapital financing activities:		
Other receipts	8,498	4,850
Transfers in	<u>46,000</u>	<u>26,000</u>
Net cash provided by noncapital financing activities	<u>54,498</u>	<u>30,850</u>
Cash flows from capital and related financing activities:		
Proceeds from grants	10,000	9,955
Interest paid on bonds & notes payable	(44,911)	(46,743)
Principal paid on bonds & notes payable	(50,666)	(48,914)
Acquisition of capital assets	<u>(4,400)</u>	<u>(23,972)</u>
Net cash used by capital and related financing activities	<u>(89,977)</u>	<u>(109,674)</u>
Cash flows from investing activities	<u>-</u>	<u>-</u>
Net increase/(decrease) in cash and cash equivalents	5,867	(93,192)
Cash and cash equivalents, beginning of period	<u>93,404</u>	<u>186,596</u>
Cash and cash equivalents, end of period	<u>\$ 99,271</u>	<u>\$ 93,404</u>

(continued)

TOWN OF HENDERSON, LOUISIANA

Statements of Cash Flows
 Proprietary Fund (continued)
 For the Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Reconciliation of operating income to net cash provided by operating activities:		
Cash flows from operating activities		
Operating loss	<u>\$ (234,016)</u>	<u>\$ (307,196)</u>
Adjustments to reconcile operating loss to net cash provided by operating activities-		
Depreciation	285,464	285,605
Changes in current assets & liabilities:		
(Increase)/decrease in accounts receivable	(1,829)	250
Increase/(decrease) in accounts payable	<u>(8,273)</u>	<u>6,973</u>
Total adjustments	<u>275,362</u>	<u>292,828</u>
Net cash provided (used) by operating activities	<u>\$ 41,346</u>	<u>\$ (14,368)</u>

TOWN OF HENDERSON, LOUISIANA

Schedule of Insurance in Force

June 30, 2019

<u>Description of Coverage</u>	<u>Coverage Amounts</u>	<u>Expiration Date</u>
Workmen's compensation - Employer's liability	\$ 500,000	1/1/2020
Surety bonds - Public employees	(per employee) 10,000 / 40,000	10/8/2019 - 8/14/2020
Honesty blanket	79,000	6/3/2020
Building and contents	188,000	4/1/2020
General liability	500,000	12/8/2019
Law enforcement officers' liability	500,000	12/8/2019
Public officials' errors and omissions liability	500,000	12/8/2019
Commercial auto	500,000	12/8/2019

TOWN OF HENDERSON, LOUISIANA
Proprietary Fund

Schedule of Number of Sewer Customers and Rates

June 30, 2019

Records maintained by the Town indicated the following number of customers were being serviced during the month of June 30, 2019:

<u>Customer Type</u>	<u>Number</u>
Residential	549
Commercial	38

Residential customers are charged \$22 for the first 2,000 gallons of water used and \$1.50 per 1,000 gallons above the first 2,000. Commercial customers are charged \$28.75 for the first 7,000 gallons of water used and \$1.50 per 1,000 gallons above the first 7,000.

TOWN OF HENDERSON, LOUISIANA
Proprietary Fund
Schedule of Aged Accounts Receivable

June 30, 2019

Current	\$28,773
1 -30 days	149
31-60 days	-
61-90 days	127
> 90 days	<u>-</u>
Total	<u>\$29,049</u>

**INTERNAL CONTROL
COMPLIANCE
AND
OTHER MATTERS**

Champagne & Company, LLC

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

The Honorable Sherbin Collette, Mayor
and Members of the Town Council
Town of Henderson, Louisiana

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Henderson, Louisiana, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town of Henderson, Louisiana's basic financial statements and have issued our report thereon dated September 19, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Henderson, Louisiana's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Henderson, Louisiana's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Henderson, Louisiana'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 a 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of prior and current year audit findings and management's corrective action plan as items 2019-001 and 2019-002, that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Henderson, Louisiana's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of prior and current year audit findings and management's corrective action plan as item 2019-003.

Town of Henderson, Louisiana's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

Champagne & Company, LLC

Certified Public Accountants

Breaux Bridge, Louisiana
September 19, 2019

TOWN OF HENDERSON, LOUISIANA

Schedule of Prior and Current Year Audit Findings and
Management's Corrective Action Plan
For the Year Ended June 30, 2019

I. Prior Year Findings:

Internal Control over Financial Reporting

2018-001 – Inadequate Segregation of Accounting Functions

Finding: Due to the small number of employees, the Town did not have adequate segregation of functions within the accounting system.

Status:

Unresolved. See item 2019-001.

2018-002 – Inadequate Controls over Financial Statement Preparation

Finding: The Town does not have a staff person who has the qualifications and training to apply generally accepted accounting principles (GAAP) in recording the entity's financial transactions or preparing its financial statements, including the related notes.

Status:

Unresolved. See item 2019-002.

Compliance

There were no findings that were required to be reported at June 30, 2018.

Management Letter Items

There were no findings that were required to be reported at June 30, 2018.

(continued)

TOWN OF HENDERSON, LOUISIANA

Schedule of Prior and Current Year Audit Findings and
Management's Corrective Action Plan (continued)
For the Year Ended June 30, 2019

II. Current Year Findings and Management's Corrective Action Plan:

Internal Control over Financial Reporting

2019-001 – Inadequate Segregation of Accounting Functions; Year Initially Occurred – Unknown

Condition and Criteria:

The Town did not have adequate segregation of functions within the accounting system.

Effect:

This condition represents a material weakness in the internal control of the Town.

Cause

The condition resulted because of the small number of employees in the accounting department.

Recommendation:

No plan is considered necessary due to the fact that it would not be cost effective to implement a plan.

Management's Corrective Action Plan:

Mayor Sherbin Collette has determined that it is not cost effective to achieve complete segregation of duties within the accounting department. No plan is considered necessary.

2019-002 – Inadequate Controls over Financial Statement Preparation; Year Initially Occurred – Unknown

Condition and Criteria:

The Town does not have a staff person who has the qualifications and training to apply generally accepted accounting principles (GAAP) in recording the entity's financial transactions or preparing its financial statements.

Effect:

This condition represents a material weakness in the internal control of the Town.

Cause:

The condition resulted because Town personnel do not have the qualifications and training to apply GAAP in recording the entity's financial transactions or preparing the financial statements.

(continued)

TOWN OF HENDERSON, LOUISIANA

Schedule of Prior and Current Year Audit Findings and
Management's Corrective Action Plan (continued)
For the Year Ended June 30, 2019

Recommendation:

The Town should consider outsourcing this task to its independent auditors and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their contents and presentation.

Management's Corrective Action Plan:

Mayor Sherbin Collette has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interest of the government to outsource this task to its independent auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their contents and presentation.

Compliance

2019-003 – Noncompliance with Louisiana Local Government Budget Act; Year Initially Occurred – 6/30/2019

Condition and Criteria:

Louisiana Revised Statute (LSA: R.S.) 39:1301-1314, known as the Local Government Budget Act, requires that the budget be amended when actual expenditures and other uses plus projected expenditures and other uses are exceeding the budgeted expenditures and other uses by five percent or more. The Town expenditures and other uses of the General Fund exceeded the budgeted expenditures by approximately 6.4%.

Effect:

This condition represents a violation of the Louisiana Local Government Budget Act.

Cause:

The condition resulted because the Town did not include a new capital lease transaction in their budget.

Recommendation:

The Town should include capital lease transactions in future budgets.

Management's Corrective Action Plan:

The Town Clerk is now aware that capital lease transactions need to be included in the budget; therefore, will remember to include such in future budgets.

Management Letter Items

There are no findings that are required to be reported at June 30, 2019.

TOWN OF HENDERSON, LOUISIANA
Statewide Agreed-Upon Procedures Report

Year Ended June 30, 2019

Champagne & Company, LLC

Certified Public Accountants

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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Management of Town of Henderson and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below, which were agreed to by the management of the Town of Henderson and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2018 through June 30, 2019. The management of the Town of Henderson is responsible for those C/C areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):

Written Policies and Procedures were not tested at June 30, 2019 (Year 3) due to the fact they were not tested in prior year (Year 2). However, since the disaster recovery/business continuity policy is new in Year 3, this policy was tested. See k) below.

- 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 collections for each type of revenue or agency fund additions (e.g. 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.
- 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 (e.g., determining the reasonableness of fuel card purchases).
- 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 Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.
- j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
- k) **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.

Written policies and procedures were obtained and do not address the functions noted above.

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.

No exceptions noted.
 - b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements (or budget-to actual comparisons, if budgeted) for major proprietary funds. *Alternately, for those entities reporting on the non-*

profit 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.

No exceptions noted.

- c) For governmental entities, obtain the prior year audit report and observe the unrestricted fund balance in the general fund. If the general fund had a negative ending unrestricted 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 unrestricted fund balance in the general fund.

No exceptions noted.

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 each selected account, and observe that:

Obtained a listing of client bank accounts from management and management's representation that the listing is complete. Also, management identified the entity's main operating account.

- 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);

No exceptions noted.

- b) 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

No exceptions noted.

- 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.

Obtained bank statements and reconciliations for November 2018, noting three of five bank accounts tested had checks that have been outstanding for more than twelve months from the statement closing date. These bank accounts did not have management documentation reflecting research of the outstanding checks.

Collections (excluding EFTs)

- 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).

Obtained a listing of deposit sites and management's representation that 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:

Obtained a listing of collection locations for each deposit site and management's representation that the listing is complete. Obtained written policies and procedures relating to employee job duties.

- a) Employees that are responsible for cash collections do not share cash drawers/registers.

Employees responsible for collecting cash do share cash drawers.

- b) 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.

The employee responsible for collecting cash is also responsible for preparing/making bank deposits and another employee does not reconcile collection documentation 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.

The employee responsible for collecting cash is also responsible for posting collection entries to the general ledger and another employee does not reconcile 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.

No exceptions noted.

6. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.

No exceptions noted.

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.

No exceptions noted.

- b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.

No exceptions noted.

- c) Trace the deposit slip total to the actual deposit per the bank statement.

No exceptions noted.

- 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).

No exceptions noted.

- e) Trace the actual deposit per the bank statement to the general ledger.

No exceptions noted.

Non-Payroll Disbursements (excluding credit 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).

Obtained a listing of locations that processes payments and 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:

Obtained a listing of employees involved with non-payroll purchasing and payment functions and written policies and procedures relating to employee job duties.

- a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.

No exceptions noted.

- b) At least two employees are involved in processing and approving payments to vendors.

No exceptions noted.

- 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.

The employee responsible for processing payments is not prohibited from adding/modifying 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.

The employee responsible for signing checks gives the signed checks to the employee who is responsible for processing payments.

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:

Obtained the non-payroll disbursement transaction population and management's representation that the listing is complete.

- a) Observe that the disbursement matched the related original invoice/billing statement.

No exceptions noted.

- b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

No exceptions noted.

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) for the fiscal period, 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.

Obtained from management a listing of active credit cards, bank debit cards, fuel cards, and P-cards and name of person who maintain possession of cards and 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 that 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) was reviewed and approved, in writing 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.]

No exceptions noted.

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

No exceptions noted.

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 that 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).

Monthly statements were obtained. There were no exceptions for attributes (1) and (2). Attribute (3) was not applicable.

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:

Obtained from management a listing of all travel and travel-related expense reimbursements and management's representation that the listing is complete.

- a) If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).

No exceptions noted.

- b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.

No exceptions noted.

- c) Observe that 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 (procedures #1h).

No exceptions noted.

- d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

No exceptions noted.

Contracts

Contracts procedures were not tested at June 30, 2019 (Year 3) due to the fact there were no exceptions noted in prior year (Year 2).

15. Obtain from management a listing of all agreements/contracts for processional 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 or general ledger is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:
 - a) Observe that 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 that 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 that the original contract terms provided for such an amendment.
 - 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 that the invoice and related payment agreed to the terms and conditions of the contract.

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.

Listing of employees with their related salaries and management's representation that the listing is complete was obtained.

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). Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.

The five employees selected for testing are not required to turn in daily attendance records. Written documentation of leave hours used was maintained for four of the five employees. The other employee is not eligible for leave time.

- b) Observe that supervisors approved the attendance and leave of the selected employees/officials.

There were no daily attendance records to approve. Proper approval is noted for three of the four employees eligible for leave time.

- c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

Written documentation of hours used was maintained; however, written documentation of hours accrued was not maintained.

- 18. Obtain a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees/officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations, agree the hours to the employee/official's cumulative leave records, and agree the pay rates to the employee/officials' authorized pay rates in the employee/official's personnel files.

Not applicable (no termination payments made).

- 19. Obtain management's representation that employer and employee portion of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

No exceptions noted.

Ethics

Ethics procedures were not tested at June 30, 2019 (Year 3) due to the fact there were no exceptions noted in prior year (Year 2).

- 20. Using the five randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, obtain ethics documentation from management, and:
 - a) Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.
 - b) Observe that the documentation demonstrates each employee/official attested through signature verification that he or she has read the entity's ethics policy during the fiscal period.

Debt Service

Debt Service procedures were not tested at June 30, 2019 (Year 3) due to the fact that there were no exceptions in prior year (Year 2).

- 21. Obtain a listing of bonds/notes issued during the fiscal period and management's representation that the listing is complete. Select all bonds/notes on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each bond/note issued.
- 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.

Other

Other procedures were not tested at June 30, 2019 (Year 3) due to the fact that there were no exceptions in prior year (Year 2).

- 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 district attorney of the parish in which the entity is domiciled.

24. Observe that 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 were not engaged to and did not conduct an examination or review, 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.

The purpose of this report is 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.

Champagne & Company, LLC
Certified Public Accountants

Breaux Bridge, Louisiana
September 19, 2019

TOWN OF HENDERSON, LOUISIANA
Henderson, Louisiana

Management's Response to Statewide Agreed-Upon Procedures
For the Year Ended June 30, 2019

Management's Response to Item:

- 1k Exception relates to no written policies and procedures for disaster recovery/business continuity. Management will update the written policies and procedures to include policies and procedures for disaster recovery/business continuity.
- 3c Exception relates to lack of management documentation for researching of reconciling items that have been outstanding for more than 12 months from the closing statement date. Management will begin researching these items and documenting such.
- 5a, 5b, 5c, 9c, 9d Exceptions relate to segregation of duties within the applicable areas tested. Efforts will be made to segregate duties within these areas as much as possible with the limited number of employees involved.
- 17a – 17c Exceptions relate to attendance and leave records. We have suggested to the town that daily attendance records be maintained for all employees and supervisor approval be required and noted. We also suggest the Town improve its leave time records. Management intends to implement these recommendations.