

TOWN OF HENDERSON, LOUISIANA

Financial Report
Year Ended June 30, 2017

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INDEPENDENT AUDITORS' REPORT

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Retired:
Conrad O. Chapman, CPA* 2006

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, 2017, 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, we consider 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, 2017, 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 44 through 48 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 50 through 56 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, 2016, 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 2016 financial statements for the year ended June 30, 2016, 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 2016 basic financial statements. The information on pages 50 through 53 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 2016 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 auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no 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 15, 2017 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 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 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.

Kolder, Champagne, Slaven & Company, LLC
Certified Public Accountants

Breaux Bridge, Louisiana
September 15, 2017

BASIC FINANCIAL STATEMENTS

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

TOWN OF HENDERSON, LOUISIANA

Statement of Net Position
June 30, 2017

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and interest bearing deposits	\$ 1,946,797	\$ 125,868	\$ 2,072,665
Accounts receivable	38,572	27,470	66,042
Accrued interest receivable	1,262	-	1,262
Sales tax receivable	20,385	-	20,385
Due from other governmental units	2,029	-	2,029
Prepaid items	5,830	-	5,830
Total current assets	<u>2,014,875</u>	<u>153,338</u>	<u>2,168,213</u>
Noncurrent assets:			
Restricted cash	-	60,728	60,728
Capital assets, net	1,803,621	4,638,110	6,441,731
Total noncurrent assets	<u>1,803,621</u>	<u>4,698,838</u>	<u>6,502,459</u>
Total assets	<u>3,818,496</u>	<u>4,852,176</u>	<u>8,670,672</u>
DEFERRED OUTFLOWS OF RESOURCES			
	<u>198</u>	<u>-</u>	<u>198</u>
LIABILITIES			
Current liabilities:			
Accounts, salaries and other payables	125,177	17,297	142,474
Bonds payable	-	48,914	48,914
Capital lease payable	17,477	-	17,477
Compensated absences payable	2,817	-	2,817
Total current liabilities	<u>145,471</u>	<u>66,211</u>	<u>211,682</u>
Noncurrent liabilities:			
Bonds payable	925,000	1,199,891	2,124,891
Total noncurrent liabilities	<u>925,000</u>	<u>1,199,891</u>	<u>2,124,891</u>
Total liabilities	<u>1,070,471</u>	<u>1,266,102</u>	<u>2,336,573</u>
DEFERRED INFLOWS OF RESOURCES			
	<u>65,751</u>	<u>-</u>	<u>65,751</u>
NET POSITION			
Net investment in capital assets	1,803,621	3,438,219	5,241,840
Restricted	-	11,814	11,814
Unrestricted	878,851	136,041	1,014,892
Total net position	<u>\$ 2,682,472</u>	<u>\$ 3,586,074</u>	<u>\$ 6,268,546</u>

The accompanying notes are an integral part of this statement.

TOWN OF HENDERSON, LOUISIANA

Statement of Activities
For the Year Ended June 30, 2017

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	\$ 498,085	\$ 31,482	\$ -	\$ -	\$ (466,603)	\$ -	\$ (466,603)
Sanitation	137,772	156,694	-	-	18,922	-	18,922
Public safety	787,294	989,933	-	-	202,639	-	202,639
Culture & recreation	64,258	18,230	-	-	(46,028)	-	(46,028)
Total governmental activities	<u>1,487,409</u>	<u>1,196,339</u>	<u>-</u>	<u>-</u>	<u>(291,070)</u>	<u>-</u>	<u>(291,070)</u>
Business-type activities:							
Sewer	424,126	188,445	-	49,767	-	(185,914)	(185,914)
Interest on long-term debt	47,969	-	-	-	-	(47,969)	(47,969)
Total business-type activities	<u>472,095</u>	<u>188,445</u>	<u>-</u>	<u>49,767</u>	<u>-</u>	<u>(233,883)</u>	<u>(233,883)</u>
Total	<u>\$1,959,504</u>	<u>\$1,384,784</u>	<u>\$ -</u>	<u>\$ 49,767</u>	<u>(291,070)</u>	<u>(233,883)</u>	<u>(524,953)</u>
General revenues:							
Taxes -							
Property taxes, levied for general purposes					8,381	-	8,381
Sales and use taxes, levied for general purposes					191,459	-	191,459
Beer & tobacco taxes					1,629	-	1,629
Franchise taxes					65,297	-	65,297
State funds -							
State revenue sharing					1,338	-	1,338
Intergovernmental revenue					50,147	-	50,147
Investment income					8,128	-	8,128
Miscellaneous income					5,744	51,668	57,412
Transfers					(1,070,728)	1,070,728	-
Total general revenues					<u>(738,605)</u>	<u>1,122,396</u>	<u>383,791</u>
Change in net position					(1,029,675)	888,513	(141,162)
Net position - July 1, 2016					<u>3,712,147</u>	<u>2,697,561</u>	<u>6,409,708</u>
Net position - June 30, 2017					<u>\$ 2,682,472</u>	<u>\$ 3,586,074</u>	<u>\$ 6,268,546</u>

The accompanying notes are an integral part of this statement.

FUND FINANCIAL STATEMENTS (FFS)

FUND DESCRIPTIONS

MAJOR FUND

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

Park Fund -

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

Debt Service Fund -

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

TOWN OF HENDERSON, LOUISIANA

Balance Sheet
Governmental Funds
June 30, 2017

	General	Sales Tax Special Revenue	Nonmajor Funds	Total Governmental Funds
ASSETS				
Cash and interest bearing deposits	\$ 1,691,781	\$ 249,052	\$ 5,964	\$ 1,946,797
Accounts receivable	25,486	13,086	-	38,572
Accrued interest receivable	1,262	-	-	1,262
Sales tax receivable	-	20,385	-	20,385
Due from other governments	2,029	-	-	2,029
Prepaid items	5,830	-	-	5,830
Total assets	<u>\$ 1,726,388</u>	<u>\$ 282,523</u>	<u>\$ 5,964</u>	<u>\$ 2,014,875</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 43,807	\$ 15,093	\$ 816	\$ 59,716
Payroll liabilities	-	84	8	92
Contract payable	-	21,850	-	21,850
Retainage payable	-	43,519	-	43,519
Total liabilities	<u>43,807</u>	<u>80,546</u>	<u>824</u>	<u>125,177</u>
Fund balances:				
Nonspendable	5,830	-	-	5,830
Restricted	-	201,977	5,140	207,117
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	1,676,751	-	-	1,676,751
Total fund balances	<u>1,682,581</u>	<u>201,977</u>	<u>5,140</u>	<u>1,889,698</u>
Total liabilities and fund balances	<u>\$ 1,726,388</u>	<u>\$ 282,523</u>	<u>\$ 5,964</u>	<u>\$ 2,014,875</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, 2017

Total fund balances for governmental funds at June 30, 2017 \$ 1,889,698

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 \$178,399 accumulated depreciation	188,916	
Equipment and vehicles, net of \$298,032 accumulated depreciation	222,241	
Streets and improvements, net of \$432,046 accumulated depreciation	1,234,577	
Parks and facilities, net of \$175,640 accumulated depreciation	122,874	
Office equipment, net of \$35,602 accumulated depreciation	<u>4,013</u>	<u>1,803,621</u>

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	(925,000)	
Capital lease payable	(17,477)	
Compensated absences payable	(2,817)	
Net pension liability	-	
Deferred outflows of resources	198	
Deferred inflows of resources	<u>(65,751)</u>	<u>(1,010,847)</u>

Total net position of governmental activities at June 30, 2017 \$2,682,472

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, 2017

	General	Sales Tax Special Revenue	Nonmajor Funds	Total
Revenues:				
Taxes	\$ 75,307	\$ 191,459	\$ -	\$ 266,766
Licenses and permits	31,482	-	-	31,482
Intergovernmental	9,397	-	-	9,397
State funds	42,088	-	-	42,088
Fines and forfeitures	989,933	-	-	989,933
Fees	-	156,694	-	156,694
Miscellaneous	27,616	-	-	27,616
Investment income	6,398	1,730	-	8,128
Park revenue	-	-	18,230	18,230
Total revenues	<u>1,182,221</u>	<u>349,883</u>	<u>18,230</u>	<u>1,550,334</u>
Expenditures:				
Current -				
General government	303,130	120,843	-	423,973
Sanitation	-	137,772	-	137,772
Public safety	793,180	-	-	793,180
Park and recreation	-	-	18,145	18,145
Debt service - principal	35,015	-	-	35,015
Debt service - interest	2,038	-	11,521	13,559
Capital outlay	123,421	1,013,782	3,410	1,140,613
Total expenditures	<u>1,256,784</u>	<u>1,272,397</u>	<u>33,076</u>	<u>2,562,257</u>
Deficiency of revenues over expenditures	(74,563)	(922,514)	(14,846)	(1,011,923)
Other financing sources:				
Proceeds from capital lease	52,492	-	-	52,492
Proceeds from bond issuance	-	925,000	-	925,000
Operating transfers in	-	-	11,521	11,521
Operating transfers out	-	(32,021)	-	(32,021)
Total other financing sources	<u>52,492</u>	<u>892,979</u>	<u>11,521</u>	<u>956,992</u>
Net changes in fund balances	(22,071)	(29,535)	(3,325)	(54,931)
Fund balances, beginning	<u>1,704,652</u>	<u>231,512</u>	<u>8,465</u>	<u>1,944,629</u>
Fund balances, ending	<u>\$ 1,682,581</u>	<u>\$ 201,977</u>	<u>\$ 5,140</u>	<u>\$ 1,889,698</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, 2017

Total net changes in fund balances per Statement of Revenues,
Expenditures and Changes in Fund Balances \$ (54,931)

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	\$ 1,140,613	
Depreciation expense	<u>(115,620)</u>	1,024,993

An asset was maintained in a governmental fund during construction; however, it was transferred to a business-type fund upon completion	(1,050,228)
--	--

Because governmental funds do not record fixed assets and accumulated
depreciation, any assets disposed of with no selling price do not affect
the statement of revenues, expenditures, and changes in fund balances.
However, in the statement of activities, a gain or loss is shown on assets
that are not fully depreciated.

Disposed capital lease asset for which insurance proceeds were received	(7,333)
	(21,872)

Governmental funds record long-term debt in the General Long-
Term Debt Account Group as opposed to recording debt activity in the
fund financial statements. However, in the Statement of Activities, the
debt and related expenses are reported.

22,173

Implementation of GASB 68 (revenue less expenses)

Governmental funds record long-term debt principal payments in the
Statement of Revenues, Expenditures and Changes in Fund Balances as
opposed to recording the principal payments in the Statement of Net Position.

Proceeds from bond issuance	(925,000)	
Proceeds from capital lease	(52,492)	
Principal debt payments for the year ended June 30, 2017	<u>35,015</u>	<u>(942,477)</u>

Total changes in net position at June 30, 2017 per Statement of Activities \$ (1,029,675)

The accompanying notes are an integral part of this statement.

TOWN OF HENDERSON, LOUISIANA

Statement of Net Position
 Proprietary Fund
 June 30, 2017

ASSETS	
Current assets:	
Cash	\$ 125,868
Accounts receivable	<u>27,470</u>
Total current assets	<u>153,338</u>
Noncurrent assets:	
Restricted cash	60,728
Capital assets	<u>4,638,110</u>
Total noncurrent assets	<u>4,698,838</u>
Total assets	<u>4,852,176</u>
DEFERRED OUTFLOWS OF RESOURCES	
	<u>-</u>
LIABILITIES	
Current liabilities:	
Accounts payable	14,300
Accrued interest payable	2,997
Bonds payable	<u>48,914</u>
Total current liabilities	<u>66,211</u>
Noncurrent liabilities:	
Bonds payable	<u>1,199,891</u>
Total liabilities	<u>1,266,102</u>
DEFERRED INFLOWS OF RESOURCES	
	<u>-</u>
NET POSITION	
Net investment in capital assets	3,438,219
Restricted	11,814
Unrestricted	<u>136,041</u>
Total net position	<u>\$3,586,074</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, 2017

Operating revenues:	
Charges for services -	
Sewer service charges	\$ 188,445
Total operating revenue	<u>188,445</u>
Operating expenses:	
Administrative fees	1,990
Contract labor	26,400
Supplies, repairs and maintenance	78,744
Professional fees	5,375
Depreciation	267,209
Testing and inspection fees	1,776
Utilities	22,216
Waste disposal fees	750
Salaries	4,500
Payroll expenses	367
Miscellaneous	14,799
Total operating expenses	<u>424,126</u>
Operating loss	<u>(235,681)</u>
Non-operating revenues (expenses):	
Grants:	
LGAP grant	49,767
Interest expense	(47,969)
Miscellaneous income	51,668
Total non-operating expense	<u>53,466</u>
Loss before contributions and transfers	(182,215)
Capital contributions	1,050,228
Transfers in	<u>20,500</u>
Change in net position	888,513
Net position, beginning	<u>2,697,561</u>
Net position, ending	<u>\$ 3,586,074</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, 2017

Cash flows from operating activities:	
Receipts from customers	\$ 197,629
Payments to suppliers	(148,173)
Payments to employees	<u>(4,500)</u>
Net cash provided by operating activities	<u>44,956</u>
Cash flows from noncapital financing activities:	
Other receipts	51,668
Transfers in	<u>20,500</u>
Net cash provided by noncapital financing activities	<u>72,168</u>
Cash flows from capital and related financing activities:	
Proceeds from grants	49,767
Interest paid on bonds & notes payable	(48,222)
Principal paid on bonds & notes payable	(47,195)
Acquisition of capital assets	<u>(8,036)</u>
Net cash used by capital and related financing activities	<u>(53,686)</u>
Cash flows from investing activities	<u>-</u>
Net increase in cash and cash equivalents	63,438
Cash and cash equivalents, beginning of period	<u>123,158</u>
Cash and cash equivalents, end of period	<u>\$ 186,596</u>

(continued)

TOWN OF HENDERSON, LOUISIANA

Statement of Cash Flows
Proprietary Fund (continued)
For the Year Ended June 30, 2017

Reconciliation of operating income to net cash provided by operating activities:	
Cash flows from operating activities	
Operating loss	<u>\$ (235,681)</u>
Adjustments to reconcile operating loss to net cash provided by operating activities-	
Depreciation	267,209
Changes in current assets & liabilities:	
Decrease in accounts receivable	9,184
Increase in accounts payable	<u>4,244</u>
Total adjustments	<u>280,637</u>
Net cash provided by operating activities	<u><u>\$ 44,956</u></u>

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 funds are described below:

Special Revenue Fund –

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)

Debt Service Fund

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

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

TOWN OF HENDERSON, LOUISIANA

Notes to Basic Financial Statements (Continued)

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 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, 2017 are recorded as prepaid items. The only prepaid item that existed at June 30, 2017 was prepaid insurance.

TOWN OF HENDERSON, LOUISIANA

Notes to Basic Financial Statements (Continued)

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.

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

TOWN OF HENDERSON, LOUISIANA

Notes to Basic Financial Statements (Continued)

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.

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.

TOWN OF HENDERSON, LOUISIANA

Notes to Basic Financial Statements (Continued)

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.

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, 2017, 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	-	201,977	-	201,977
Park maintenance	-	-	5,140	5,140
Committed:	-	-	-	-
Assigned:	-	-	-	-
Unassigned:	<u>1,676,751</u>	<u>-</u>	<u>-</u>	<u>1,676,751</u>
	<u>\$ 1,682,581</u>	<u>\$ 201,977</u>	<u>\$ 5,140</u>	<u>\$ 1,889,698</u>

TOWN OF HENDERSON, LOUISIANA

Notes to Basic Financial Statements (Continued)

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.

(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, 2017, the Town has cash and interest-bearing deposits (book balances) totaling \$2,133,393.

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, 2017 are secured as follows:

Bank balances	<u>\$2,143,236</u>
At June 30, 2017 the deposits are secured as follows:	
Federal deposit insurance	\$ 262,129
Pledged securities	<u>1,881,107</u>
Total	<u>\$2,143,236</u>

Deposits in the amount of \$1,881,107 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, 2017 is comprised of the following:

	Business-Type Activities
Sinking Fund	\$ 4,832
Renewal and Replacement Fund	27,948
Reserve Fund	27,948
Total	\$ 60,728

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, 2017:

	Governmental Activities	Business-Type Activities	Total
Franchise tax	\$ 16,212	\$ -	\$ 16,212
Fines and forfeitures	9,274	-	9,274
Garbage collections	13,086	-	13,086
Sewer collections	-	27,470	27,470
Total	\$ 38,572	\$ 27,470	\$ 66,042

(5) Due From Other Governments

Amounts due from other governments at June 30, 2017, consist of the following:

	Governmental Activities
Video poker	\$ 2,029
	\$ 2,029

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

(6) Capital Assets

Capital asset activity for the year ended June 30, 2017 is as follows:

	Balance 07/01/16	Additions	Deletions	Balance 06/30/17
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 31,000	\$ -	\$ -	\$ 31,000
Construction in progress	36,446	-	(36,446)	-
Other capital assets:				
Buildings	367,315	-	-	367,315
Autos & equipment	445,247	70,929	(48,395)	467,781
Autos & equipment - capital leases	-	52,492	-	52,492
Streets & improvements	1,666,623	-	-	1,666,623
Parks & facilities	295,104	3,410	-	298,514
Office equipment	39,615	-	-	39,615
Total capital assets	<u>2,881,350</u>	<u>126,831</u>	<u>(84,841)</u>	<u>2,923,340</u>
Less accumulated depreciation:				
Buildings	169,266	9,133	-	178,399
Autos & equipment	266,225	45,748	(19,190)	292,783
Autos & equipment - capital leases	-	5,249	-	5,249
Streets & improvements	389,007	43,039	-	432,046
Parks & facilities	166,507	9,133	-	175,640
Office equipment	32,284	3,318	-	35,602
Total accumulated depreciation	<u>1,023,289</u>	<u>115,620</u>	<u>(19,190)</u>	<u>1,119,719</u>
Governmental activities, capital assets, net	<u>\$ 1,858,061</u>	<u>\$ 11,211</u>	<u>\$ (65,651)</u>	<u>\$ 1,803,621</u>

TOWN OF HENDERSON, LOUISIANA

Notes to Basic Financial Statements (Continued)

	<u>Balance</u> <u>07/01/16</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>06/30/17</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 21,600	\$ -	\$ -	\$ 21,600
Other capital assets:				
Buildings	5,714,898	-	-	5,714,898
Equipment	302,515	8,035	-	310,550
Water and sewer system	<u>-</u>	<u>1,050,228</u>	<u>-</u>	<u>1,050,228</u>
Total capital assets	<u>6,039,013</u>	<u>1,058,263</u>	<u>-</u>	<u>7,097,276</u>
Less accumulated depreciation:				
Buildings	2,016,605	228,382	-	2,244,987
Equipment	175,353	38,826	-	214,179
Water and sewer system	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total accumulated depreciation	<u>2,191,958</u>	<u>267,208</u>	<u>-</u>	<u>2,459,166</u>
Business-type activities, capital assets, net	<u>\$ 3,847,055</u>	<u>\$ 791,055</u>	<u>\$ -</u>	<u>\$ 4,638,110</u>
Depreciation expense was charged to governmental activities as follows:				
General government				\$ 60,374
Police				46,114
Culture and recreation				<u>9,132</u>
Total depreciation expense				<u>\$115,620</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, 2017:

	Governmental Activities	Business-Type Activities	Total
Accounts	\$ 59,808	\$ 13,918	\$ 73,726
Payroll withholdings	-	382	382
Contract payable	21,850	-	21,850
Retainage payable	43,519	-	43,519
Accrued interest	-	2,997	2,997
	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 125,177</u>	<u>\$ 17,297</u>	<u>\$ 142,474</u>

(8) Ad Valorem Taxes

For the year ended June 30, 2017, taxes of 1.79 mills were levied on property with assessed valuations totaling \$4,817,815.

Total taxes levied for the year ended June 30, 2017 were \$8,381. 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, 2017. The revenue bonds relate to business-type activities, which is paid for by the utility fund. In the past, payments on long-term debt were paid in the same manner.

	Revenue Bonds	Vehicle Capital Lease	Total
Long-term debt, June 30, 2016	\$ 1,296,000	\$ -	\$ 1,296,000
Additions	925,000	52,492	977,492
Deletions	(47,195)	(35,015)	(82,210)
	<u> </u>	<u> </u>	<u> </u>
Long-term debt, June 30, 2017	<u>\$ 2,173,805</u>	<u>\$ 17,477</u>	<u>\$ 2,191,282</u>

TOWN OF HENDERSON, LOUISIANA

Notes to Basic Financial Statements (Continued)

Long-term debt at June 30, 2017 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 \$ 367,000

\$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 925,000

Bonds Payable

\$641,000 bond payable, issued by USDA, due in monthly installments of \$2,930; interest rate of 4.50%; full maturity at August 2045 558,619

\$375,000 bond payable, issued by USDA, due in monthly installments of \$1,625; interest rate of 4.125%; full maturity at August 2045 323,186

Total bonds payable \$ 2,173,805

The annual requirements to amortize the outstanding debt as of June 30, 2017 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 95,914	\$ 75,985
2019	98,666	73,399
2020	102,452	70,614
2021	105,272	67,623
2022	110,129	64,459
2023 - 2027	635,901	268,112
2028 - 2032	503,839	165,284
2033 - 2037	177,584	95,743
2038 - 2042	220,799	52,528
2043 - 2046	<u>123,249</u>	<u>6,232</u>
Total	<u>\$2,173,805</u>	<u>\$939,979</u>

TOWN OF HENDERSON, LOUISIANA

Notes to Basic Financial Statements (Continued)

(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 \$191,459 for the year ended June 30, 2017.

(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, 2017 were \$18,230.

(12) Compensation of Town Officials

A detail of compensation paid to Town officials for the year ended June 30, 2017 follows:

Sherbin Collette, Mayor (also, see Note 17)	<u>\$ 48,000</u>
Leroy Guidry, Chief of Police	<u>\$ 41,400</u>
Town Council-	
Samantha Leblanc	\$ 1,400
Bill Legrand	1,400
Jody Meche	1,400
Judy Broussard	1,400
Michael Theriot	<u>1,400</u>
	<u>\$ 7,000</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, 2017, nor have settlements exceeded insurance coverage for the past three years.

TOWN OF HENDERSON, LOUISIANA

Notes to Basic Financial Statements (Continued)

(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 \$40,750 as a revenue and an expenditure for on-behalf salary payments made by the state of Louisiana.

(16) Litigation

At June 30, 2017, the Town was involved in one lawsuit. The lawsuit deals with the Town's annexation of a stretch of Interstate 10 roadway. Management is of the opinion that the outcome is uncertain, and therefore, no liability has been recorded.

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

Under Act 706, the Town of Henderson 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, 2017.

Entity head: Sherbin Collette, Mayor

Salary	\$ 48,000
Benefits - retirement	1,260
Reimbursements - supplemental insurance	4,546
Reimbursements - telephone, etc.	<u>1,436</u>
 Total	 <u><u>\$ 55,242</u></u>

(18) Pension Plan/GASB 68

A. 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.

TOWN OF HENDERSON, LOUISIANA

Notes to Basic Financial Statements (Continued)

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 expense/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 proportionate share of net pension liability, deferred inflows, deferred outflows, pension expense and amortization periods of deferred inflows and deferred outflows.

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

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

TOWN OF HENDERSON, LOUISIANA

Notes to Basic Financial Statements (Continued)

Membership Prior to January 1, 2013

A member is eligible for regular retirement after he has been a member of the System and has 25 years of creditable service at any age or has 20 years of creditable service and is age 50 or has 12 years creditable service and is age 55. A member is eligible for early retirement after he has been a member of the System for 20 years of creditable service at any age with an actuarially reduced benefit.

Benefit rates are three and one-third percent of average final compensation (average monthly earnings during the highest 36 consecutive months or joined months if service was interrupted) per number of years of creditable service not to exceed 100% of final salary.

Upon the death of an active contributing member, or disability retiree, the plan provides for surviving spouses and minor children. Under certain conditions outlined in the statutes, the benefits range from forty to sixty percent of the member's average final compensation for the surviving spouse. In addition, each child under age eighteen receives benefits equal to ten percent of the member's average final compensation or \$200.00 per month, whichever is greater.

Membership Commencing January 1, 2013

Member eligibility for regular retirement, early retirement, disability and survivor benefits are based on Hazardous Duty and Non Hazardous Duty sub plans. Under the Hazardous Duty sub plan, a member is eligible for regular retirement after he has been a member of the System and has 25 years of creditable service at any age or has 12 years of creditable service at age 55. Under the Non Hazardous Duty sub plan, a member is eligible for regular retirement after he has been a member of the System and has 30 years of creditable service at any age, 25 years of creditable service at age 55, or 10 years of creditable service at age 60. Under both sub plans, a member is eligible for early retirement after he has been a member of the System for 20 years of creditable service at any age, with an actuarially reduced benefit from age 55.

Under the Hazardous and Non Hazardous Duty sub plans, the benefit rates are three percent and two and a half percent, respectively, of average final compensation (average monthly earnings during the highest 60 consecutive months or joined months if service was interrupted) per number of years of creditable service not to exceed 100% of final salary.

Upon death of an active contributing member, or disability retiree, the plan provides for surviving spouses and minor children. Under certain conditions outlined in the statutes, the benefits range from twenty-five to fifty-five percent of the member's average final compensation for the surviving spouse. In addition, each child under age eighteen receives ten percent of average final compensation or \$200 per month whichever is greater. If deceased member had less than ten years of service, beneficiary will receive a refund of employee contributions only.

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

TOWN OF HENDERSON, LOUISIANA

Notes to Basic Financial Statements (Continued)

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 for at least one full fiscal year and the payment of such COLA, when authorized, shall not be effective until the lapse of at least one-half of the fiscal year.

Members who elect early retirement are not eligible for a cost of living adjustment until they reach regular retirement age.

Deferred Retirement Option Plan

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

If the member elects a money market investment return, the funds are transferred to a government money market account.

Initial Benefit Option Plan

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

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, 2016, total contributions due for employers and employees were 39.5%. The employer and employee contribution rates for all members hired prior to January 1, 2013

TOWN OF HENDERSON, LOUISIANA

Notes to Basic Financial Statements (Continued)

and Hazardous Duty members hired after January 1, 2013 were 29.5% and 10%, respectively. The employer and employee contribution rates for all Non-Hazardous Duty members hired after January 1, 2013 were 31.5% and 8%, respectively. The employer and employee contribution rates for all members whose earnable compensation is less than or equal to the poverty guidelines issued by the United States Department of Health and Human Services were 32% and 7.5%, respectively. The employer did not contribute into the System during the fiscal year ending June 30, 2017, as membership terminated on July 1, 2015.

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, 2016, and excluded from pension expense. The Town did not have any nonemployer contribution 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 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, 2016 as compared to the total of all employers' contributions to the System for during the year ended June 30, 2016.

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

At June 30, 2017, the Town did not have a proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016 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, 2016, the Town's proportion was 0%, which was a decrease of .0011178% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the Town recognized pension benefit of \$22,010 less employer's amortization of change in proportionate share and differences between employer contributions and proportionate share of contributions, \$161.

TOWN OF HENDERSON, LOUISIANA

Notes to Basic Financial Statements (Continued)

At June 30, 2017, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<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	198	65,751
Employer contributions subsequent to the measurement date	<u>-</u>	<u>-</u>
Total	<u>\$ 198</u>	<u>\$ 65,751</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>	
6/30/2018	\$ (22,173)
6/30/2019	(22,580)
6/30/2020	(20,800)
6/30/2021	-

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, 2016 valuation were based on the assumptions used in the June 30, 2016 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, 2016 are as follows:

Valuation Date	June 30, 2016	
Actuarial Cost Method	Entry Age Normal Cost	
Investment Rate of Return	7.5%, net of investment expense	
Expected Remaining Service lives	2016 - 4 years 2015 - 4 years 2014 - 4 years	
Inflation Rate	2.875%	
Salary increases, including inflation and merit	<u>Years of Service</u>	<u>Salary Growth Rate</u>
	1-2	9.75%
	3-23	4.75%
	Over 23	4.25%
Mortality	<p>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.</p> <p>RP-2000 Disabled Lives Table set back 5 years for males and set back 3 years for females for disabled annuitants</p> <p>RP-2000 Employee Table set back 4 years for males and 3 years for females for active members</p>	
Cost-of-Living Adjustments	<p>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.</p>	

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 then 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 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, 2016 are summarized in the following table:

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

	June 30, 2016	
Asset Class	Target Allocation	Long Term Expected Portfolio Real Rate of Return
Equity	53.00%	3.69%
Fixed Income	21.00%	0.49%
Alternative	20.00%	1.11%
Other	6.00%	0.21%
Totals	100.00%	5.50%
Inflation		<u>2.75%</u>
Expected Nominal Return		<u>8.25%</u>

The discount rate used to measure the total pension liability was 7.5%. 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 7.5%, 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 6.5% or one percentage point higher 8.5% than the current rate.

	Changes in Discount Rate		
	1% Decrease 6.5%	Current Discount Rate 7.5%	1% Increase 8.5%
Employer's proportionate share of the net pension liability	\$ -	\$ -	\$ -

Change in Net Pension Liability:

The changes in the net pension liability for the year ended June 30, 2016 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

TOWN OF HENDERSON, LOUISIANA

Notes to Basic Financial Statements (Continued)

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, 2016.

- 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, 2016.
- c. Changes of assumptions or other inputs: Changes of assumptions about future economic or demographic factors or of other inputs were recognized in pension expense using the straight-line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the pension plan. The Town had no changes of assumptions or other inputs for the year ended June 30, 2016.
- 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 a the straight-line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided pensions through the pension plan. The change in proportion resulted in a deferred outflow of resources in the amount of \$198 and in a deferred inflow of resources in the amount of \$65,751 for the year ended June 30, 2016.

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, 2016. 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.

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.

TOWN OF HENDERSON, LOUISIANA

Notes to Basic Financial Statements (Continued)

- B. 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, 2016, which amounted to \$5,722. 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, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes:				
Ad valorem	\$ 6,000	\$ 6,000	\$ 8,381	\$ 2,381
Beer & tobacco taxes	3,000	3,000	1,629	(1,371)
Franchise taxes	<u>42,000</u>	<u>42,000</u>	<u>65,297</u>	<u>23,297</u>
Total taxes	<u>51,000</u>	<u>51,000</u>	<u>75,307</u>	<u>24,307</u>
Licenses and permits	<u>10,000</u>	<u>10,000</u>	<u>31,482</u>	<u>21,482</u>
Intergovernmental revenues:				
Video poker	<u>2,500</u>	<u>2,500</u>	<u>9,397</u>	<u>6,897</u>
Total intergovernmental revenues	<u>2,500</u>	<u>2,500</u>	<u>9,397</u>	<u>6,897</u>
State funds:				
State revenue sharing	3,400	3,400	1,338	(2,062)
Supplemental pay	<u>25,500</u>	<u>25,500</u>	<u>40,750</u>	<u>15,250</u>
Total state funds	<u>28,900</u>	<u>28,900</u>	<u>42,088</u>	<u>13,188</u>
Fines and forfeitures	<u>850,000</u>	<u>895,000</u>	<u>989,933</u>	<u>94,933</u>
Interest income	<u>-</u>	<u>-</u>	<u>6,398</u>	<u>6,398</u>
Donation revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Miscellaneous income	<u>6,400</u>	<u>6,400</u>	<u>27,616</u>	<u>21,216</u>
Total revenues	<u>948,800</u>	<u>993,800</u>	<u>1,182,221</u>	<u>188,421</u>
Expenditures:				
General government:				
Legislative	6,000	6,750	7,000	(250)
Judicial	105,000	105,000	76,968	28,032
Executive	92,100	92,100	86,169	5,931
Finance & administrative	<u>172,500</u>	<u>172,500</u>	<u>132,993</u>	<u>39,507</u>
Total general government	<u>375,600</u>	<u>376,350</u>	<u>303,130</u>	<u>73,220</u>
Public safety	747,110	789,410	793,180	(3,770)
Debt service:				
Principal	16,173	16,173	35,015	(18,842)
Interest	1,989	1,989	2,038	(49)
Capital outlay	<u>160,800</u>	<u>160,800</u>	<u>123,421</u>	<u>37,379</u>
Total expenditures	<u>1,301,672</u>	<u>1,344,722</u>	<u>1,256,784</u>	<u>87,938</u>
Deficiency of revenues over expenditures	(352,872)	(350,922)	(74,563)	276,359
Other financing sources:				
Proceeds from capital lease	<u>-</u>	<u>-</u>	<u>52,492</u>	<u>52,492</u>
Total other financing sources	<u>-</u>	<u>-</u>	<u>52,492</u>	<u>52,492</u>
Net change in fund balances	(352,872)	(350,922)	(22,071)	328,851
Fund balance, beginning	<u>1,704,652</u>	<u>1,704,652</u>	<u>1,704,652</u>	<u>-</u>
Fund balance, ending	<u>\$ 1,351,780</u>	<u>\$ 1,353,730</u>	<u>\$ 1,682,581</u>	<u>\$ 328,851</u>

TOWN OF HENDERSON, LOUISIANA
Sales Tax Special Revenue Fund

Budgetary Comparison Schedule
For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Sales and use tax	\$ 70,000	\$ 70,000	\$ 191,459	\$ 121,459
Federal grants	30,000	30,000	-	(30,000)
Garbage collection fees	102,000	102,000	156,694	54,694
Miscellaneous income	500	500	-	(500)
Investment income	1,000	1,000	1,730	730
Total revenues	203,500	203,500	349,883	146,383
Expenditures:				
General government -				
Finance & administrative	86,600	86,600	120,843	(34,243)
Sanitation	108,400	108,400	137,772	(29,372)
Debt service - interest	-	-	-	-
Capital outlay	92,000	895,142	1,013,782	(118,640)
Total expenditures	287,000	1,090,142	1,272,397	(182,255)
Excess/(deficiency) of revenues over expenditures	(83,500)	(886,642)	(922,514)	(35,872)
Other financing uses:				
Proceeds from long term debt	-	914,907	925,000	10,093
Operating transfers out	-	(20,000)	(32,021)	(12,021)
Total other financing uses	-	894,907	892,979	(12,021)
Net changes in fund balances	(83,500)	8,265	(29,535)	(47,893)
Fund balance, beginning	231,512	231,512	231,512	-
Fund balance, ending	\$ 148,012	\$ 239,777	\$ 201,977	\$ (47,893)

TOWN OF HENDERSON, LOUISIANA

Schedule of Employer's Share of Net Pension Liability
For the Year Ended June 30, 2017

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%

* 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, 2017

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%

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, 2017

(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, 2017 and 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Current assets:		
Cash	\$ 125,868	\$ 68,070
Accounts receivable	<u>27,470</u>	<u>36,654</u>
Total current assets	<u>153,338</u>	<u>104,724</u>
Noncurrent assets:		
Restricted cash	60,728	55,088
Capital assets	<u>4,638,110</u>	<u>3,847,055</u>
Total noncurrent assets	<u>4,698,838</u>	<u>3,902,143</u>
Total assets	<u>4,852,176</u>	<u>4,006,867</u>
DEFERRED OUTFLOWS OF RESOURCES		
	<u>-</u>	<u>-</u>
LIABILITIES		
Current liabilities:		
Accounts payable	14,300	10,056
Accrued interest payable	2,997	3,250
Bonds payable	<u>48,914</u>	<u>47,194</u>
Total current liabilities	<u>66,211</u>	<u>60,500</u>
Noncurrent liabilities:		
Bonds payable	<u>1,199,891</u>	<u>1,248,806</u>
Total liabilities	<u>1,266,102</u>	<u>1,309,306</u>
DEFERRED INFLOWS OF RESOURCES		
	<u>-</u>	<u>-</u>
NET POSITION		
Net investment in capital assets	3,438,219	2,598,249
Restricted	11,814	7,894
Unrestricted	<u>136,041</u>	<u>91,418</u>
Total net position	<u>\$ 3,586,074</u>	<u>\$2,697,561</u>

TOWN OF HENDERSON, LOUISIANA

Statements of Revenues, Expenses, and Changes in Fund Net Position -
Proprietary Fund
For the Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Operating revenues:		
Charges for services -		
Sewer service charges	\$ 188,445	\$ 190,086
Total operating revenue	<u>188,445</u>	<u>190,086</u>
Operating expenses:		
Administrative fees	1,990	2,140
Contract labor	26,400	26,400
Supplies, repairs and maintenance	78,744	46,019
Professional fees	5,375	2,995
Depreciation	267,209	267,994
Testing and inspection fees	1,776	3,360
Utilities	22,216	20,057
Waste disposal fees	750	1,500
Salaries	4,500	4,000
Payroll expenses	367	335
Miscellaneous	14,799	3,189
Total operating expenses	<u>424,126</u>	<u>377,989</u>
Operating loss	<u>(235,681)</u>	<u>(187,903)</u>
Non-operating revenue (expenses):		
Grants:		
LGAP grant	49,767	12,000
Interest expense	(47,969)	(49,401)
Miscellaneous income	51,668	7,540
Total non-operating expenses	<u>53,466</u>	<u>(29,861)</u>
Loss before contributions and transfers	(182,215)	(217,764)
Capital contributions	1,050,228	-
Transfers in	<u>20,500</u>	<u>-</u>
Change in net position	888,513	(217,764)
Net position, beginning	<u>2,697,561</u>	<u>2,915,325</u>
Net position, ending	<u>\$ 3,586,074</u>	<u>\$ 2,697,561</u>

TOWN OF HENDERSON, LOUISIANA

Statements of Cash Flows
 Proprietary Fund
 For the Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Receipts from customers	\$ 197,629	\$ 190,454
Payments to suppliers	(148,173)	(103,039)
Payments to employees	<u>(4,500)</u>	<u>(4,000)</u>
Net cash provided by operating activities	<u>44,956</u>	<u>83,415</u>
Cash flows from noncapital financing activities:		
Other receipts	51,668	7,540
Transfers in	<u>20,500</u>	<u>-</u>
Net cash provided by noncapital financing activities	<u>72,168</u>	<u>7,540</u>
Cash flows from capital and related financing activities:		
Proceeds from grants	49,767	12,000
Interest paid on bonds & notes payable	(48,222)	(49,646)
Principal paid on bonds & notes payable	(47,195)	(45,505)
Acquisition of capital assets	<u>(8,036)</u>	<u>(11,284)</u>
Net cash used by capital and related financing activities	<u>(53,686)</u>	<u>(94,435)</u>
Cash flows from investing activities	<u>-</u>	<u>-</u>
Net increase/(decrease) in cash and cash equivalents	63,438	(3,480)
Cash and cash equivalents, beginning of period	<u>123,158</u>	<u>126,638</u>
Cash and cash equivalents, end of period	<u>\$ 186,596</u>	<u>\$ 123,158</u>

(continued)

TOWN OF HENDERSON, LOUISIANA

Statements of Cash Flows
 Proprietary Fund (continued)
 For the Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Reconciliation of operating income to net cash provided by operating activities:		
Cash flows from operating activities		
Operating loss	\$ (235,681)	\$ (187,903)
Adjustments to reconcile operating loss to net cash provided by operating activities-		
Depreciation	267,209	267,994
Changes in current assets & liabilities:		
(Increase)/decrease in accounts receivable	9,184	368
Increase/(decrease) in accounts payable	<u>4,244</u>	<u>2,956</u>
Total adjustments	<u>280,637</u>	<u>271,318</u>
Net cash provided by operating activities	<u>\$ 44,956</u>	<u>\$ 83,415</u>

TOWN OF HENDERSON, LOUISIANA

Schedule of Insurance in Force

June 30, 2017

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

TOWN OF HENDERSON, LOUISIANA
Proprietary Fund

Schedule of Number of Sewer Customers and Rates
June 30, 2017

Records maintained by the Town indicated the following number of customers were being serviced during the month of June 30, 2017:

<u>Customer Type</u>	<u>Number</u>
Residential	539
Commercial	32

Residential customers are charged \$22 for the first 2,000 gallons of water 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 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, 2017

Current	\$27,266
1 -30 days	102
31-60 days	-
61-90 days	102
> 90 days	-
	<hr/>
Total	<u>\$27,470</u>

**INTERNAL CONTROL
COMPLIANCE
AND
OTHER MATTERS**

KOLDER, CHAMPAGNE, SLAVEN & 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, 2017, 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 15, 2017.

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 were not identified. However, as described in the accompanying schedule of prior and current year audit findings and management's corrective action plan, we identified items 2017-001 and 2017-002 that we consider to be material weaknesses in internal control.

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 2017-003.

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.

Kolder, Champagne, Slaven & Company, LLC
Certified Public Accountants

Breaux Bridge, Louisiana
September 15, 2017

TOWN OF HENDERSON, LOUISIANA

Schedule of Prior and Current Year Audit Findings and
Management's Corrective Action Plan
For the Year Ended June 30, 2017

I. Prior Year Findings:

Internal Control over Financial Reporting

2016-001 – 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 2017-001.

2016-002 – 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 2017-002.

Compliance

There were no findings that were required to be reported at June 30, 2016.

Management Letter Items

There were no findings that were required to be reported at June 30, 2016.

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

Internal Control over Financial Reporting

2017-001 – 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.

(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, 2017

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.

2017-002 – 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.

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.

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, 2017

Compliance

2017-003 – Noncompliance with Louisiana Local Government Budget Act; Year Initially Occurred—
6/30/17

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 Special Revenue Fund exceeded the budgeted expenditures by approximately 18%.

Effect:

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

Cause:

The condition resulted because the Town thought the sewer extension project was complete as of March 2017 but in fact there was an additional payment made in May 2017.

Recommendation

The Town should more carefully evaluate that status of capital improvement projects when projecting remaining costs for amended budget purposes.

Management's Corrective Action Plan:

The Town clerk will become more heavily involved in the budget process, in order to determine the status of projects and future payments to be made.

Management Letter Items

There are no findings that are required to be reported at June 30, 2017.

TOWN OF HENDERSON, LOUISIANA
Statewide Agreed-upon Procedures Report
Year Ended June 30, 2017

KOLDER, CHAMPAGNE, SLAVEN & COMPANY, LLC

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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

* A Professional Accounting Corporation

Retired:

Conrad O. Chapman, CPA* 2006

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

We have performed the procedures enumerated below, which were agreed to by the management of the Town of Henderson and the Legislative Auditor, State of Louisiana, solely to assist the users in evaluating management's assertions about the Town of Henderson's compliance with certain laws, regulations and best practices during the year ended June 30, 2017. Management of the Town of Henderson is responsible for its financial records and compliance with applicable laws and regulations. This agreed-upon procedures engagement was performed 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.

Written Policies and Procedures

1. Obtain the entity's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the entity does not have any written policies and procedures), as applicable:

- a) **Budgeting**, including preparing, adopting, monitoring, and amending the budget

Written policies and procedures were obtained and address the functions noted above.

- 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.

Written policies and procedures were obtained and address the functions noted above.

- c) **Disbursements**, including processing, reviewing, and approving

Written policies and procedures were obtained and address the functions noted above.

- d) **Receipts**, including receiving, recording, and preparing deposits

Written policies and procedures were obtained and address the functions noted above.

- e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.

Written policies and procedures were obtained and address the functions noted above.

- 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

Written policies and procedures were obtained and address the functions noted above.

- 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, and (5) monitoring card usage

Written policies and procedures were obtained and address the functions noted above.

- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers

Written policies and procedures were obtained and address the functions noted above.

- 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. Note: Ethics requirements are not applicable to nonprofits.

Written policies and procedures were obtained and address the functions noted above.

- j) **Debt Service**, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

Written policies and procedures were obtained and address the functions noted above.

Board (or Finance Committee, if applicable)

- 2. Obtain and review the board/committee minutes for the fiscal period, and:

- a) Report whether the managing board met (with a quorum) at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document.

Obtained and reviewed minutes of the managing board for the fiscal period noting that the board met monthly.

- b) Report whether the minutes referenced or included monthly budget-to-actual comparisons on the General Fund and any additional funds identified as major funds in the entity's prior audit (GAAP-basis).

Obtained and reviewed minutes of the managing board for the fiscal period noting that the minutes did not include monthly budget-to-actual comparisons for the major funds.

- If the budget-to-actual comparisons show that management was deficit spending during the fiscal period, report whether there is a formal/written plan to eliminate the deficit spending for those entities with a fund balance deficit. If there is a formal/written plan, report whether the meeting minutes for at least one board meeting during the fiscal period reflect that the board is monitoring the plan.

Obtained and reviewed minutes of the managing board for the fiscal period noting that the minutes did not include monthly budget-to-actual comparisons for the major funds.

- c) Report whether the minutes referenced or included non-budgetary financial information (e.g. approval of contracts and disbursements) for at least one meeting during the fiscal period.)

Obtained and reviewed the minutes of the managing board for the fiscal period noting that there were approvals of contracts/disbursements for at least one meeting during the year.

Bank Reconciliations

3. Obtain a listing of client bank accounts from management and management's representation that the listing is complete.

Obtained listing of client bank accounts from management and management's representation that listing is complete.

4. Using the listing provided by management, select all of the entity's bank accounts (if five accounts or less) or one-third of the bank accounts on a three year rotating basis (if more than 5 accounts). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity fund accounts may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal period and report whether:

- a) Bank reconciliations have been prepared;

Obtained bank statements and reconciliations for all months in the fiscal period for all selected accounts noting that reconciliations have been prepared for all months.

- b) Bank reconciliations include evidence that a member of management or a board member (with no involvement in the transactions associated with the bank account) has reviewed each bank reconciliation; and

The bank reconciliations for all accounts examined did not have evidence of management review.

- c) If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 6 months as of the end of the fiscal period.

Obtained bank statements and reconciliations for all months in the fiscal period noting that one of three bank accounts tested had checks that have been outstanding for more than six months throughout the year. This bank account did not have management documentation reflecting research of the outstanding checks.

Collections

5. Obtain a listing of cash/check/money order (cash) collection locations and management's representation that the listing is complete.

Obtained listing of cash collection locations and management's representation that listing is complete.

6. Using the listing provided by management, select all of the entity's cash collection locations (if five locations or less) or one-third of the collection locations on a three year rotating basis (if more than 5 locations). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity funds may be excluded*

from selection if they are otherwise addressed in a separate audit or AUP engagement. **For each cash collection location selected:**

- a) Obtain existing written documentation (e.g. insurance policy, policy manual, job description) and report whether each person responsible for collecting cash is (1) bonded, (2) not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account (report if there are compensating controls performed by an outside party), and (3) not required to share the same cash register or drawer with another employee.

In all four of the locations, the person responsible for collecting cash is bonded; however, in all four locations, the person responsible for collecting cash is also responsible for depositing cash in the bank, recording the deposit, reconciling the bank statement and shares a drawer with another person.

- b) Obtain existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and report whether the entity has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, by a person who is not responsible for cash collections in the cash collection location selected.

Written documentation was obtained and addresses the functions noted above; however, this process is not performed by a person independent of the cash collection process.

- c) Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:

- Using entity collection documentation, deposit slips, and bank statements, trace daily collections to the deposit date on the corresponding bank statement and report whether the deposits were made within one day of collection. If deposits were not made within one day of collection, report the number of days from receipt to deposit for each day at each collection location.

There were a total of 92 deposits tested, of which 32 were not deposited within one day of collection. However, 23 of the 32 involved credit card transactions. The Town has no control over when these payments are posted to their account. The other 9 transactions were cash/checks/ money orders. The deposits for 7 of these were done timely in accordance with the Town's policy (deposits are made on Monday, Wednesday and Friday) and 2 deposits were not done timely.

- Using sequentially numbered receipts, system reports, or other related collection documentation, verify that daily cash collections are completely supported by documentation and report any exceptions.

Daily cash collections are completely supported by collection documentation.

7. Obtain existing written documentation (e.g. policy manual, written procedure) and report whether the entity has a process specifically defined (identified as such by the entity) to determine completeness of all collections, including electronic transfers, for each revenue source and 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) by a person who is not responsible for collections.

Written policies and procedures were obtained and address the functions noted above.

Disbursements – General (excluding credit card/debit card/fuel card/P-Card purchases or payments)

8. Obtain a listing of entity disbursements from management or, alternately, obtain the general ledger and sort/filter for entity disbursements. Obtain management's representation that the listing or general ledger population is complete.

Listing of disbursements and management's representation that the listing is complete was obtained.

9. Using the disbursement population from #8 above, randomly select 25 disbursements (or randomly select disbursements constituting at least one-third of the dollar disbursement population if the entity had less than 25 transactions during the fiscal period), excluding credit card/debit card/fuel card/P-card purchases or payments. Obtain supporting documentation (e.g. purchase requisitions, system screens/logs) for each transaction and report whether the supporting documentation for each transaction demonstrated that:

- a) Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.

Purchase orders are not required for purchases initiated by the mayor or by the chief of police. Of the 25 disbursements selected, 24 were initiated by the mayor or chief and therefore were not required to have and did not have a purchase order.

- b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.

Examined supporting documentation for the one transaction in which a purchase order was used and did not find any documentation of approval.

- c) Payments for purchases were not processed without (1) an approved requisition and/or purchase order, or electronic equivalent; a receiving report showing receipt of goods purchased, or electronic equivalent; and an approved invoice.

Examined supporting documentation for each of the 25 disbursements and found all payments were processed with an approved invoice; however, approved purchase orders and receiving reports were not present in the supporting documentation for any of the disbursements.

10. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the person responsible for processing payments is prohibited from adding vendors to the entity's purchasing/disbursement system.

Written policies and procedures were obtained and address the functions noted above; however, the person responsible for processing payments can also add vendors.

11. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases.

Written policies and procedures were obtained and address the functions noted above; however, the person with signatory authority also can initiate and record purchases.

12. Inquire of management and observe whether the supply of unused checks is maintained in a locked location, with access restricted to those persons that do not have signatory authority, and report any exceptions. Alternately, if the checks are electronically printed on blank check stock, review entity

documentation (electronic system control documentation) and report whether the persons with signatory authority have system access to print checks.

Inquiry and observation noted no exceptions.

13. If a signature stamp or signature machine is used, inquire of the signer whether his or her signature is maintained under his or her control or is used only with the knowledge and consent of the signer. Inquire of the signer whether signed checks are likewise maintained under the control of the signer or authorized user until mailed. Report any exceptions.

A signature stamp or signature machine is not used; therefore, this step is not applicable.

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

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

Listing of all active credit cards and fuel cards, including the card numbers and name of person who maintain possession of cards, and management's representation that the listing is complete was obtained.

15. Using the listing prepared by management, randomly select 10 cards (or at least one-third of the cards if the entity has less than 10 cards) that were used during the fiscal period, rotating cards each year. If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner.

Listing was obtained and randomly selected 10 cards.

Obtain the monthly statements, or combined statements if multiple cards are on one statement, for the selected cards. Select the monthly statement or combined statement with the largest dollar activity for each card (for a debit card, select the monthly bank statement with the largest dollar amount of debit card purchases) and:

- a) Report whether there is evidence that the monthly statement or combined statement and supporting documentation 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.]

Monthly statements were obtained; however, supporting documentation was not approved, in writing, by someone other than the authorized card holder.

- b) Report whether finance charges and/or late fees were assessed on the selected statements.

No finance charges or fees were noted.

16. Using the monthly statements or combined statements selected under #15 above, obtain supporting documentation for all transactions for each of the 10 cards selected (i.e. each of the 10 cards should have one month of transactions subject to testing).

- a) For each transaction, report whether the transaction is supported by:

- An original itemized receipt (i.e., identifies precisely what was purchased)

Two exceptions noted.

- Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.

No exceptions noted.

- Other documentation that may be required by written policy (e.g., purchase order, written authorization.)

No exceptions noted.

- b) For each transaction, compare the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the entity's written purchasing/disbursement policies and the Louisiana Public Bid Law (i.e. transaction is a large or recurring purchase requiring the solicitation of bids or quotes) and report any exceptions.

No exceptions noted.

- c) For each transaction, compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. cash advances or non-business purchases, regardless whether they are reimbursed). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

No exceptions noted.

Travel and Expense Reimbursement

- 17. Obtain from management a listing of all travel and related expense reimbursements, by person, during the fiscal period or, alternately, obtain the general ledger and sort/filter for travel reimbursements. Obtain management's representation that the listing or general ledger is complete.

Listing of travel and expense reimbursements by person and management's representation that the listing is complete was obtained.

- 18. Obtain the entity's written policies related to travel and expense reimbursements. Compare the amounts in the policies to the per diem and mileage rates established by the U.S. General Services Administration (www.gsa.gov) and report any amounts that exceed GSA rates.

Policies were obtained. No amounts listed exceed GSA rates.

- 19. Using the listing or general ledger from #17 above, select the three persons who incurred the most travel costs during the fiscal period. Obtain the expense reimbursement reports or prepaid expense documentation of each selected person, including the supporting documentation, and choose the largest travel expense for each person to review in detail. For each of the three travel expenses selected:

- a) Compare expense documentation to written policies and report whether each expense was reimbursed or prepaid in accordance with written policy (e.g., rates established for meals, mileage, lodging). If the entity does not have written policies, compare to the GSA rates (#18 above) and report each reimbursement that exceeded those rates.

Expenses were paid in accordance with written policy.

b) Report whether each expense is supported by:

- An original itemized receipt that identifies precisely what was purchased. [Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) does not require a receipt.]

One exception noted.

- Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).

Two exceptions noted.

- Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance)

No exceptions noted.

c) Compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. hotel stays that extend beyond conference periods or payment for the travel expenses of a spouse). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

No exceptions noted.

d) Report whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Three exceptions noted.

Contracts

20. Obtain a listing of all contracts in effect during the fiscal period or, alternately, obtain the general ledger and sort/filter for contract payments. Obtain management's representation that the listing or general ledger is complete.

Listing of all contracts in effect and management's representation that the listing is complete was obtained.

21. Using the listing above, select the five contract "vendors" that were paid the most money during the fiscal period (excluding purchases on state contract and excluding payments to the practitioner). Obtain the related contracts and paid invoices and:

a) Report whether there is a formal/written contract that supports the services arrangement and the amount paid.

One contract did not contain the fee amount.

b) Compare each contract's detail to the Louisiana Public Bid Law or Procurement Code. Report whether each contract is subject to the Louisiana Public Bid Law or Procurement Code and:

- If yes, obtain/compare supporting contract documentation to legal requirements and report whether the entity complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder)

Contracts were not subject to the Louisiana Public Bid Law or Procurement Code.

- If no, obtain supporting contract documentation and report whether the entity solicited quotes as a best practice.

As a best practice, quotes were solicited for one of the five contracts selected.

- c) Report whether the contract was amended. If so, report the scope and dollar amount of the amendment and whether the original contract terms contemplated or provided for such an amendment.

One of the five contracts selected for testing was amended to increase the fee amount by 4%, or \$451.72. The original term of the contract provided for the amendment.

- d) Select the largest payment from each of the five contracts, obtain the supporting invoice, compare the invoice to the contract terms, and report whether the invoice and related payment complied with the terms and conditions of the contract.

No noncompliance noted; however, one payment could not be compared to the contract terms because the contract terms did not include a fee amount.

- e) Obtain/review contract documentation and board minutes and report whether there is documentation of board approval, if required by policy or law (e.g. Lawrason Act or Home Rule Charter).

Only 1 of the 5 contracts required board approval. Proper approval was obtained for this one contract.

Payroll and Personnel

- 22. Obtain a listing of employees (and elected officials, if applicable) with their related salaries, and obtain management's representation that the listing is complete. Randomly select five employees/officials, obtain their personnel files, and:

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

- a) Review compensation paid to each employee during the fiscal period and report whether payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure.

No exceptions noted.

- b) Review changes made to hourly pay rates/salaries during the fiscal period and report whether those changes were approved in writing and in accordance with written policy.

No exceptions noted.

- 23. Obtain attendance and leave records and randomly select one pay period in which leave has been taken by at least one employee. Within that pay period, randomly select 25 employees/officials (or randomly select one-third of employees/officials if the entity had less than 25 employees during the fiscal period), and:

- a) Report whether 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.)

No exceptions noted.

- b) Report whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials.

No exceptions noted.

- c) Report whether there is written documentation that the entity maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees/officials that earn leave.

Of the twelve employees tested that earn leave, written documentation of hours used was maintained; however, written documentation of hours earned and balance available was not maintained.

- 24. Obtain from management a list of those employees/officials that terminated during the fiscal period and management's representation that the list is complete. If applicable, select the two largest termination payments (e.g., vacation, sick, compensatory time) made during the fiscal period and obtain the personnel files for the two employees/officials. Report whether the termination payments were made in strict accordance with policy and/or contract and approved by management.

No terminations noted.

- 25. Obtain supporting documentation (e.g. cancelled checks, EFT documentation) relating to payroll taxes and retirement contributions during the fiscal period. Report whether the employee and employer portions of payroll taxes and retirement contributions, as well as the required reporting forms, were submitted to the applicable agencies by the required deadlines.

No exceptions noted.

Ethics (excluding nonprofits)

- 26. Using the five randomly selected employees/officials from procedure #22 under "Payroll and Personnel" above, obtain ethics compliance documentation from management and report whether the entity maintained documentation to demonstrate that required ethics training was completed.

No exceptions noted.

- 27. Inquire of management whether any alleged ethics violations were reported to the entity during the fiscal period. If applicable, review documentation that demonstrates whether management investigated alleged ethics violations, the corrective actions taken, and whether management's actions complied with the entity's ethics policy. Report whether management received allegations, whether management investigated allegations received, and whether the allegations were addressed in accordance with policy.

Management asserted that they have received no allegations during the fiscal period.

Debt Service (excluding nonprofits)

28. If debt was issued during the fiscal period, obtain supporting documentation from the entity, and report whether State Bond Commission approval was obtained.

State Bond Commission approval was obtained.

29. If the entity had outstanding debt during the fiscal period, obtain supporting documentation from the entity and report whether the entity made scheduled debt service payments and maintained debt reserves, as required by debt covenants.

All scheduled debt service payments were made and debt reserves were maintained as required by debt covenants.

30. If the entity had tax millages relating to debt service, obtain supporting documentation and report whether millage collections exceed debt service payments by more than 10% during the fiscal period. Also, report any millages that continue to be received for debt that has been paid off.

Not applicable.

Other

31. Inquire of management whether the entity had any misappropriations of public funds or assets. If so, obtain/review supporting documentation and report whether the entity reported the misappropriation to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

Management has asserted that the entity did not have any misappropriations of public funds or assets.

32. Observe and report whether the entity has posted on its premises and website, the notice required by R.S. 24:523.1. This notice (available for download or print at www.la.gov/hotline) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.

Required notice was posted on the entity's premises. Town of Henderson does not have a website.

33. If the practitioner observes or otherwise identifies any exceptions regarding management's representations in the procedures above, report the nature of each exception.

No exceptions noted.

We were not engaged to perform, and did not perform, an audit, the objective of which would be the expression of an opinion on management's assertions. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of management of the Town of Henderson and the Legislative Auditor, State of Louisiana, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Kolder, Champagne, Slaven & Company, LLC

Certified Public Accountants

Breaux Bridge, Louisiana
September 15, 2017

TOWN OF HENDERSON, LOUISIANA
Henderson, Louisiana

Management's Response to Statewide Agreed-upon Procedures Exceptions
For the Year Ending June 30, 2017

Management Response to Item:

- 2b The Clerk will give budgetary comparison financial statements for the General Fund and the Sales Tax Fund to the council beginning in September.
- 4b The Mayor will review bank reconciliations beginning in September.
- 4c The Clerk will investigate outstanding checks > 6 months old beginning in September.
- 6a, 6b, 10,11 The Town will make efforts to segregate duties as much as possible with the limited number of employees involved.
- 6c The Town will make all future deposits timely.
- 9a The Town does not plan to change its current policy regarding purchase orders.
- 9b Purchase orders will be approved beginning in September.
- 9c Receiving reports are not required as a matter of Town policy.
- 15a The Town will consider approving credit card statements.
- 16a Employees will be reminded to maintain receipts.
- 19b Receipts and documentation will be improved.
- 19d The Town will consider approving future reimbursements.
- 21a, 21c The Town does not intend to amend this contract at this time.
- 23c The Town will consider improving its attendance records.