

TOWN OF HENDERSON, LOUISIANA

**Financial Report
Year Ended June 30, 2020**

TABLE OF CONTENTS

	Page
Independent Auditors' Report	1-3
 BASIC FINANCIAL STATEMENTS	
 GOVERNMENT-WIDE FINANCIAL STATEMENTS (GWFS)	
Statement of net position	6
Statement of activities	7
 FUND FINANCIAL STATEMENTS (FFS)	
Fund descriptions - major funds	
Balance sheet - governmental funds	10
Reconciliation of the governmental funds balance sheet to the statement of net position	11
Statement of revenues, expenditures, and changes in fund balances- governmental funds	12
Reconciliation of the statement of revenues, expenditures, and changes in fund balances of governmental funds to the statement of activities	13
Statement of net position - proprietary fund	14
Statement of revenues, expenses, and changes in fund net position - proprietary fund	15
Statement of cash flows - proprietary fund	16-17
 NOTES TO BASIC FINANCIAL STATEMENTS	 18-34
 REQUIRED SUPPLEMENTARY INFORMATION	
General Fund - budgetary comparison schedule	36
Sales Tax Special Revenue Fund - budgetary comparison schedule	37
Notes to the required supplementary information	38

TABLE OF CONTENTS

	<u>Page</u>
OTHER SUPPLEMENTARY INFORMATION	
Schedule of insurance in force	40
Schedule of number of sewer customers and rates	41
Schedule of aged accounts receivable	42
INTERNAL CONTROL, COMPLIANCE AND OTHER MATTERS	
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 <i>Government Auditing Standards</i>	44-45
Schedule of prior and current year audit findings and management's corrective action plan	46-48

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Henderson, Louisiana, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town of Henderson, Louisiana's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Henderson, Louisiana, as of June 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information and notes to the required supplementary information on pages 36 through 38 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 40 through 42 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 10, 2020, on our consideration of the Town of Henderson, Louisiana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant

agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Henderson, Louisiana's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Henderson, Louisiana's internal control over financial reporting and compliance.

Champagne & Company, LLC
Certified Public Accountants

Breaux Bridge, Louisiana
September 10, 2020

BASIC FINANCIAL STATEMENTS

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

TOWN OF HENDERSON, LOUISIANA

Statement of Net Position
June 30, 2020

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and interest bearing deposits	\$ 3,229,017	\$ 34,095	\$ 3,263,112
Accounts receivable	29,046	29,429	58,475
Accrued interest receivable	2,776	-	2,776
Sales tax receivable	65,240	-	65,240
Prepaid items	5,830	-	5,830
Total current assets	<u>3,331,909</u>	<u>63,524</u>	<u>3,395,433</u>
Noncurrent assets:			
Restricted cash	-	79,344	79,344
Capital assets, net	2,107,382	3,823,865	5,931,247
Total noncurrent assets	<u>2,107,382</u>	<u>3,903,209</u>	<u>6,010,591</u>
Total assets	<u>5,439,291</u>	<u>3,966,733</u>	<u>9,406,024</u>
DEFERRED OUTFLOWS OF RESOURCES			
	-	-	-
LIABILITIES			
Current liabilities:			
Accounts and salaries payables	90,908	8,588	99,496
Accrued interest payable	9,580	-	9,580
Bonds payable	53,000	54,272	107,272
Capital lease payable	18,139	-	18,139
Compensated absences payable	3,536	-	3,536
Total current liabilities	<u>175,163</u>	<u>62,860</u>	<u>238,023</u>
Noncurrent liabilities:			
Bonds payable	721,000	1,042,501	1,763,501
Total noncurrent liabilities	<u>721,000</u>	<u>1,042,501</u>	<u>1,763,501</u>
Total liabilities	<u>896,163</u>	<u>1,105,361</u>	<u>2,001,524</u>
DEFERRED INFLOWS OF RESOURCES			
	-	-	-
NET POSITION			
Net investment in capital assets	2,107,382	2,781,364	4,888,746
Restricted	-	25,072	25,072
Unrestricted	2,435,746	54,936	2,490,682
Total net position	<u>\$ 4,543,128</u>	<u>\$ 2,861,372</u>	<u>\$ 7,404,500</u>

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

TOWN OF HENDERSON, LOUISIANA

Statement of Activities
For the Year Ended June 30, 2020

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	\$ 434,679	\$ 54,199	\$ 10,500	\$ -	\$ (369,980)	\$ -	\$ (369,980)
Sanitation	112,707	117,270	-	-	4,563	-	4,563
Public safety	1,060,573	1,486,727	-	-	426,154	-	426,154
Culture & recreation	47,963	15,665	-	-	(32,298)	-	(32,298)
Interest on long-term debt	25,448	-	-	-	(25,448)	-	(25,448)
Total governmental activities	<u>1,681,370</u>	<u>1,673,861</u>	<u>10,500</u>	<u>-</u>	<u>2,991</u>	<u>-</u>	<u>2,991</u>
Business-type activities:							
Sewer	455,556	197,938	-	10,000	-	(247,618)	(247,618)
Interest on long-term debt	43,612	-	-	-	-	(43,612)	(43,612)
Total business-type activities	<u>499,168</u>	<u>197,938</u>	<u>-</u>	<u>10,000</u>	<u>-</u>	<u>(291,230)</u>	<u>(291,230)</u>
Total	<u>\$2,180,538</u>	<u>\$1,871,799</u>	<u>\$ 10,500</u>	<u>\$ 10,000</u>	<u>2,991</u>	<u>(291,230)</u>	<u>(288,239)</u>
General revenues:							
Taxes -							
Property taxes, levied for general purposes					15,274	-	15,274
Sales and use taxes, levied for general purposes					518,833	-	518,833
Beer & tobacco taxes					1,074	-	1,074
Franchise taxes					85,266	-	85,266
State funds -							
State revenue sharing					833	-	833
Intergovernmental revenue					53,534	-	53,534
Investment income					27,298	-	27,298
Miscellaneous income					8,625	5,094	13,719
Transfers					(86,000)	86,000	-
Total general revenues					<u>624,737</u>	<u>91,094</u>	<u>715,831</u>
Change in net position					627,728	(200,136)	427,592
Net position - July 1, 2019					<u>3,915,400</u>	<u>3,061,508</u>	<u>6,976,908</u>
Net position - June 30, 2020					<u>\$ 4,543,128</u>	<u>\$2,861,372</u>	<u>\$ 7,404,500</u>

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

FUND FINANCIAL STATEMENTS (FFS)

FUND DESCRIPTIONS

MAJOR FUNDS

General Fund

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

Special Revenue Fund

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

Sales Tax Fund -

To account for the receipt and use of proceeds of the Town's 1% sales and use tax approved in a special election in June 1972 and 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.

Enterprise Fund

Utility Fund -

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

NONMAJOR FUNDS

Debt Service Fund -

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

Park Fund -

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

TOWN OF HENDERSON, LOUISIANA

Balance Sheet
 Governmental Funds
 June 30, 2020

	General	Sales Tax Special Revenue	Nonmajor Funds	Total Governmental Funds
ASSETS				
Cash and interest bearing deposits	\$2,583,458	\$ 516,378	\$ 129,181	\$ 3,229,017
Accounts receivable	18,284	10,762	-	29,046
Accrued interest receivable	2,776	-	-	2,776
Sales tax receivable	-	65,240	-	65,240
Prepaid items	5,830	-	-	5,830
Total assets	<u>\$2,610,348</u>	<u>\$ 592,380</u>	<u>\$ 129,181</u>	<u>\$ 3,331,909</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 79,253	\$ 11,417	\$ -	\$ 90,670
Payroll liabilities	<u>40</u>	<u>148</u>	<u>50</u>	<u>238</u>
Total liabilities	<u>79,293</u>	<u>11,565</u>	<u>50</u>	<u>90,908</u>
Fund balances:				
Nonspendable	5,830	-	-	5,830
Restricted	-	580,815	129,131	709,946
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	<u>2,525,225</u>	<u>-</u>	<u>-</u>	<u>2,525,225</u>
Total fund balances	<u>2,531,055</u>	<u>580,815</u>	<u>129,131</u>	<u>3,241,001</u>
Total liabilities and fund balances	<u>\$2,610,348</u>	<u>\$ 592,380</u>	<u>\$ 129,181</u>	<u>\$ 3,331,909</u>

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

TOWN OF HENDERSON, LOUISIANA

Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2020

Total fund balances for governmental funds at June 30, 2020 \$ 3,241,001

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	
Construction in progress		45,422	
Buildings and improvements, net of \$204,171 accumulated depreciation		163,144	
Equipment and vehicles, net of \$429,252 accumulated depreciation		175,735	
Streets and improvements, net of \$562,518 accumulated depreciation		1,276,023	
Parks and facilities, net of \$231,785 accumulated depreciation		414,596	
Office equipment, net of \$36,986 accumulated depreciation		<u>1,462</u>	2,107,382

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	(783,580)		
Capital lease payable	(18,139)		
Compensated absences payable	<u>(3,536)</u>	<u>(805,255)</u>	

Total net position of governmental activities at June 30, 2020 \$ 4,543,128

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

TOWN OF HENDERSON, LOUISIANA

Statement of Revenues, Expenditures, and Changes in Fund Balances-
Governmental Funds
For the Year Ended June 30, 2020

	General	Sales Tax Special Revenue	Nonmajor Funds	Total
Revenues:				
Taxes	\$ 101,614	\$ 518,833	\$ -	\$ 620,447
Licenses and permits	54,199	-	-	54,199
Intergovernmental	5,534	-	-	5,534
State funds	59,333	-	-	59,333
Fines and forfeitures	1,486,727	-	-	1,486,727
Fees	-	117,270	-	117,270
Miscellaneous	8,630	-	-	8,630
Investment income	22,867	4,426	-	27,293
Park revenue	-	-	15,665	15,665
Total revenues	<u>1,738,904</u>	<u>640,529</u>	<u>15,665</u>	<u>2,395,098</u>
Expenditures:				
Current -				
General government	299,660	78,861	-	378,521
Sanitation	-	112,707	-	112,707
Public safety	1,021,232	-	-	1,021,232
Park and recreation	-	-	25,000	25,000
Debt service - principal	19,362	-	52,000	71,362
Debt service - interest	-	-	23,499	23,499
Capital outlay	78,150	155,400	-	233,550
Total expenditures	<u>1,418,404</u>	<u>346,968</u>	<u>100,499</u>	<u>1,865,871</u>
Excess (deficiency) of revenues over expenditures	<u>320,500</u>	<u>293,561</u>	<u>(84,834)</u>	<u>529,227</u>
Other financing sources (uses):				
Operating transfers in	-	-	75,994	75,994
Operating transfers out	-	(161,994)	-	(161,994)
Total other financing sources (uses)	<u>-</u>	<u>(161,994)</u>	<u>75,994</u>	<u>(86,000)</u>
Net change in fund balance	320,500	131,567	(8,840)	443,227
Fund balance, beginning	<u>2,210,555</u>	<u>449,248</u>	<u>137,971</u>	<u>2,797,774</u>
Fund balance, ending	<u>\$ 2,531,055</u>	<u>\$ 580,815</u>	<u>\$ 129,131</u>	<u>\$ 3,241,001</u>

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

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, 2020

Total net changes in fund balances per Statement of Revenues, Expenditures and Changes in Fund Balances	\$ 443,227
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The change in net position reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay which is considered expenditures on Statement of Revenues, Expenditures and Changes in Fund Balances	\$ 233,550	
Depreciation expense	<u>(139,265)</u>	94,285

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

Net change in bonds payable, accrued interest and related deferreds	52,422	
Net change in capital lease payable	16,991	
Net change in deferred inflows	<u>20,803</u>	<u>90,216</u>

Total change in net position for the year ended June 30, 2020 per Statement of Activities	<u>\$ 627,728</u>
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The accompanying notes are an integral part of the basic financial statements.

TOWN OF HENDERSON, LOUISIANA

Statement of Net Position
Proprietary Fund
June 30, 2020

ASSETS

Current assets:

Cash	\$ 34,095
Accounts receivable	<u>29,429</u>
Total current assets	<u>63,524</u>

Noncurrent assets:

Restricted cash	79,344
Capital assets	<u>3,823,865</u>
Total noncurrent assets	<u>3,903,209</u>

Total assets	<u>3,966,733</u>
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DEFERRED OUTFLOWS OF RESOURCES

-

LIABILITIES

Current liabilities:

Accounts payable	8,588
Bonds payable	<u>54,272</u>
Total current liabilities	<u>62,860</u>

Noncurrent liabilities:

Bonds payable	<u>1,042,501</u>
Total liabilities	<u>1,105,361</u>

DEFERRED INFLOWS OF RESOURCES

NET POSITION

Net investment in capital assets	2,781,364
Restricted	25,072
Unrestricted	<u>54,936</u>
Total net position	<u>\$2,861,372</u>

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

TOWN OF HENDERSON, LOUISIANA

Statement of Revenues, Expenses, and Changes in Fund Net Position -
Proprietary Fund
For the Year Ended June 30, 2020

Operating revenues:	
Charges for services -	
Sewer service charges	\$ 197,938
Total operating revenue	<u>197,938</u>
Operating expenses:	
Administrative fees	1,510
Contract labor	26,400
Supplies, repairs and maintenance	121,966
Professional fees	4,585
Depreciation	271,548
Testing and inspection fees	3,745
Utilities	17,545
Waste disposal fees	750
Salaries	4,500
Payroll expenses	355
Miscellaneous	<u>2,652</u>
Total operating expenses	<u>455,556</u>
Operating loss	<u>(257,618)</u>
Non-operating revenues (expenses):	
Grants:	
LGAP grant	10,000
Interest expense	(43,612)
Miscellaneous income	<u>5,094</u>
Total non-operating expense	<u>(28,518)</u>
Loss before transfers	(286,136)
Transfers in	<u>86,000</u>
Change in net position	(200,136)
Net position, beginning	<u>3,061,508</u>
Net position, ending	<u>\$ 2,861,372</u>

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

TOWN OF HENDERSON, LOUISIANA

Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2020

Cash flows from operating activities:	
Receipts from customers	\$ 197,558
Payments to suppliers	(195,722)
Payments to employees	<u>(4,500)</u>
Net cash used by operating activities	<u>(2,664)</u>
Cash flows from noncapital financing activities:	
Other receipts	16,896
Transfers in	<u>86,000</u>
Net cash provided by noncapital financing activities	<u>102,896</u>
Cash flows from capital and related financing activities:	
Proceeds from grants	10,000
Interest paid on bonds & notes payable	(43,612)
Principal paid on bonds & notes payable	<u>(52,452)</u>
Net cash used by capital and related financing activities	<u>(86,064)</u>
Cash flows from investing activities	<u>-</u>
Net increase in cash and cash equivalents	14,168
Cash and cash equivalents, beginning of period	<u>99,271</u>
Cash and cash equivalents, end of period	<u>\$ 113,439</u>

(continued)

TOWN OF HENDERSON, LOUISIANA

Statement of Cash Flows
Proprietary Fund (continued)
For the Year Ended June 30, 2020

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

Cash flows from operating activities

Operating loss \$ (269,420)

Adjustments to reconcile operating loss to net cash provided

by operating activities-

Depreciation 271,548

Changes in current assets & liabilities:

Increase in accounts receivable (380)

Decrease in accounts payable (4,412)

Total adjustments 266,756

Net cash used by operating activities \$ (2,664)

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

TOWN OF HENDERSON, LOUISIANA

Notes to Basic Financial Statements

(1) Summary of Significant Accounting Policies

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

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

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

The following is a summary of certain significant accounting policies:

A. Financial Reporting Entity

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

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

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

TOWN OF HENDERSON, LOUISIANA

Notes to Basic Financial Statements (Continued)

B. Basis of Presentation

Government-Wide Financial Statements (GWFS)

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

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

Fund Financial Statements

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

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

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

TOWN OF HENDERSON, LOUISIANA

Notes to Basic Financial Statements (Continued)

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

Governmental Fund Types-

General Fund

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

Special Revenue Fund –

Sales Tax Fund

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

Proprietary Fund Type –

Enterprise Fund

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

The Town's nonmajor fund is described below:

Debt Service Fund

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

Park Fund

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

TOWN OF HENDERSON, LOUISIANA

Notes to Basic Financial Statements (Continued)

C. Measurement Focus/Basis of Accounting

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

Measurement Focus

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

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

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

Basis of Accounting

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

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

TOWN OF HENDERSON, LOUISIANA

Notes to Basic Financial Statements (Continued)

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

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

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

Cash and interest-bearing deposits

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

Interfund receivables and payables

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

Receivables

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

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2020 are recorded as prepaid items. The only prepaid item that existed at June 30, 2020 was prepaid insurance.

Restricted Assets

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

TOWN OF HENDERSON, LOUISIANA

Notes to Basic Financial Statements (Continued)

Capital Assets

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

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

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

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

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

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

Compensated Absences

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

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

TOWN OF HENDERSON, LOUISIANA

Notes to Basic Financial Statements (Continued)

Long-term debt

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

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

Deferred Outflows of Resources and Deferred Inflows of Resources

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

Equity Classifications

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

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

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

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

TOWN OF HENDERSON, LOUISIANA

Notes to Basic Financial Statements (Continued)

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

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

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

Unassigned – all other spendable amounts.

As of June 30, 2020, fund balances are composed of the following:

	General Fund	Sales Tax Fund	Nonmajor Governmental Fund	Total Governmental Funds
Nonspendable:				
Prepaid items	\$ 5,830	\$ -	\$ -	\$ 5,830
Restricted:				
Sales tax	-	580,815	-	580,815
Park maintenance	-	-	58,799	58,799
Debt service	-	-	70,332	70,332
Committed:	-	-	-	-
Assigned:	-	-	-	-
Unassigned:	<u>2,525,225</u>	<u>-</u>	<u>-</u>	<u>2,525,225</u>
	<u>\$ 2,531,055</u>	<u>\$ 580,815</u>	<u>\$ 129,131</u>	<u>\$ 3,241,001</u>

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

TOWN OF HENDERSON, LOUISIANA

Notes to Basic Financial Statements (Continued)

E. Use of Estimates

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

(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, 2020, the Town has cash and interest-bearing deposits (book balances) totaling \$3,342,456.

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, 2020 are secured as follows:

Bank balances	<u>\$3,371,386</u>
At June 30, 2020 the deposits are secured as follows:	
Federal deposit insurance	\$ 384,696
Pledged securities	<u>2,986,690</u>
Total	<u>\$3,371,386</u>

Deposits in the amount of \$2,986,690 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, 2020 is comprised of the following:

	Business-Type Activities
Sinking Fund	\$ 4,832
Renewal and Replacement Fund	37,256
Reserve Fund	37,256
 Total	 \$ 79,344

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, 2020:

	Governmental Activities	Business-Type Activities	Total
Franchise tax	\$ 18,284	\$ -	\$ 18,284
Garbage collections	10,762	-	10,762
Sewer collections	-	29,429	29,429
 Total	 \$ 29,046	 \$ 29,429	 \$ 58,475

TOWN OF HENDERSON, LOUISIANA

Notes to Basic Financial Statements (Continued)

(5) Capital Assets

Capital asset activity for the year ended June 30, 2020 is as follows:

	<u>Balance</u> <u>07/01/19</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>06/30/20</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 31,000	\$ -	\$ -	\$ 31,000
Construction in progress	-	45,422	-	45,422
Other capital assets:				
Buildings	367,315	-	-	367,315
Autos & equipment	491,281	32,728	(26,006)	498,003
Autos & equipment - capital leases	106,984	-	-	106,984
Streets & improvements	1,683,141	155,400	-	1,838,541
Parks & facilities	646,381	-	-	646,381
Office equipment	39,615	-	(1,167)	38,448
Total capital assets	<u>3,365,717</u>	<u>233,550</u>	<u>(27,173)</u>	<u>3,572,094</u>
Less accumulated depreciation:				
Buildings	195,877	8,294	-	204,171
Autos & equipment	364,273	42,656	(26,006)	380,923
Autos & equipment - capital leases	26,703	21,626	-	48,329
Streets & improvements	518,938	43,580	-	562,518
Parks & facilities	208,822	22,963	-	231,785
Office equipment	38,007	146	(1,167)	36,986
Total accumulated depreciation	<u>1,352,620</u>	<u>139,265</u>	<u>(27,173)</u>	<u>1,464,712</u>
Governmental activities, capital assets, net	<u>\$ 2,013,097</u>	<u>\$ 94,285</u>	<u>\$ -</u>	<u>\$ 2,107,382</u>

TOWN OF HENDERSON, LOUISIANA

Notes to Basic Financial Statements (Continued)

	<u>Balance</u> <u>07/01/19</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>06/30/20</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 21,600	\$ -	\$ -	\$ 21,600
Other capital assets:				
Sewer plant	5,714,898	-	-	5,714,898
Equipment	338,923	-	-	338,923
Sewer system	<u>1,050,228</u>	<u>-</u>	<u>-</u>	<u>1,050,228</u>
Total capital assets	<u>7,125,649</u>	<u>-</u>	<u>-</u>	<u>7,125,649</u>
Less accumulated depreciation:				
Sewer plant	2,701,752	228,382	-	2,930,134
Equipment	286,475	22,161	-	308,636
Sewer system	<u>42,009</u>	<u>21,005</u>	<u>-</u>	<u>63,014</u>
Total accumulated depreciation	<u>3,030,236</u>	<u>271,548</u>	<u>-</u>	<u>3,301,784</u>
Business-type activities, capital assets, net	<u>\$ 4,095,413</u>	<u>\$(271,548)</u>	<u>\$ -</u>	<u>\$ 3,823,865</u>

Depreciation expense was charged to governmental activities as follows:

General government	\$ 56,158
Police	60,144
Culture and recreation	<u>22,963</u>
 Total depreciation expense	 <u>\$ 139,265</u>

(6) Accounts, Salaries, and Other Payables

The accounts, salaries, and other payables consisted of the following at June 30, 2020:

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
Accounts	\$ 90,908	\$ 8,183	\$ 99,091
Payroll withholdings	<u>-</u>	<u>405</u>	<u>405</u>
 Total	 <u>\$ 90,908</u>	 <u>\$ 8,588</u>	 <u>\$ 99,496</u>

TOWN OF HENDERSON, LOUISIANA

Notes to Basic Financial Statements (Continued)

(7) Ad Valorem Taxes

For the year ended June 30, 2020, taxes of 1.79 mills were levied on property with assessed valuations totaling \$8,542,766.

Total taxes levied for the year ended June 30, 2020 were \$15,292. 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.

(8) 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, 2020. The sales tax revenue bonds are paid by the sales tax fund. The other revenue bonds relate to business-type activities, which is paid for by the utility fund. The capital lease payments are paid by the general fund. In the past, payments on long-term debt were paid in the same manner.

	<u>Revenue Bonds</u>	<u>Vehicle Capital Lease</u>	<u>Total</u>
Long-term debt, June 30, 2019	\$ 1,975,225	\$ 35,130	\$2,010,355
Additions	-	-	-
Deletions	<u>(104,452)</u>	<u>(16,991)</u>	<u>(121,443)</u>
Long-term debt, June 30, 2020	<u>\$ 1,870,773</u>	<u>\$ 18,139</u>	<u>\$ 1,888,912</u>

Long-term debt at June 30, 2020 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

\$ 268,000

\$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

774,000

TOWN OF HENDERSON, LOUISIANA

Notes to Basic Financial Statements (Continued)

USDA Bonds:

\$641,000 bond payable, issued by USDA, due in monthly installments of \$2,930; interest rate of 4.50%; full maturity at August 2045 525,662

\$375,000 bond payable, issued by USDA, due in monthly installments of \$1,625; interest rate of 4.125%; full maturity at August 2045 303,111

Total bonds payable \$ 1,870,773

Vehicle Capital Lease:

\$54,492 capital lease on (2) 2019 Dodge Durangos, due in three annual payments of \$19,362; from May 13, 2019 to May 12, 2021; interest rate of 6.75% \$ 18,139

The annual requirements to amortize the outstanding debt as of June 30, 2020 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 125,411	\$ 65,615
2022	111,129	61,508
2023	115,025	58,462
2024	118,960	55,248
2025	122,937	51,873
2026 - 2030	549,928	222,357
2031 - 2035	315,771	116,525
2036 - 2040	202,374	70,952
2041 - 2045	218,599	21,434
2046	<u>8,778</u>	<u>-</u>
Total	<u>\$ 1,888,912</u>	<u>\$ 723,974</u>

TOWN OF HENDERSON, LOUISIANA

Notes to Basic Financial Statements (Continued)

(9) 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 \$518,833 for the year ended June 30, 2020.

(10) 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, 2020 were \$15,665.

(11) Compensation of Town Officials

A detail of compensation paid to Town officials for the year ended June 30, 2020 follows:

Sherbin Collette, Mayor (also, see Note 16)	<u>\$ 52,800</u>
Leroy Guidry, Chief of Police	<u>\$ 43,884</u>
Town Council-	
Nita Berard	\$ 1,350
Judy Broussard	1,350
Bill Legrand	1,350
Jody Meche	1,350
William White	<u>1,350</u>
	<u>\$ 6,750</u>

(12) 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, 2020, nor have settlements exceeded insurance coverage for the past three years.

TOWN OF HENDERSON, LOUISIANA

Notes to Basic Financial Statements (Continued)

(13) 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.

(14) On-behalf Payments

The Town has recognized \$48,000 as a revenue and an expenditure for on-behalf salary payments made by the state of Louisiana.

(15) Litigation

At June 30, 2020, the Town is involved in two claims and/or lawsuits asserting damages. Management is of the opinion that the outcome will be favorable for one lawsuit, and therefore, no liability has been recorded. Management is of the opinion that the outcome is uncertain for the second matter. As such, no liability has been recorded as of June 30, 2020.

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

Under Act 706, the Town of Henderson, Louisiana is required to disclose the compensation, reimbursements, benefits, and other payments made to the mayor, in which the payments are related to the position. The following is a schedule of payments made to the mayor for the year ended June 30, 2020.

Entity head: Sherbin Collette, Mayor

Salary	\$ 52,800
Benefits - retirement	1,584
Reimbursements - supplemental insurance	5,150
Reimbursements - telephone, etc.	<u>627</u>
Total	<u>\$ 60,161</u>

(17) Interfund Transfers

Interfund transfers for the year ended June 30, 2020 consisted of \$75,994 to the Debt Service Nonmajor Fund from the Sales Tax Special Revenue Fund for the principal and interest payments on the sales tax revenue bonds and transfers from the Sales Tax Special Revenue Fund to the Utility Fund of \$86,000 to help fund operations.

TOWN OF HENDERSON, LOUISIANA

Notes to Basic Financial Statements (Continued)

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

A. Pension Plan / GASB 68

The Town of Henderson participated in the Municipal Police Employees' Retirement System, a cost-sharing multiple-employer defined benefit pension plan, during previous fiscal years. The Town terminated participation in this plan as of July 1, 2016. All balances have been completely amortized as of June 30, 2020. As such, the additional disclosures required by GASB 68 as well as the required supplementary information have been eliminated, as this information is no longer relevant to the Town's financial statements.

B. Deferred Compensation Plan

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

The Town contributions are discretionary. The Town contributed 3% of compensation for all eligible employees in the year ended June 30, 2020, which amounted to \$10,224. Employee contributions ranged from 1% to 7%. Participants can elect any combination of Pre-tax or Roth deferral options.

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

(19) Subsequent Event

The COVID-19 outbreak in the United States has caused business disruption through mandated closings, reduction of operating hours, or operational restrictions for nonessential businesses, including retail stores, restaurants, personal service businesses and all entertainment venues. While the disruption is expected to be temporary, there is still uncertainty about the duration of and the implications of the closings. The Town of Henderson, Louisiana expects this matter to negatively impact availability of resources and operating results. The financial impact cannot be reasonably estimated at this time.

**REQUIRED SUPPLEMENTARY
INFORMATION**

TOWN OF HENDERSON, LOUISIANA
General Fund

Budgetary Comparison Schedule
For the Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes:				
Ad valorem	\$ 6,000	\$ 6,000	\$ 15,274	\$ 9,274
Beer & tobacco taxes	3,000	3,000	1,074	(1,926)
Franchise taxes	42,000	42,000	85,266	43,266
Total taxes	<u>51,000</u>	<u>51,000</u>	<u>101,614</u>	<u>50,614</u>
Licenses and permits	<u>10,000</u>	<u>10,000</u>	<u>54,199</u>	<u>44,199</u>
Intergovernmental revenues:				
Video poker	<u>2,500</u>	<u>2,500</u>	<u>5,534</u>	<u>3,034</u>
Total intergovernmental revenues	<u>2,500</u>	<u>2,500</u>	<u>5,534</u>	<u>3,034</u>
State funds:				
State grants	-	30,000	10,500	(19,500)
State revenue sharing	3,400	3,400	833	(2,567)
Supplemental pay	48,650	48,000	48,000	-
Total state funds	<u>52,050</u>	<u>81,400</u>	<u>59,333</u>	<u>(22,067)</u>
Fines and forfeitures	<u>1,600,000</u>	<u>1,400,000</u>	<u>1,486,727</u>	<u>86,727</u>
Interest income	<u>-</u>	<u>-</u>	<u>22,867</u>	<u>22,867</u>
Miscellaneous income	<u>6,400</u>	<u>10,000</u>	<u>8,630</u>	<u>(1,370)</u>
Total revenues	<u>1,721,950</u>	<u>1,554,900</u>	<u>1,738,904</u>	<u>184,004</u>
Expenditures:				
General government:				
Legislative	6,750	6,750	6,750	-
Judicial	50,000	50,000	10,083	39,917
Executive	100,392	100,392	101,095	(703)
Finance & administrative	205,500	242,500	181,732	60,768
Total general government	<u>362,642</u>	<u>399,642</u>	<u>299,660</u>	<u>99,982</u>
Public safety	1,100,560	1,111,710	1,021,232	90,478
Debt service:				
Principal	16,173	16,992	19,362	(2,370)
Interest	1,989	2,370	-	2,370
Capital outlay	<u>143,300</u>	<u>123,300</u>	<u>78,150</u>	<u>45,150</u>
Total expenditures	<u>1,624,664</u>	<u>1,654,014</u>	<u>1,418,404</u>	<u>235,610</u>
Excess (deficiency) of revenues over expenditures	97,286	(99,114)	320,500	419,614
Fund balance, beginning	<u>2,210,555</u>	<u>2,210,555</u>	<u>2,210,555</u>	<u>-</u>
Fund balance, ending	<u>\$ 2,307,841</u>	<u>\$ 2,111,441</u>	<u>\$ 2,531,055</u>	<u>\$ 419,614</u>

TOWN OF HENDERSON, LOUISIANA
Sales Tax Special Revenue Fund

Budgetary Comparison Schedule
For the Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Sales and use tax	\$ 375,000	\$ 430,000	\$ 518,833	\$ 88,833
Garbage collection fees	102,000	102,000	117,270	15,270
Miscellaneous income	500	500	-	(500)
Investment income	1,000	1,000	4,426	3,426
Total revenues	478,500	533,500	640,529	107,029
Expenditures:				
General government -				
Finance & administrative	86,600	86,600	78,861	7,739
Sanitation	108,400	108,400	112,707	(4,307)
Capital outlay	60,000	155,400	155,400	-
Total expenditures	255,000	350,400	346,968	3,432
Excess of revenues over expenditures	223,500	183,100	293,561	110,461
Other financing uses:				
Operating transfers out	122,000	162,000	161,994	(6)
Total other financing uses	122,000	162,000	161,994	(6)
Net change in fund balance	101,500	21,100	131,567	110,467
Fund balance, beginning	449,248	449,248	449,248	-
Fund balance, ending	\$ 550,748	\$ 470,348	\$ 580,815	\$ 110,467

TOWN OF HENDERSON, LOUISIANA

Notes to the Required Supplementary Information
For the Year Ended June 30, 2020

(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.

OTHER SUPPLEMENTARY INFORMATION

TOWN OF HENDERSON, LOUISIANA

Schedule of Insurance in Force

June 30, 2020

Description of Coverage	Coverage Amounts	Expiration Date
Workmen's compensation - Employer's liability	\$ 500,000	1/1/2021
Surety bonds -		
Public employees	(per employee) 10,000 / 40,000	10/8/2020 - 8/14/2021
Honesty blanket	79,000	6/3/2021
Building and contents	188,000	4/1/2021
General liability	500,000	12/8/2020
Law enforcement officers' liability	500,000	12/8/2020
Public officials' errors and omissions liability	500,000	12/8/2020
Commercial auto	500,000	12/8/2020

TOWN OF HENDERSON, LOUISIANA
Proprietary Fund

Schedule of Number of Sewer Customers and Rates
June 30, 2020

Records maintained by the Town indicated the following number of customers were being serviced during the month of June 30, 2020:

<u>Customer Type</u>	<u>Number</u>
Residential	549
Commercial	37

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

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

June 30, 2020

Current	\$29,131
1 -30 days	171
31-60 days	-
61-90 days	127
> 90 days	<u>-</u>
Total	<u>\$29,429</u>

**INTERNAL CONTROL
COMPLIANCE
AND
OTHER MATTERS**

Champagne & Company, LLC

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Henderson, Louisiana, as of and for the year ended June 30, 2020, 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 10, 2020.

Internal Control over Financial Reporting

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

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

deficiency is a deficiency or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of prior and current year audit findings and management's corrective action plan as items 2020-001 and 2020-002, that we consider to be material weaknesses.

Compliance and Other Matters

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

Town of Henderson, Louisiana's Response to Findings

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

Purpose of this Report

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

Champagne & Company, LLC
Certified Public Accountants

Breaux Bridge, Louisiana
September 10, 2020

TOWN OF HENDERSON, LOUISIANA

Schedule of Prior and Current Year Audit Findings and
Management's Corrective Action Plan
For the Year Ended June 30, 2020

I. Prior Year Findings:

Internal Control over Financial Reporting

2019-001 – 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 2020-001.

2019-002 – 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 2020-002.

Compliance

2019-003 – Noncompliance with Louisiana Local Government Budget Act

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

Status:

Resolved.

Management Letter Items

There were no items reported at June 30, 2019.

(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, 2020

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

Internal Control over Financial Reporting

2020-001 – Inadequate Segregation of Accounting Functions; Year Initially Occurred – Unknown

Condition and Criteria:

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

Effect:

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

Cause:

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

Recommendation:

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

Management's Corrective Action Plan:

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

2020-002 – Inadequate Controls over Financial Statement Preparation; Year Initially Occurred – Unknown

Condition and Criteria:

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

Effect:

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

Cause:

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

(continued)

TOWN OF HENDERSON, LOUISIANA

Schedule of Prior and Current Year Audit Findings and
Management's Corrective Action Plan (continued)
For the Year Ended June 30, 2020

Recommendation:

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

Management's Corrective Action Plan:

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

Compliance

There are no findings reported at June 30, 2020.

Management Letter Items

There are no items reported at June 30, 2020.