

TOWN OF HENDERSON, LOUISIANA

**Financial Report
Year Ended June 30, 2012**

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

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, 2012, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Henderson, Louisiana's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2012, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2012, 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 35 through 36 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.

The Town of Henderson, Louisiana has not presented management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

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 as a whole. The other supplementary information on pages 38 through 44 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or provide any assurance on it.

Kolder, Champagne, Slaven & Company, LLC

Certified Public Accountants

Breaux Bridge, Louisiana
September 21, 2012

BASIC FINANCIAL STATEMENTS

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

TOWN OF HENDERSON, LOUISIANA

Statement of Net Assets
June 30, 2012

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and interest bearing deposits	\$ 1,473,348	\$ 62,510	\$ 1,535,858
Accounts receivable	41,341	31,240	72,581
Accrued interest receivable	1,358	-	1,358
Due from other governmental units	9,116	8,484	17,600
Prepaid items	3,775	-	3,775
Total current assets	<u>1,528,938</u>	<u>102,234</u>	<u>1,631,172</u>
Noncurrent assets:			
Restricted cash	-	33,116	33,116
Capital assets, net	<u>1,157,337</u>	<u>4,735,996</u>	<u>5,893,333</u>
Total noncurrent assets	<u>1,157,337</u>	<u>4,769,112</u>	<u>5,926,449</u>
Total assets	<u>2,686,275</u>	<u>4,871,346</u>	<u>7,557,621</u>
LIABILITIES			
Current liabilities:			
Accounts, salaries and other payables	71,058	22,347	93,405
Bonds payable	-	38,609	38,609
Total current liabilities	<u>71,058</u>	<u>60,956</u>	<u>132,014</u>
Noncurrent liabilities:			
Bonds payable	-	1,425,840	1,425,840
Total noncurrent liabilities	<u>-</u>	<u>1,425,840</u>	<u>1,425,840</u>
Total liabilities	<u>71,058</u>	<u>1,486,796</u>	<u>1,557,854</u>
NET ASSETS			
Invested in capital assets, net of related debt	1,157,337	3,271,547	4,428,884
Restricted	-	33,116	33,116
Unrestricted	<u>1,457,880</u>	<u>79,887</u>	<u>1,537,767</u>
Total net assets	<u>\$2,615,217</u>	<u>\$3,384,550</u>	<u>\$5,999,767</u>

The accompanying notes are an integral part of this statement.

TOWN OF HENDERSON, LOUISIANA

Statement of Activities
For the Year Ended June 30, 2012

Activities	Program Revenues			Net (Expense) Revenues and Changes in Net Assets			
	Expenses	Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government	\$ 353,513	\$ 25,739	\$ -	\$ 10,474	\$ (317,300)	\$ -	\$ (317,300)
Sanitation	123,781	148,032	-	-	24,251	-	24,251
Public safety	564,235	888,363	8,280	-	332,408	-	332,408
Culture & recreation	63,640	13,289	-	-	(50,351)	-	(50,351)
Total governmental activities	<u>1,105,169</u>	<u>1,075,423</u>	<u>8,280</u>	<u>10,474</u>	<u>(10,992)</u>	<u>-</u>	<u>(10,992)</u>
Business-type activities:							
Sewer	322,392	193,579	-	37,584	-	(91,229)	(91,229)
Interest on long-term debt	59,782	-	-	-	-	(59,782)	(59,782)
Total business-type activities	<u>382,174</u>	<u>193,579</u>	<u>-</u>	<u>37,584</u>	<u>-</u>	<u>(151,011)</u>	<u>(151,011)</u>
Total	<u>\$1,487,343</u>	<u>\$1,269,002</u>	<u>\$ 8,280</u>	<u>\$ 48,058</u>	<u>(10,992)</u>	<u>(151,011)</u>	<u>(162,003)</u>
General revenues:							
Taxes -							
Property taxes, levied for general purposes					6,419	-	6,419
Sales and use taxes, levied for general purposes					101,864	-	101,864
Beer & tobacco taxes					2,461	-	2,461
Franchise taxes					56,621	-	56,621
State funds -							
State revenue sharing					1,236	-	1,236
Intergovernmental revenue					42,388	-	42,388
Investment income					2,830	-	2,830
Miscellaneous income					13,365	16,924	30,289
Transfers					(7)	7	-
Total general revenues and transfers					<u>227,177</u>	<u>16,931</u>	<u>244,108</u>
Change in net assets					216,185	(134,080)	82,105
Net Assets - July 1, 2011					<u>2,399,032</u>	<u>3,518,630</u>	<u>5,917,662</u>
Net Assets - June 30, 2012					<u>\$ 2,615,217</u>	<u>\$3,384,550</u>	<u>\$ 5,999,767</u>

The accompanying notes are an integral part of this statement.

FUND FINANCIAL STATEMENTS (FFS)

FUND DESCRIPTIONS

MAJOR FUNDS

General Fund

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

Special Revenue Funds

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. These taxes are dedicated for the purpose of constructing, acquiring, extending, improving and/or maintaining streets and incidental public buildings, including the acquisition of all necessary land, equipment, and furnishings for the aforesaid public works and improvements; and, maintaining and operating garbage and waste collection and disposal facilities, including the purchase of equipment.

Enterprise Fund

Utility Fund -

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

NONMAJOR FUND

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, 2012

	General	Sales Tax Special Revenue	Nonmajor Fund Park	Total Governmental Funds
ASSETS				
Cash and interest bearing deposits	\$1,328,415	\$141,150	\$ 3,783	\$1,473,348
Accounts receivable	28,110	13,231	-	41,341
Accrued interest receivable	1,358	-	-	1,358
Due from other governments	1,138	7,978	-	9,116
Prepaid items	3,775	-	-	3,775
Total assets	<u><u>\$1,362,796</u></u>	<u><u>\$162,359</u></u>	<u><u>\$ 3,783</u></u>	<u><u>\$1,528,938</u></u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 57,039	\$ 13,040	\$ 622	\$ 70,701
Payroll liabilities	146	203	8	357
Total liabilities	<u>57,185</u>	<u>13,243</u>	<u>630</u>	<u>71,058</u>
Fund balances -				
Nonspendable	3,775	-	-	3,775
Restricted	-	149,116	3,153	152,269
Committed	-	-	-	-
Assigned	5,183	-	-	5,183
Unassigned	1,296,653	-	-	1,296,653
Total fund balances	<u>1,305,611</u>	<u>149,116</u>	<u>3,153</u>	<u>1,457,880</u>
Total liabilities and fund balances	<u><u>\$1,362,796</u></u>	<u><u>\$162,359</u></u>	<u><u>\$ 3,783</u></u>	<u><u>\$1,528,938</u></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 Assets
June 30, 2012

Total fund balances for governmental funds at June 30, 2012		\$1,457,880
Total net assets reported for governmental activities in the statement of net assets 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		39,902
Buildings and improvements, net of \$144,330 accumulated depreciation		103,049
Equipment and vehicles, net of \$179,694 accumulated depreciation		136,289
Streets and improvements, net of \$242,295 accumulated depreciation		663,816
Parks and facilities, net of \$130,884 accumulated depreciation		164,220
Office Equipment, net of \$17,590 accumulated depreciation		19,061
		<u>1,157,337</u>
Total net assets of governmental activities at June 30, 2012		<u>\$2,615,217</u>

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, 2012

	General	Sales Tax Special Revenue	Nonmajor Fund Park	Total
Revenues:				
Taxes	\$ 65,501	\$ 101,864	\$ -	\$ 167,365
Licenses and permits	25,739	-	-	25,739
Intergovernmental	6,945	-	-	6,945
State funds	44,959	10,474	-	55,433
Fines and forfeitures	888,363	-	-	888,363
Fees	-	148,032	-	148,032
Miscellaneous	3,365	-	10,000	13,365
Investment income	2,705	125	-	2,830
Park revenue	-	-	13,289	13,289
Total revenues	<u>1,037,577</u>	<u>260,495</u>	<u>23,289</u>	<u>1,321,361</u>
Expenditures:				
Current -				
General government	240,382	72,977	-	313,359
Sanitation	-	123,781	-	123,781
Public safety	551,203	-	-	551,203
Park and recreation	7,808	-	12,383	20,191
Capital outlay	<u>53,480</u>	<u>118,652</u>	<u>10,461</u>	<u>182,593</u>
Total expenditures	<u>852,873</u>	<u>315,410</u>	<u>22,844</u>	<u>1,191,127</u>
Excess (deficiency) of revenues over expenditures	<u>184,704</u>	<u>(54,915)</u>	<u>445</u>	<u>130,234</u>
Other financing uses:				
Operating transfers out	<u>-</u>	<u>(7)</u>	<u>-</u>	<u>(7)</u>
Total other financing uses	<u>-</u>	<u>(7)</u>	<u>-</u>	<u>(7)</u>
Net changes in fund balances	184,704	(54,922)	445	130,227
Fund balances, beginning	<u>1,120,907</u>	<u>204,038</u>	<u>2,708</u>	<u>1,327,653</u>
Fund balances, ending	<u>\$ 1,305,611</u>	<u>\$ 149,116</u>	<u>\$ 3,153</u>	<u>\$ 1,457,880</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, 2012

Total net changes in fund balances per Statement of Revenues, Expenditures and Changes in Fund Balances	\$ 130,227
The change in net assets 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	182,593
Depreciation expense	(94,649)
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.	<u>(1,986)</u>
Total changes in net assets per Statement of Activities	<u>\$ 216,185</u>

The accompanying notes are an integral part of this statement.

TOWN OF HENDERSON, LOUISIANA

Statement of Net Assets
 Proprietary Fund
 June 30, 2012

ASSETS

Current assets:	
Cash	\$ 62,510
Accounts receivable	31,240
Due from other governments	8,484
Total current assets	<u>102,234</u>
Noncurrent assets:	
Restricted cash	33,116
Capital assets	4,735,996
Total noncurrent assets	<u>4,769,112</u>
Total assets	<u>4,871,346</u>

LIABILITIES

Current liabilities:	
Accounts payable	8,053
Accrued interest payable	5,865
Contract payable	7,316
Retainage payable	1,113
Bonds payable	38,609
Total current liabilities	<u>60,956</u>
Noncurrent liabilities:	
Bonds payable	1,425,840
Total liabilities	<u>1,486,796</u>

NET ASSETS

Invested in capital assets, net of related debt	3,271,547
Restricted	33,116
Unrestricted	79,887
Total net assets	<u>\$3,384,550</u>

The accompanying notes are an integral part of this statement.

TOWN OF HENDERSON, LOUISIANA

Statement of Revenues, Expenses, and Changes in Fund Net Assets -
 Proprietary Fund
 For the Year Ended June 30, 2012

Operating revenues:	
Charges for services -	
Sewer service charges	\$ 193,579
Total operating revenue	<u>193,579</u>
Operating expenses:	
Administrative fees	2,670
Contract labor	22,000
Supplies, repairs and maintenance	17,526
Professional fees	5,035
Installation and technician fee	5,600
Depreciation	240,053
Testing and inspection fees	1,950
Utilities	18,654
Waste disposal fees	3,017
Salaries	4,000
Payroll expenses	389
Miscellaneous	1,498
Total operating expenses	<u>322,392</u>
Operating loss	<u>(128,813)</u>
Non-operating revenue and expenses:	
Grants:	
LCDBG grant	37,584
Interest expense	(59,782)
Miscellaneous income	16,924
Total non-operating expenses	<u>(5,274)</u>
Loss before transfers	(134,087)
Transfers in	<u>7</u>
Change in net assets	(134,080)
Net assets, beginning	<u>3,518,630</u>
Net assets, ending	<u>\$ 3,384,550</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, 2012

Cash flows from operating activities:	
Receipts from customers	\$ 195,295
Payments to suppliers	(77,236)
Payments to employees	<u>(4,000)</u>
Net cash provided by operating activities	<u>114,059</u>
Cash flows from noncapital financing activities:	
Other receipts	<u>16,924</u>
Net cash provided by noncapital financing activities	<u>16,924</u>
Cash flows from capital and related financing activities:	
Proceeds from grants	29,100
Interest paid on bonds & notes payable	(60,058)
Principal paid on bonds & notes payable	(37,029)
Transfer and change in due to Sales Tax Fund	(11,126)
Acquisition of capital assets	<u>(51,620)</u>
Net cash used by capital and related financing activities	<u>(130,733)</u>
Cash flows from investing activities	<u>-</u>
Net increase in cash and cash equivalents	250
Cash and cash equivalents, beginning of period	<u>95,376</u>
Cash and cash equivalents, end of period	<u>\$ 95,626</u>

(continued)

TOWN OF HENDERSON, LOUISIANA

Statement of Cash Flows
Proprietary Fund (continued)
For the Year Ended June 30, 2012

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

Cash flows from operating activities

Operating loss \$ (128,813)

Adjustments to reconcile operating loss to net cash provided
by operating activities-

Depreciation 240,053

Changes in current assets & liabilities:

Decrease in accounts receivable 1,716

Increase in accounts payable 1,103

Total adjustments 242,872

Net cash provided by operating activities \$ 114,059

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. Proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

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. 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 assets and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity, except the fiduciary funds. 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 and report all financial resources not accounted for and reported 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. These taxes are dedicated for the purpose of constructing, acquiring, extending, improving and/or maintaining streets and incidental public buildings, including the acquisition of all necessary land, equipment, and furnishings for the aforesaid public works and improvements; and, maintaining and operating garbage and waste collection and disposal facilities, including the purchase of equipment.

Proprietary Fund Type-

Enterprise Fund

The enterprise fund is 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's nonmajor fund is described below:

Special Revenue Fund -

Park Fund

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

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.

TOWN OF HENDERSON, LOUISIANA

Notes to Basic Financial Statements (Continued)

Measurement Focus

In the government-wide statement of net assets and the statement of activities, both governmental and business-type activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported.

In the fund financial statements, all governmental funds utilize the 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.

Basis of Accounting

In the government-wide statement of net assets and statement of activities, governmental and business-type activities are presented using 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. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities 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 this 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 current assets. 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.

All proprietary funds are accounted for on a flow of economic resources measurement focus. Fund equity is classified as net assets. Proprietary fund-type operating statements present increases (e.g. revenues) and decreases (e.g. expenses) in net total assets. 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.

TOWN OF HENDERSON, LOUISIANA

Notes to Basic Financial Statements (Continued)

D. Assets, Liabilities, and Equity

Cash

For purposes of the Statement of Net Assets, 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.

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 Assets.

Receivables

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

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's threshold for capitalization is \$1,000.

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 Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. 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

TOWN OF HENDERSON, LOUISIANA

Notes to Basic Financial Statements (Continued)

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.

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.

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 both bonds payable and notes 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.

The Town's policy concerning vacation time and sick leave is such that unused amounts are lost each year unless taken. Therefore, at June 30, 2012 there is no accrual for accumulated leave.

Equity Classifications

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

- a. Invested in capital assets, net of related debt – 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 that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets – Consists of net assets with constraints 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 assets – All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

In the fund financial statements, governmental fund equity is classified as fund balance. Fund balance is further classified as described in the following paragraph. Proprietary fund equity is classified the same as in the government-wide statements.

TOWN OF HENDERSON, LOUISIANA

Notes to Basic Financial Statements (Continued)

Fund balances of the governmental funds are classified as follows:

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, 2012, fund balances are composed of the following:

	General Fund	Sales Tax Fund	Nonmajor Governmental Fund	Total Governmental Funds
Nonspendable:				
Prepaid items	\$ 3,775	\$ -	\$ -	\$ 3,775
Restricted:				
Sales tax	-	149,116	-	149,116
Park maintenance	-	-	3,153	3,153
Committed:	-	-	-	-
Assigned:				
Library maintenance	5,183	-	-	5,183
Unassigned:	<u>1,296,653</u>	<u>-</u>	<u>-</u>	<u>1,296,653</u>
	<u>\$ 1,305,611</u>	<u>\$ 149,116</u>	<u>\$ 3,153</u>	<u>\$ 1,457,880</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.

E. 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 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.

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2012 are recorded as prepaid items. The only prepaid item that existed at June 30, 2012 was prepaid insurance.

TOWN OF HENDERSON, LOUISIANA

Notes to Basic Financial Statements (Continued)

(2) Cash and interest bearing deposits

Under state law, the Town may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. The Town may invest in certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana. At June 30, 2012, the Town has cash and interest-bearing deposits (book balances) totaling \$1,568,974.

These deposits are stated at cost, which approximates market. Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town's policy, by state law, is that all deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit within the fiscal agent bank. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. Deposit balances (bank balances) at June 30, 2012 are secured as follows:

Bank balances	\$ 1,579,793
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At June 30, 2012 the deposits are secured as follows:

Insured	\$ 264,449
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Uninsured and collateral held by pledging bank	<u>1,315,344</u>
------------------------------------------------	------------------

not in Town's name

Total	<u>\$ 1,579,793</u>
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(3) Restricted Cash

Restricted cash at June 30, 2012 is comprised of the following:

	<u>Business-Type Activities</u>
Sinking Fund	\$ 4,832
Renewal and Replacement Fund	14,142
Reserve Fund	<u>14,142</u>
Total	<u>\$ 33,116</u>

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

TOWN OF HENDERSON, LOUISIANA

Notes to Basic Financial Statements (Continued)

(4) Receivables

The following is a summary of receivables at June 30, 2012:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Franchise tax	\$ 12,974	\$ -	\$ 12,974
Fines and forfeitures	15,136	-	15,136
Garbage collections	13,231	-	13,231
Sewer collections	<u>-</u>	<u>31,240</u>	<u>31,240</u>
 Total	 <u>\$ 41,341</u>	 <u>\$ 31,240</u>	 <u>\$ 72,581</u>

(5) Due From Other Governments

Amounts due from other governments at June 30, 2012, consist of the following:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Video poker	\$ 1,138	\$ -	\$ 1,138
Sales tax receivable	7,978	-	7,978
State grant	<u>-</u>	<u>8,484</u>	<u>8,484</u>
	<u>\$ 9,116</u>	<u>\$ 8,484</u>	<u>\$ 17,600</u>

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

(6) Capital Assets

Capital asset activity for the year ended June 30, 2012 is as follows:

	<u>Balance</u> <u>07/01/11</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>06/30/12</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 31,000	\$ -	\$ -	\$ 31,000
Construction in progress	-	39,902	-	39,902
Other capital assets:				
Buildings	247,379	-	-	247,379
Autos & equipment	263,603	53,480	(1,100)	315,983
Streets & improvements	827,361	78,750	-	906,111
Parks & facilities	284,643	10,461	-	295,104
Office equipment	<u>38,601</u>	<u>-</u>	<u>(1,950)</u>	<u>36,651</u>
Total capital assets	<u>1,692,587</u>	<u>182,593</u>	<u>(3,050)</u>	<u>1,872,130</u>
Less accumulated depreciation:				
Buildings	135,222	9,108	-	144,330
Autos & equipment	133,078	47,436	(820)	179,694
Streets & improvements	218,578	23,717	-	242,295
Parks & facilities	122,026	8,858	-	130,884
Office equipment	<u>12,304</u>	<u>5,530</u>	<u>(244)</u>	<u>17,590</u>
Total accumulated depreciation	<u>621,208</u>	<u>94,649</u>	<u>(1,064)</u>	<u>714,793</u>
Governmental activities, capital assets, net	<u>\$ 1,071,379</u>	<u>\$ 87,944</u>	<u>\$ (1,986)</u>	<u>\$ 1,157,337</u>

TOWN OF HENDERSON, LOUISIANA

Notes to Basic Financial Statements (Continued)

	<u>Balance</u> 07/01/11	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> 06/30/12
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 21,600	\$ -	\$ -	\$ 21,600
Construction in progress	-	39,097	-	39,097
Other capital assets:				
Buildings	5,714,898	-	-	5,714,898
Equipment	<u>72,427</u>	<u>20,952</u>	<u>-</u>	<u>93,379</u>
Total capital assets	<u>5,808,925</u>	<u>60,049</u>	<u>-</u>	<u>5,868,974</u>
Less accumulated depreciation:				
Buildings	874,694	228,382	-	1,103,076
Equipment	<u>18,231</u>	<u>11,671</u>	<u>-</u>	<u>29,902</u>
Total accumulated depreciation	<u>892,925</u>	<u>240,053</u>	<u>-</u>	<u>1,132,978</u>
Business-type activities, capital assets, net	<u>\$ 4,916,000</u>	<u>\$(180,004)</u>	<u>\$ -</u>	<u>\$ 4,735,996</u>

Depreciation expense was charged to governmental activities as follows:

General government	\$ 38,168
Police	13,032
Culture and recreation	<u>43,449</u>
 Total depreciation expense	 <u>\$ 94,649</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, 2012:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Accounts	\$ 70,701	\$ 7,857	\$ 78,558
Payroll withholdings	357	196	553
Contract	-	7,316	7,316
Retainage	-	1,113	1,113
Accrued interest	-	5,865	5,865
 Total	 <u>\$ 71,058</u>	 <u>\$ 22,347</u>	 <u>\$ 93,405</u>

(8) Ad Valorem Taxes

For the year ended June 30, 2012, taxes of 1.77 mills were levied on property with assessed valuations totaling \$3,517,396.

Total taxes levied for the year ended June 30, 2012 were \$6,419. 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) Retirement Systems

A. State of Louisiana – Municipal Police Employees Retirement System:

Plan description:

The Municipal Police Employees Retirement System (the System) is a cost-sharing multiple-employer public employee retirement system (PERS).

Membership 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 arrest, providing they do not have to pay social security and providing they meet the statutory criteria. The Town's police force is required to pay social security. Therefore, membership is elective at the option of the employee. Employees who retire at or after age fifty-five with twelve years of credited service, at or after age fifty with at least twenty years of credited service or at any age with at least twenty-five years of credited service are entitled to a retirement benefit, payable monthly for life, equal to 3-1/3 percent of their average final compensation. Final compensation is the employee's monthly earnings during the thirty-six consecutive months or joined months that produce the highest average. The System also provides death and disability benefits. Benefits are established by state statute.

TOWN OF HENDERSON, LOUISIANA

Notes to Basic Financial Statements (Continued)

The Municipal Police Retirement System issues a publicly available financial report that includes financial statements and required supplemental information. That report may be obtained by writing to Municipal Police Employees Retirement System, 7722 Office Park Boulevard, Suite 200, Baton Rouge, Louisiana 70809-7601.

Funding policy:

Plan members are required to contribute 7.50% of their annual covered salary and the Town is required to contribute at an actuarially determined rate. The current rate is 26.50% of annual covered payroll. The contribution requirements of plan members and the Town are established and may be amended by the System's Board of Trustees. The Town's contributions to the System for the years ended June 30, 2012, 2011, and 2010 were \$7,950, \$7,500 and \$3,163, respectively, which equal the required contributions for each year.

(10) 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, 2012. 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.

	<u>Revenue Bonds</u>
Long-term debt, June 30, 2011	\$ 1,501,478
Additions	-
Deletions	<u>(37,029)</u>
Long-term debt, June 30, 2012	<u>\$ 1,464,449</u>

TOWN OF HENDERSON, LOUISIANA

Notes to Basic Financial Statements (Continued)

Long-term debt at June 30, 2012 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 \$ 510,000

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 602,901

\$375,000 bond payable, issued by USDA, due in monthly installments of \$1,625; interest rate of 4.125%; full maturity at August 2045 351,548

Total bonds payable \$ 1,464,449

The annual requirements to amortize the outstanding debt as of June 30, 2012 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 38,609	\$ 58,651
2014	39,214	57,184
2015	40,845	55,690
2016	43,505	54,133
2017	45,194	52,478
2018 - 2022	253,435	235,229
2023 - 2027	330,901	182,783
2028 - 2032	142,839	130,488
2033 - 2037	177,584	95,743
2038 - 2042	220,799	52,528
2043 - 2045	<u>131,524</u>	<u>6,232</u>
Total	<u>\$ 1,464,449</u>	<u>\$ 981,139</u>

TOWN OF HENDERSON, LOUISIANA

Notes to Basic Financial Statements (Continued)

(11) Sales Taxes

Proceeds of a 1% sales and use tax approved in a special election in June 1972 are dedicated to be used for the purpose of constructing, acquiring, extending, improving and/or maintaining streets and incidental public buildings, including the acquisition of all necessary land, equipment, and furnishings for the aforesaid public works and improvements; and, maintaining and operating garbage and waste collection and disposal facilities, including the purchase of equipment.

Proceeds from the 1% sales and use tax were \$101,864 for the year ended June 30, 2012.

(12) 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, 2012 were \$13,289.

(13) Compensation of Town Officials

A detail of compensation paid to Town officials for the year ended June 30, 2012 follows:

Sherbin Collette, Mayor	<u>\$ 40,000</u>
Leroy Guidry, Chief of Police	<u>\$ 36,000</u>
Town Council-	
Samantha Leblanc	\$ 1,120
Don Legrand	1,120
Jody Meche	1,120
Ray Robin	1,080
Michael Theriot	<u>1,080</u>
	<u>\$ 5,520</u>

(14) 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, 2012, nor have settlements exceeded insurance coverage for the past three years.

TOWN OF HENDERSON, LOUISIANA

Notes to Basic Financial Statements (Continued)

(15) 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.

(16) On-behalf Payments

The Town has recognized \$35,443 as a revenue and an expenditure for on-behalf salary payments made by the state of Louisiana.

(17) Litigation

At June 30, 2012, the Town filed a motion for a new trial on the one lawsuit that it is involved in. Management is of the opinion that the outcome will be favorable, and therefore, no liability has been recorded.

(18) New Accounting Pronouncement

In December 2010, the Governmental Accounting Standards Board (GASB) approved Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements". The statement specifically identifies and consolidates the accounting and financial reporting provisions that apply to state and local governments. In June 2011, the Governmental Accounting Standards Board (GASB) approved Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position". The statement changes how governments will organize their statements of financial position (such as the current government-wide statement of net assets and the governmental funds balance sheet). Under this standard, financial statements will include deferred outflows of resources and deferred inflows of resources, in addition to assets and liabilities, and will report net position instead of net assets. The provisions of GASB Nos. 62 and 63 must be implemented by the Town of Henderson for the year ending June 30, 2013. The effect of implementation on the Town of Henderson's financial statements has not yet been determined.

(19) Subsequent Events

On August 24, 2012, the Chief of Police and a Lieutenant were arrested and charged with multiple counts of filing or maintaining false public records and payroll fraud, one count each of malfeasance in office, and one count each of criminal conspiracy. The arrests were made as a result of a special investigation done by the Louisiana Office of Inspector General. The matter has now been turned over to the local District Attorney. At this time, the impact on the financial statements and future financial statements is unknown.

Subsequent events have been evaluated through September 21, 2012, the date of the financial statement issuance.

**REQUIRED SUPPLEMENTARY
INFORMATION**

TOWN OF HENDERSON, LOUISIANA
General Fund

Budgetary Comparison Schedule
For the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes:				
Ad valorem	\$ 6,000	\$ 6,000	\$ 6,419	\$ 419
Beer & tobacco taxes	3,000	3,000	2,461	(539)
Franchise taxes	42,000	42,000	56,621	14,621
Total taxes	<u>51,000</u>	<u>51,000</u>	<u>65,501</u>	<u>14,501</u>
Licenses and permits	<u>10,000</u>	<u>10,000</u>	<u>25,739</u>	<u>15,739</u>
Intergovernmental revenues:				
Video poker	<u>2,500</u>	<u>2,500</u>	<u>6,945</u>	<u>4,445</u>
Total intergovernmental revenues	<u>2,500</u>	<u>2,500</u>	<u>6,945</u>	<u>4,445</u>
State funds:				
State grants	43,280	43,280	8,280	(35,000)
State revenue sharing	3,400	3,400	1,236	(2,164)
Supplemental pay	<u>25,500</u>	<u>25,500</u>	<u>35,443</u>	<u>9,943</u>
Total state funds	<u>72,180</u>	<u>72,180</u>	<u>44,959</u>	<u>(27,221)</u>
Fines and forfeitures	<u>800,000</u>	<u>800,000</u>	<u>888,363</u>	<u>88,363</u>
Interest income	<u>-</u>	<u>-</u>	<u>2,705</u>	<u>2,705</u>
Miscellaneous income	<u>6,400</u>	<u>6,400</u>	<u>3,365</u>	<u>(3,035)</u>
Total revenues	<u>942,080</u>	<u>942,080</u>	<u>1,037,577</u>	<u>95,497</u>
Expenditures:				
General government:				
Legislative	5,200	5,200	5,520	(320)
Judicial	23,000	23,000	30,806	(7,806)
Executive	61,800	61,800	63,046	(1,246)
Finance & administrative	<u>254,321</u>	<u>251,900</u>	<u>141,010</u>	<u>110,890</u>
Total general government	<u>344,321</u>	<u>341,900</u>	<u>240,382</u>	<u>101,518</u>
Public safety	496,983	562,983	551,203	11,780
Park and recreation	3,450	12,000	7,808	4,192
Debt service:				
Principal	2,168	2,168	-	2,168
Interest	651	651	-	651
Capital outlay	<u>194,100</u>	<u>194,100</u>	<u>53,480</u>	<u>140,620</u>
Total expenditures	<u>1,041,673</u>	<u>1,113,802</u>	<u>852,873</u>	<u>260,929</u>
Excess (deficiency) of revenues over expenditures	<u>(99,593)</u>	<u>(171,722)</u>	<u>184,704</u>	<u>356,426</u>
Fund balance, beginning	<u>1,120,907</u>	<u>1,120,907</u>	<u>1,120,907</u>	<u>-</u>
Fund balance, ending	<u>\$ 1,021,314</u>	<u>\$ 949,185</u>	<u>\$ 1,305,611</u>	<u>\$ 356,426</u>

TOWN OF HENDERSON, LOUISIANA
Sales Tax Special Revenue Fund

Budgetary Comparison Schedule
For the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Sales and use tax	\$ 70,000	\$ 70,000	\$ 101,864	\$ 31,864
State funds	-	-	10,474	10,474
Garbage collection fees	102,000	102,000	148,032	46,032
Miscellaneous income	500	500	-	(500)
Investment income	<u>1,000</u>	<u>1,000</u>	<u>125</u>	<u>(875)</u>
Total revenues	<u>173,500</u>	<u>173,500</u>	<u>260,495</u>	<u>86,995</u>
Expenditures:				
General government -				
Finance & administrative	76,100	194,100	72,977	121,123
Sanitation	108,400	108,400	123,781	(15,381)
Capital outlay	<u>-</u>	<u>-</u>	<u>118,652</u>	<u>(118,652)</u>
Total expenditures	<u>184,500</u>	<u>302,500</u>	<u>315,410</u>	<u>(12,910)</u>
Deficiency of expenditures over revenues	(11,000)	(129,000)	(54,915)	74,085
Other financing uses:				
Operating transfers out	<u>-</u>	<u>-</u>	<u>(7)</u>	<u>(7)</u>
Total other financing uses	<u>-</u>	<u>-</u>	<u>(7)</u>	<u>(7)</u>
Net changes in fund balances	<u>(11,000)</u>	<u>(129,000)</u>	<u>(54,922)</u>	<u>74,078</u>
Fund balance, beginning	<u>204,038</u>	<u>204,038</u>	<u>204,038</u>	<u>-</u>
Fund balance, ending	<u>\$ 193,038</u>	<u>\$ 75,038</u>	<u>\$ 149,116</u>	<u>\$ 74,078</u>

OTHER SUPPLEMENTARY INFORMATION

TOWN OF HENDERSON, LOUISIANA

Statements of Net Assets
 Proprietary Fund
 June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
Current assets:		
Cash	\$ 62,510	\$ 67,738
Accounts receivable	31,240	32,956
Due from other governments	<u>8,484</u>	<u>-</u>
Total current assets	<u>102,234</u>	<u>100,694</u>
Noncurrent assets:		
Restricted cash	33,116	27,638
Capital assets	<u>4,735,996</u>	<u>4,916,000</u>
Total noncurrent assets	<u>4,769,112</u>	<u>4,943,638</u>
Total assets	<u>4,871,346</u>	<u>5,044,332</u>
LIABILITIES		
Current liabilities:		
Accounts payable	8,053	6,950
Due to other funds	-	11,133
Accrued interest payable	5,865	6,141
Contract payable	7,316	-
Retainage payable	1,113	-
Bonds payable	<u>38,609</u>	<u>39,087</u>
Total current liabilities	<u>60,956</u>	<u>63,311</u>
Noncurrent liabilities:		
Bonds payable	<u>1,425,840</u>	<u>1,462,391</u>
Total liabilities	<u>1,486,796</u>	<u>1,525,702</u>
NET ASSETS		
Invested in capital assets, net of related debt	3,271,547	3,414,522
Restricted	33,116	27,638
Unrestricted	<u>79,887</u>	<u>76,470</u>
Total net assets	<u>\$3,384,550</u>	<u>\$3,518,630</u>

TOWN OF HENDERSON, LOUISIANA

Statements of Revenues, Expenses, and Changes in Fund Net Assets -
 Proprietary Fund
 For the Years Ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Operating revenues:		
Charges for services -		
Sewer service charges	\$ 193,579	\$ 215,167
Total operating revenue	<u>193,579</u>	<u>215,167</u>
Operating expenses:		
Administrative fees	2,670	2,785
Contract labor	22,000	20,400
Supplies, repairs and maintenance	17,526	13,927
Professional fees	5,035	3,481
Installation and technician fee	5,600	8,000
Depreciation	240,053	237,783
Testing and inspection fees	1,950	1,710
Utilities	18,654	23,141
Waste disposal fees	3,017	837
Salaries	4,000	4,000
Payroll expenses	389	392
Miscellaneous	<u>1,498</u>	<u>1,131</u>
Total operating expenses	<u>322,392</u>	<u>317,587</u>
Operating loss	<u>(128,813)</u>	<u>(102,420)</u>
Non-operating revenue (expenses):		
Grants:		
LCDBG grant	37,584	15,000
Interest expense	(59,782)	(61,142)
Miscellaneous income	<u>16,924</u>	<u>17,278</u>
Total non-operating expenses	<u>(5,274)</u>	<u>(28,864)</u>
Loss before transfers	(134,087)	(131,284)
Transfers in	<u>7</u>	<u>-</u>
Change in net assets	(134,080)	(131,284)
Net assets, beginning	<u>3,518,630</u>	<u>3,649,914</u>
Net assets, ending	<u>\$ 3,384,550</u>	<u>\$ 3,518,630</u>

TOWN OF HENDERSON, LOUISIANA

Statements of Cash Flows
 Proprietary Fund
 For the Years Ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Receipts from customers	\$ 195,295	\$ 208,086
Payments to suppliers	(77,236)	(72,777)
Payments to employees	(4,000)	(4,000)
Net cash provided by operating activities	<u>114,059</u>	<u>131,309</u>
Cash flows from noncapital financing activities:		
Proceeds from grants	-	15,000
Other receipts	16,924	17,278
Net cash provided by noncapital financing activities	<u>16,924</u>	<u>32,278</u>
Cash flows from capital and related financing activities:		
Proceeds from grants	29,100	-
Interest paid on bonds & notes payable	(60,057)	(61,406)
Principal paid on bonds & notes payable	(37,030)	(35,476)
Transfer and change in due to Sales Tax Fund	(11,126)	-
Acquisition of capital assets	(51,620)	(33,476)
Net cash used by capital and related financing activities	<u>(130,733)</u>	<u>(130,358)</u>
Cash flows from investing activities	<u>-</u>	<u>-</u>
Net increase in cash and cash equivalents	250	33,229
Cash and cash equivalents, beginning of period	<u>95,376</u>	<u>62,147</u>
Cash and cash equivalents, end of period	<u>\$ 95,626</u>	<u>\$ 95,376</u>

(continued)

TOWN OF HENDERSON, LOUISIANA

Statements of Cash Flows
 Proprietary Fund (continued)
 For the Years Ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Reconciliation of operating income to net cash provided by operating activities:		
Cash flows from operating activities		
Operating loss	\$ (128,813)	\$ (102,420)
Adjustments to reconcile operating loss to net cash provided by operating activities-		
Depreciation	240,053	237,783
Changes in current assets & liabilities:		
Increase/(decrease) in accounts receivable	1,716	(7,082)
Decrease in accounts payable	<u>1,103</u>	<u>3,028</u>
Total adjustments	<u>242,872</u>	<u>233,729</u>
Net cash provided by operating activities	<u>\$ 114,059</u>	<u>\$ 131,309</u>

TOWN OF HENDERSON, LOUISIANA

Schedule of Insurance in Force
(Unaudited)
June 30, 2012

<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	185,000
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
(Unaudited)
June 30, 2012

Records maintained by the Town indicated the following number of customers were being serviced during the month of June 30, 2012:

<u>Customer Type</u>	<u>Number</u>
Residential	566
Commercial	33

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

Aged Accounts Receivable
(Unaudited)
June 30, 2012

Current	\$ 25,414
1 -30 days	126
31-60 days	-
61-90 days	133
> 90 days	<u>5,567</u>
Total	<u>\$ 31,240</u>

**INTERNAL CONTROL
COMPLIANCE
AND
OTHER MATTERS**

KOLDER, CHAMPAGNE, SLAVEN & COMPANY, LLC

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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

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

We have audited 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, 2012, which collectively comprise the Town of Henderson, Louisiana's basic financial statements and have issued our report thereon dated September 21, 2012. 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.

Internal Control Over Financial Reporting

Management of the Town of Henderson, Louisiana is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Town of Henderson, Louisiana's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Henderson, Louisiana's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of prior and current year audit findings and management's corrective action plan, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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

We consider the following deficiencies described in the accompanying schedule of prior and current audit findings and management's corrective action plan as items 12-1 and 12-2 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 of 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*.

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. We did not audit the Town of Henderson, Louisiana's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, others within the entity, Town Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Although the intended use of this report may be limited, 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 21, 2012

TOWN OF HENDERSON, LOUISIANA

Schedule of Prior and Current Year Audit Findings and
Management's Corrective Action Plan
For the Year Ended June 30, 2012

I. Prior Year Findings:

Internal Control Over Financial Reporting

11-1 – 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 12-1.

11-2 – 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 12-2.

Compliance

There were no findings that were required to be reported at June 30, 2011.

Management Letter Items

There were no findings that were required to be reported at June 30, 2011.

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

Internal Control Over Financial Reporting

12-1 – 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.

Management's Corrective Action Plan: Mayor Sherbin Collette has determined that it is not feasible to achieve adequate segregation of functions within the accounting department. No plan is considered necessary.

(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, 2012

12-2 – 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.

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 that are required to be reported at June 30, 2012.

Management Letter Items

There are no findings that are required to be reported at June 30, 2012.