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TOWN OF HENDERSON, LOUISIANA

Financial Report
Year Ended June 30, 2006

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

Release Date 1-31-07

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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, 2006, 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 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, 2006, and the respective changes in financial position and, where applicable, cash flows 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 August 21, 2006 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.

The required supplementary information on pages 34 through 36 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The Town of Henderson 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's basic financial statements. The other supplementary information on pages 37 through 40 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the basic financial statements of the Town. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Kolder, Champagne, Slaven & Company, LLC

Certified Public Accountants

Breaux Bridge, Louisiana
August 21, 2006

BASIC FINANCIAL STATEMENTS

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

TOWN OF HENDERSON, LOUISIANA

Statement of Net Assets
June 30, 2006

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and interest bearing deposits	\$ 148,332	\$ 436	\$ 148,768
Accounts receivable	109,382	-	109,382
Internal balances	3,116	(3,116)	-
Due from other governmental units	34,472	324,825	359,297
Prepaid items	3,261	-	3,261
Total current assets	<u>298,563</u>	<u>322,145</u>	<u>620,708</u>
Noncurrent assets:			
Capital assets, net	581,433	3,831,127	4,412,560
Total noncurrent assets	<u>581,433</u>	<u>3,831,127</u>	<u>4,412,560</u>
Total assets	<u>879,996</u>	<u>4,153,272</u>	<u>5,033,268</u>
LIABILITIES			
Current liabilities:			
Accounts, salaries and other payables	39,885	262,124	302,009
Contract payable	-	70,069	70,069
Retainage payable	10,775	76,169	86,944
Bonds payable	-	946,440	946,440
Note payable	11,970	-	11,970
Total current liabilities	<u>62,630</u>	<u>1,354,802</u>	<u>1,417,432</u>
Noncurrent liabilities:			
Bonds payable	-	559,192	559,192
Note payable	21,234	-	21,234
Total noncurrent liabilities	<u>21,234</u>	<u>559,192</u>	<u>580,426</u>
Total liabilities	<u>83,864</u>	<u>1,913,994</u>	<u>1,997,858</u>
NET ASSETS			
Invested in capital assets, net of related debt	548,229	2,325,495	2,873,724
Unrestricted	247,903	(86,217)	161,686
Total net assets	<u>\$ 796,132</u>	<u>\$2,239,278</u>	<u>\$3,035,410</u>

The accompanying notes are an integral part of this statement.

TOWN OF HENDERSON, LOUISIANA

Statement of Activities
For the Year Ended June 30, 2006

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	\$ 212,081	\$ 20,492	\$ -	\$ 123,108	\$ (68,481)	\$ -	\$ (68,481)
Sanitation	53,211	38,252	-	-	(14,959)	-	(14,959)
Public safety	92,494	246,186	890	-	154,582	-	154,582
Culture & recreation	9,694	7,475	-	-	(2,219)	-	(2,219)
Interest on long-term debt	2,056	-	-	-	(2,056)	-	(2,056)
Total governmental activities	369,536	312,405	890	123,108	66,867	-	66,867
Business-type activities:							
Grants:							
LCDBG grant	-	-	-	701,639	-	701,639	701,639
Rural Development grant	-	-	-	251,910	-	251,910	251,910
Miscellaneous	72	-	-	-	-	(72)	(72)
Total business-type activities	72	-	-	953,549	-	953,477	953,477
Total	\$ 369,608	\$ 312,405	\$ 890	\$ 1,076,657	66,867	953,477	1,020,344
General revenues:							
Taxes -							
Property taxes, levied for general purposes					6,151	-	6,151
Sales and use taxes, levied for general purposes					90,231	-	90,231
Beer & tobacco taxes					2,326	-	2,326
Franchise taxes					70,070	-	70,070
State funds -							
State revenue sharing					2,410	-	2,410
Intergovernmental revenue					3,449	-	3,449
Investment income					701	-	701
Miscellaneous income					5,147	-	5,147
Transfers					(11,733)	11,733	-
Total general revenues and transfers					168,752	11,733	180,485
Change in net assets					235,619	965,210	1,200,829
Net assets - July 1, 2005					560,513	1,274,068	1,834,581
Net assets - June 30, 2006					\$ 796,132	\$ 2,239,278	\$ 3,035,410

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 receipts and disbursements associated with the ongoing sewer system improvement project.

NONMAJOR FUND

One Special Revenue Fund is presented as the nonmajor fund. Information about this fund can be found on pages 38-40.

Fiduciary Fund

Agency Fund -

The agency fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations. The agency fund of the Town is used as a depository for the Lynch Botanical Gardens and Bird Sanctuary, Land Acquisition, Planning and Construction Project. Disbursements for this project are limited to capital improvements.

TOWN OF HENDERSON, LOUISIANA

Balance Sheet
Governmental Funds
June 30, 2006

	<u>General</u>	<u>Sales Tax Special Revenue</u>	<u>Nonmajor Fund</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and interest bearing deposits	\$ 95,900	\$ 47,155	\$ 5,277	\$ 148,332
Accounts receivable	72,521	36,861	-	109,382
Due from other governments	26,386	8,086	-	34,472
Due from other funds	1,929	1,187	-	3,116
Prepaid items	3,261	-	-	3,261
Total assets	<u>\$ 199,997</u>	<u>\$ 93,289</u>	<u>\$ 5,277</u>	<u>\$ 298,563</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 34,094	\$ 4,608	\$ 226	\$ 38,928
Retainage payable	10,775	-	-	10,775
Payroll liabilities	713	244	-	957
Total liabilities	<u>45,582</u>	<u>4,852</u>	<u>226</u>	<u>50,660</u>
Fund balances -				
Reserved for prepaid items	3,261	-	-	3,261
Unreserved:				
Unreserved, undesignated	<u>151,154</u>	<u>88,437</u>	<u>5,051</u>	<u>244,642</u>
Total fund balances	<u>154,415</u>	<u>88,437</u>	<u>5,051</u>	<u>247,903</u>
Total liabilities and fund balances	<u>\$ 199,997</u>	<u>\$ 93,289</u>	<u>\$ 5,277</u>	<u>\$ 298,563</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, 2006

Total fund balances for governmental funds at June 30, 2006 \$ 247,903

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	
Buildings and improvements, net of \$104,048 accumulated depreciation	117,942	
Equipment and vehicles, net of \$84,465 accumulated depreciation	54,135	
Streets and improvements, net of \$143,347 accumulated depreciation	201,136	
Park and facilities, net of \$82,944 accumulated depreciation	174,276	
Office equipment, net of \$15,169 accumulated depreciation	<u>2,944</u>	581,433

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

Notes payable	<u>(33,204)</u>	
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548,229

Total net assets of governmental activities at June 30, 2006 \$ 796,132

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, 2006

	General	Sales Tax Special Revenue	Nonmajor Fund	Total
Revenues:				
Taxes	\$ 78,547	\$ 90,231	\$ -	\$ 168,778
Licenses and permits	20,492	-	-	20,492
Federal grants	100,000	-	-	100,000
Intergovernmental	3,449	-	-	3,449
State funds	26,408	-	-	26,408
Fees	246,186	38,252	-	284,438
Miscellaneous	2,644	-	-	2,644
Investment income	13	688	-	701
Park revenue	-	-	9,975	9,975
Total revenues	<u>477,739</u>	<u>129,171</u>	<u>9,975</u>	<u>616,885</u>
Expenditures:				
Current -				
General government	111,611	83,867	-	195,478
Sanitation	-	53,211	-	53,211
Public safety	87,140	-	-	87,140
Park and recreation	-	-	6,438	6,438
Debt service - principal	5,623	-	-	5,623
Debt service - interest	2,056	-	-	2,056
Capital outlay	159,217	-	-	159,217
Total expenditures	<u>365,647</u>	<u>137,078</u>	<u>6,438</u>	<u>509,163</u>
Excess (deficiency) of revenues over expenditures	<u>112,092</u>	<u>(7,907)</u>	<u>3,537</u>	<u>107,722</u>
Other financing sources (uses):				
Sale of fixed assets	2,000	-	-	2,000
Proceeds from financing agreement	24,179	-	-	24,179
Operating transfers out	(11,733)	-	-	(11,733)
Total other financing sources	<u>14,446</u>	<u>-</u>	<u>-</u>	<u>14,446</u>
Net changes in fund balances	126,538	(7,907)	3,537	122,168
Fund balances, beginning	<u>27,877</u>	<u>96,344</u>	<u>1,514</u>	<u>125,735</u>
Fund balances, ending	<u>\$ 154,415</u>	<u>\$ 88,437</u>	<u>\$ 5,051</u>	<u>\$ 247,903</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, 2006

Total net changes in fund balances per Statement of Revenues,
Expenditures and Changes in Fund Balances \$ 122,168

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 159,217
Depreciation expense (27,210)

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

Principal debt payments for the year ended June 30, 2006 5,623

Capital lease proceeds provide current financial resources to governmental
funds, but issuing debt increases long-term liabilities in the statement of net
assets.

Proceeds for the year ended June 30, 2006 (24,179)

Total changes in net assets per Statement of Activities \$ 235,619

The accompanying notes are an integral part of this statement.

TOWN OF HENDERSON, LOUISIANA

Statement of Net Assets
 Proprietary Fund
 June 30, 2006

ASSETS	
Current assets:	
Cash	\$ 436
Due from other governmental units	<u>324,825</u>
Total current assets	<u>325,261</u>
Noncurrent assets:	
Capital assets	<u>3,831,127</u>
Total noncurrent assets	<u>3,831,127</u>
Total assets	<u>4,156,388</u>
LIABILITIES	
Current liabilities:	
Accounts payable	262,124
Contract payable	70,069
Retainage payable	76,169
Due to other funds	3,116
Bonds payable	<u>946,440</u>
Total current liabilities	<u>1,357,918</u>
Noncurrent liabilities:	
Bonds payable	<u>559,192</u>
Total liabilities	<u>1,917,110</u>
NET ASSETS	
Invested in capital assets, net of related debt	2,325,495
Unrestricted	<u>(86,217)</u>
Total net assets	<u>\$2,239,278</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, 2006

Operating revenues	\$ <u> -</u>
Operating expenses	<u> 72</u>
Operating loss	<u> (72)</u>
Non-operating revenue	
Grants:	
LCDBG grant	701,639
Rural Development grant	<u>251,910</u>
Total non-operating revenue	<u>953,549</u>
Income before operating transfers	953,477
Operating transfers in	<u>11,733</u>
Net income	965,210
Retained earnings, beginning	<u>1,274,068</u>
Retained earnings, ending	<u>\$2,239,278</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, 2006

Cash flows from operating activities:	
Receipts from granting agencies	\$ (814,299)
Payments to suppliers	<u>894,115</u>
Net cash provided by operating activities	<u>79,816</u>
Cash flows from noncapital financing activities	<u>-</u>
Cash flows from capital and related financing activities:	
Capital contributed from federal grants	953,549
Interest paid on DEQ bonds	(11,733)
Proceeds from DEQ bonds	298,564
Proceeds from Bond Anticipation Note	926,149
Acquisition and construction of capital assets	(2,261,253)
Transfer and change in due to general fund	<u>12,351</u>
Net cash used by capital and related financing activities	<u>(82,373)</u>
Cash flows from investing activities	<u>-</u>
Net decrease in cash and cash equivalents	(2,557)
Cash and cash equivalents, beginning of period	<u>2,993</u>
Cash and cash equivalents, end of period	<u>\$ 436</u>

(continued)

TOWN OF HENDERSON, LOUISIANA

Statement of Cash Flows
Proprietary Fund (continued)
For the Year Ended June 30, 2006

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

Cash flows from operating activities

Operating loss \$ (72)

Adjustments to reconcile operating loss to net cash provided

by operating activities-

Changes in current assets & liabilities:

Increase in due from other governments (324,825)

Increase in accounts payable 258,475

Increase in contract payable 70,069

Increase in retainage payable 76,169

Total adjustments 79,888

Net cash provided by operating activities \$ 79,816

The accompanying notes are an integral part of this statement.

TOWN OF HENDERSON
Henderson, Louisiana

Statement of Fiduciary Assets and Liabilities - Agency Fund
June 30, 2006

Assets	
Cash and cash equivalents	<u>\$ 10</u>
Liabilities	
Held for others	<u>\$ 10</u>

The accompanying notes are an integral part of this statement.

TOWN OF HENDERSON, LOUISIANA

Notes to Basic Financial Statements

(1) Summary of Significant Accounting Policies

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

The accounting and reporting practices of the Town of Henderson conform to generally accepted accounting principles as applicable to governmental units on a consistent basis between periods. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:517 and to the guides set forth in the industry audit guide, Audits of State and Local Governments, published by the American Institute of Certified Public Accountants. The Town's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. 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 1,500 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.

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

TOWN OF HENDERSON, LOUISIANA

Notes to Basic Financial Statements (Continued)

- 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.

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 municipality which accounts for all financial resources, except those required to be accounted for in other funds.

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 funds are described below:

Special Revenue Fund -

Park Fund

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

TOWN OF HENDERSON, LOUISIANA

Notes to Basic Financial Statements (Continued)

Fiduciary Fund Type –

Agency Fund

The agency fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations. The agency fund of the Town is used as a depository for the Lynch Botanical Gardens and Bird Sanctuary, Land Acquisition, Planning and Construction Project. Disbursements for this project are limited to capital improvements.

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

In the government-wide statement of net assets and the statement of activities, governmental activities are presented using the economic resources measurement. 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, the current financial resources measurement focus is used. 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 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

TOWN OF HENDERSON, LOUISIANA

Notes to Basic Financial Statements (Continued)

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. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

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

The modified accrual basis of accounting is used by all governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transactions can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. 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.

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.

TOWN OF HENDERSON, LOUISIANA

Notes to Basic Financial Statements (Continued)

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
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.

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.

TOWN OF HENDERSON, LOUISIANA

Notes to Basic Financial Statements (Continued)

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, 2006 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 statements, governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

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.

TOWN OF HENDERSON, LOUISIANA

Notes to Basic Financial Statements (Continued)

4. After the holding of the public hearing and completion of all action necessary to finalize and implement the budget, the budget is adopted through passage of 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, 2006 are recorded as prepaid items. The only prepaid item that existed at June 30, 2006 was prepaid insurance.

(2) Cash and interest bearing deposits

At June 30, 2006, the Town of Henderson has cash and interest-bearing deposits (book balances) totaling \$148,778 of which \$10 is attributable to the nonmajor fiduciary fund, which is not presented in the statement of net assets.

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. 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. The following is a summary of deposit balances (bank balances) at June 30, 2006, and the related federal insurance and pledged securities:

Bank Balances	<u>\$ 205,753</u>
Federal deposit insurance	\$ 130,000
Pledged securities (Category 3)	<u>75,753</u>
Total	<u>\$ 205,753</u>

TOWN OF HENDERSON, LOUISIANA

Notes to Basic Financial Statements (Continued)

Pledged securities in Category 3 include uninsured or unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent, but not in the Town of Henderson's name. Even though the pledged securities are considered uncollateralized (Category 3) Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the Town of Henderson that the fiscal agent has failed to pay deposited funds upon demand.

The Town has not formally adopted a deposit and investment policy that limits their allowable deposits or investments.

(3) Receivables

The following is a summary of receivables for June 30, 2006:

General fund:		
Franchise tax		\$ 16,882
Fines and forfeitures		53,669
Ad valorem tax		1,155
Licenses		<u>815</u>
Total general fund		\$ <u>72,521</u>
Sales tax special revenue fund:		
Garbage collection		<u>\$ 36,861</u>
Total		<u>\$ 109,382</u>

(4) Due From Other Governments

Amounts due from other governments at June 30, 2006, consist of the following:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Federal grants	\$ 25,496	\$ 324,825	\$ 350,321
State grants	890	-	890
Sales tax receivable	<u>8,086</u>	<u>-</u>	<u>8,086</u>
	<u>\$ 34,472</u>	<u>\$ 324,825</u>	<u>\$ 359,297</u>

(5) Capitalization of Interest Expense

It is the policy of the Town of Henderson to capitalize interest resulting from borrowings in the course of the construction of fixed assets as a component of the cost of property, plant, and

TOWN OF HENDERSON, LOUISIANA

Notes to Basic Financial Statements (Continued)

equipment. At June 30, 2006 total interest incurred was \$11,733, of which the total amount was capitalized.

(6) Capital Assets

Capital asset activity for the year ended June 30, 2006 is as follows:

	<u>Balance</u> <u>7/1/2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/2006</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 31,000	\$ -	\$ -	\$ 31,000
Construction in progress	24,861	-	(24,861)	-
Other capital assets:				
Buildings	221,990	-	-	221,990
Autos & equipment	130,005	34,667	(26,072)	138,600
Streets & improvements	320,371	24,112	-	344,483
Park & facilities	132,966	124,254	-	257,220
Office equipment	<u>17,068</u>	<u>1,045</u>	<u>-</u>	<u>18,113</u>
Total capital assets	<u>878,261</u>	<u>184,078</u>	<u>(50,933)</u>	<u>1,011,406</u>
Less accumulated depreciation				
Buildings	98,501	5,547	-	104,048
Autos & equipment	102,895	7,642	(26,072)	84,465
Streets & improvements	133,792	9,555	-	143,347
Park & facilities	79,689	3,255	-	82,944
Office equipment	<u>13,958</u>	<u>1,211</u>	<u>-</u>	<u>15,169</u>
Total accumulated depreciation	<u>428,835</u>	<u>27,210</u>	<u>(26,072)</u>	<u>429,973</u>
Governmental activities, capital assets, net	<u>\$ 449,426</u>	<u>\$ 156,868</u>	<u>\$ (24,861)</u>	<u>\$ 581,433</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 21,600	\$ -	\$ -	\$ 21,600
Construction in progress	<u>1,536,541</u>	<u>2,272,986</u>	<u>-</u>	<u>3,809,527</u>
Business-type activities, capital assets	<u>\$ 1,558,141</u>	<u>\$ 2,272,986</u>	<u>\$ -</u>	<u>\$ 3,831,127</u>

TOWN OF HENDERSON, LOUISIANA

Notes to Basic Financial Statements (Continued)

Depreciation expense was charged to governmental activities as follows:

General government	\$ 18,602
Police	5,354
Culture and recreation	<u>3,254</u>
Total depreciation expense	<u>\$ 27,210</u>

(7) Accounts, Salaries, and Other Payables

The accounts, salaries, and other payables consisted of the following at June 30, 2006:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Accounts	\$ 38,928	\$ 262,124	\$ 301,052
Payroll withholdings	957	-	957
Total	<u>\$ 39,885</u>	<u>\$ 262,124</u>	<u>\$ 302,009</u>

(8) Interfund Transactions

A. Receivables and payables

A detail of interfund receivable and payable balances as of June 30, 2006:

Fund	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Funds:		
Governmental Funds:		
General Fund	\$ 1,929	\$ -
Sales Tax Special Revenue Fund	1,187	-
Enterprise Fund:		
Utility Fund	-	<u>3,116</u>
Total	<u>\$ 3,116</u>	<u>\$ 3,116</u>

The interfund receivable/payable balances noted above relate to the ongoing sewer project of the utility fund, which should be repaid within the following year.

TOWN OF HENDERSON, LOUISIANA

Notes to Basic Financial Statements (Continued)

B. Interfund transfers

Interfund transfers consisted of the following at June 30, 2006:

	<u>Transfers In</u>	<u>Transfers Out</u>
Major Funds:		
Governmental Funds:		
General Fund	\$ -	\$ 11,733
Enterprise Fund:		
Utility Fund	<u>11,733</u>	<u>-</u>
Total	<u>\$ 11,733</u>	<u>\$ 11,733</u>

Transfers made from general fund to the utility fund relate to the interest due on the bond payable.

(9) Ad Valorem Taxes

For the year ended June 30, 2006, taxes of 1.95 mills were levied on property with assessed valuations totaling \$3,028,137.

Total taxes levied for the year ended June 30, 2006 were \$5,905. 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.

(10) Changes in Agency Fund Balance

A summary of changes in agency fund balance follows:

Balance, June 30, 2005	\$ 10
Additions	-
Deletions	<u>-</u>
Balance, June 30, 2006	<u>\$ 10</u>

TOWN OF HENDERSON, LOUISIANA

Notes to Basic Financial Statements (Continued)

(11) 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, 2006. The general obligation bonds relate to governmental activities while the revenue bonds relate to business-type activities. General obligation debt is paid for by the general fund whereas revenue bonds will be paid for by the utility fund. In the past, payments on long-term debt were paid in the same manner.

	General Obligation	Revenue Bonds
Long-term debt, June 30, 2005	\$ 14,648	\$ 280,919
Additions	24,179	1,224,713
Reductions	(5,623)	-
Long-term debt, June 30, 2006	\$ 33,204	\$1,505,632

TOWN OF HENDERSON, LOUISIANA

Notes to Basic Financial Statements (Continued)

Long-term debt at June 30, 2006 is as follows:

\$600,000 Sewer Revenue Bond Series 2000, issued by the Louisiana Department of Environmental Quality, with an interest rate of 3.95% and a maturity date of March 1, 2022. As of June 30, 2006 \$579,483 has been drawn on the loan resulting in \$20,517 available to be drawn. \$ 579,483

\$1,016,000 Sewer Revenue Bonds Series 2006; \$813,000 was issued by J.P. Morgan Chase Bank, N.A. and the remaining \$203,000 was issued by Louisiana Public Facilities Authority. The interest rate on the \$813,000 portion is 3.75% while the remaining portion bears an interest rate of 0%. The maturity date of the bonds is August 8, 2006, therefore, the entire balance is reflected as a current liability in the financial statements. \$ 926,149

Total revenue bonds debt \$ 1,505,632

General obligation debt

\$19,260 note payable due in monthly installments of \$235; interest rate of 8%; full maturity at March 2012. 12,942

\$24,179 note payable due in monthly installments of \$971; interest rate of 9.75%; full maturity at May 2008. 20,262

Total general obligation debt \$ 33,204

The Town received interim financing from the Louisiana Public Facilities Authority and J.P. Morgan Chase Bank, N.A. by selling revenue bonds. On August 8, 2006, the bonds (having a balance of \$926,149 as of June 30, 2006) reached maturity and were paid in full by the United States Department of Agriculture Rural Development (USDA). The Town will begin making payments to the USDA beginning on March 1, 2007 with the final payment to be made on March 1, 2046.

TOWN OF HENDERSON, LOUISIANA

Notes to Basic Financial Statements (Continued)

The annual requirements to amortize the outstanding debt as of June 30, 2006 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 958,410	\$ 25,136
2008	40,650	22,885
2009	31,821	21,080
2010	33,194	19,707
2011	34,630	18,272
2012-2016	182,919	69,618
2017-2021	220,261	30,128
2022	<u>36,951</u>	<u>611</u>
Total	<u>\$ 1,538,836</u>	<u>\$ 207,437</u>

(12) 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 \$90,231 for the year ended June 30, 2006.

(13) 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, 2006 were \$7,475.

TOWN OF HENDERSON, LOUISIANA

Notes to Basic Financial Statements (Continued)

(14) Compensation of Town Officials

A detail of compensation paid to Town officials for the year ended June 30, 2006 follows:

Sherbin Collette, Mayor	<u>\$ 14,852</u>
Leroy Guidry, Chief of Police	<u>\$ 26,633</u>
Town Council -	
Jody Meche	\$ 1,040
Don Legrand	1,040
Cliff Robertson	880
Elizabeth Robin	1,000
Ray Robin	<u>1,000</u>
	<u>\$ 4,960</u>

(15) Construction Contract

As of June 30, 2006, the Town had the following commitment net of accrued retainage payable with respect to unfinished capital projects:

	<u>Remaining Construction Commitment</u>	<u>Expected Date of Completion</u>
Sewer System Improvement	\$ 1,001,727	11/2006

(16) 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, 2006, nor have settlements exceeded insurance coverage for the past three years.

(17) 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.

**REQUIRED SUPPLEMENTARY
INFORMATION**

TOWN OF HENDERSON, LOUISIANA
General Fund

Budgetary Comparison Schedule
For the Year Ended June 30, 2006

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes:				
Ad valorem	\$ 6,000	\$ 5,600	\$ 6,151	\$ 551
Beer & tobacco taxes	4,000	2,500	2,326	(174)
Franchise taxes	60,000	65,000	70,070	5,070
Total taxes	<u>70,000</u>	<u>73,100</u>	<u>78,547</u>	<u>5,447</u>
Licenses and permits	<u>17,000</u>	<u>17,000</u>	<u>20,492</u>	<u>3,492</u>
Federal grants	<u>15,000</u>	<u>270,058</u>	<u>100,000</u>	<u>(170,058)</u>
Intergovernmental revenues:				
Video poker	<u>3,500</u>	<u>3,300</u>	<u>3,449</u>	<u>149</u>
State funds:				
State grants	3,000	-	23,998	23,998
State revenue sharing	2,500	1,000	2,410	1,410
Total state funds	<u>5,500</u>	<u>1,000</u>	<u>26,408</u>	<u>25,408</u>
Fines and forfeitures	<u>90,000</u>	<u>180,000</u>	<u>246,186</u>	<u>66,186</u>
Miscellaneous income	<u>10,000</u>	<u>30,000</u>	<u>2,644</u>	<u>(27,356)</u>
Investment income	-	-	13	13
Total revenues	<u>211,000</u>	<u>574,458</u>	<u>477,739</u>	<u>(96,719)</u>
Expenditures:				
General government:				
Legislative	5,000	6,000	4,960	1,040
Judicial	2,500	2,500	3,222	(722)
Executive	2,600	5,000	3,102	1,898
Finance & administrative	103,300	194,600	100,327	94,273
Total general government	<u>113,400</u>	<u>208,100</u>	<u>111,611</u>	<u>96,489</u>
Public safety	77,400	130,500	87,140	43,360
Debt service:				
Principal	2,190	5,125	5,623	(498)
Interest	810	1,875	2,056	(181)
Capital outlay	-	-	159,217	(159,217)
Total expenditures	<u>193,800</u>	<u>345,600</u>	<u>365,647</u>	<u>(20,047)</u>
Excess of revenues over expenditures	<u>17,200</u>	<u>228,858</u>	<u>112,092</u>	<u>(116,766)</u>
Other financing sources (uses):				
Transfer in	50	50	-	(50)
Sale of fixed assets	-	-	2,000	2,000
Proceeds from financing agreement	-	-	24,179	24,179
Transfer out	-	(223,641)	(11,733)	211,908
Total other financing sources (uses)	<u>50</u>	<u>(223,591)</u>	<u>14,446</u>	<u>238,037</u>
Net change in fund balances	17,250	5,267	126,538	121,271
Fund balance, beginning	<u>24,245</u>	<u>27,877</u>	<u>27,877</u>	<u>-</u>
Fund balance, ending	<u>\$ 41,495</u>	<u>\$ 33,144</u>	<u>\$ 154,415</u>	<u>\$ 121,271</u>

TOWN OF HENDERSON, LOUISIANA
Sales Tax Special Revenue Fund

Budgetary Comparison Schedule
For the Year Ended June 30, 2006

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Sales and use tax	\$ 105,000	\$ 76,000	\$ 90,231	\$ 14,231
Garbage collection fees	60,000	60,000	38,252	(21,748)
Investment income	-	-	688	688
Total revenues	<u>165,000</u>	<u>136,000</u>	<u>129,171</u>	<u>(6,829)</u>
Expenditures:				
General government -				
Finance & administrative	94,450	83,050	83,867	(817)
Sanitation	<u>46,000</u>	<u>53,000</u>	<u>53,211</u>	<u>(211)</u>
Total expenditures	<u>140,450</u>	<u>136,050</u>	<u>137,078</u>	<u>(1,028)</u>
Net change in fund balances	24,550	(50)	(7,907)	(5,801)
Fund balance, beginning	<u>46,555</u>	<u>96,344</u>	<u>96,344</u>	<u>-</u>
Fund balance, ending	<u>\$ 71,105</u>	<u>\$ 96,294</u>	<u>\$ 88,437</u>	<u>\$ (5,801)</u>

OTHER SUPPLEMENTARY INFORMATION

**NON MAJOR
FUND DESCRIPTION**

Park Fund -

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

TOWN OF HENDERSON
Henderson, Louisiana
Nonmajor Governmental Fund

Balance Sheet
June 30, 2006

ASSETS

Cash \$ 5,277

LIABILITIES AND FUND BALANCE

Liabilities \$ 226
Total liabilities 226

Fund balance:
Unreserved 5,051
Total fund balance 5,051

Total liabilities and
fund balance \$ 5,277

TOWN OF HENDERSON, LOUISIANA

Nonmajor Governmental Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance-
For the Year Ended June 30, 2006

Revenues:	
Park use fees	\$ 7,475
Donations	<u>2,500</u>
Total revenues	<u>9,975</u>
Expenditures:	
Current -	
Miscellaneous	410
Refunds	547
Repairs and maintenance	2,749
Supplies	307
Telephone	193
Utilities	<u>2,232</u>
Total expenditures	<u>6,438</u>
Net changes in fund balances	3,537
Fund balance, beginning	<u>1,514</u>
Fund balance, ending	<u>\$ 5,051</u>

**COMPLIANCE
INTERNAL CONTROL
AND
OTHER INFORMATION**

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Retired:
Conrad O. Chapman, CPA* 2006

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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**

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, 2006, which collectively comprise the Town of Henderson, Louisiana's basic financial statements and have issued our report thereon dated August 21, 2006. 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

In planning and performing our audit, we considered the Town of Henderson, Louisiana's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Town of Henderson, Louisiana's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings, questioned costs, and management's corrective action plan as item 06-1.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not

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necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition identified as item 06-1 to be a material weakness.

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 grants 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 an instance of noncompliance that is required to be reported under Government Auditing Standards which is described in the accompanying schedule of findings, questioned costs, and management's corrective action plan as item 06-2.

We also noted an additional matter that we reported to management of the Town of Henderson in a separate letter dated August 21, 2006.

This report is intended solely for the information and use of management, others within the organization, Town Council, 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
August 21, 2006

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**REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB
CIRCULAR A-133**

Retired:
Conrad O. Chapman, CPA* 2008

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

Compliance

We have audited the compliance of the Town of Henderson, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2006. The Town of Henderson's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings, questioned costs and management's corrective action plan. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Town of Henderson's management. Our responsibility is to express an opinion on the Town of Henderson's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Henderson's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Town of Henderson's compliance with those requirements.

In our opinion, the Town of Henderson complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2006.

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Internal Control Over Compliance

The management of the Town of Henderson is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Town of Henderson's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, others within the organization, Town Council, 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
August 21, 2006

TOWN OF HENDERSON

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2006

<u>Federal Grantor/Pass-Through Grantor/ Program Name</u>	<u>Federal CFDA Number</u>	<u>Pass-through Identifying Number</u>	<u>Federal Revenue Recognized</u>	<u>Federal Expenditures</u>
<u>United States Department of Housing and Urban Development</u> Passed through State of Louisiana Office of Finance and Support Services - Local Community Development Block Grant*	14.228	623900	\$ 701,639	\$ 701,639
<u>Environmental Protection Agency</u> Passed through State of Louisiana Department of Environmental Quality Financial Services Division - Capitalization Grant for Clean Water State Revolving Loan*	66.458	CS-221151-01	298,564	298,564
<u>Department of Transportation</u> Passed through State of Louisiana Governor's Office of Rural Development - Louisiana Recreational Trails Program	20.219	02LRT-SMN-9903/ 744-50-0009	100,000	100,000
<u>United States Department of Agriculture</u> Passed through State of Louisiana Office of Rural Development - Water and Waste Disposal Systems Loan and Grant Program:				
Loan Amount*	10.760	N/A	926,149	926,149
Grant Amount*	10.760	N/A	<u>251,910</u>	<u>251,910</u>
Total Expenditures of Federal Awards			<u>\$2,278,262</u>	<u>\$ 2,278,262</u>

*Major federal financial assistance programs.

BASIS OF PRESENTATION:

The above schedule of expenditures of federal awards is presented on the modified accrual basis of accounting, which is the same basis of accounting used for the fund financial statements.

TOWN OF HENDERSON, LOUISIANA

Schedule of Findings, Questioned Costs and
Management's Corrective Action Plan
Year Ended June 30, 2006

Part I: Summary of Auditor's Results:

1. An unqualified opinion was issued on the financial statements.
2. A reportable condition in internal control was disclosed by the audit of the financial statements.
3. Material noncompliance was disclosed.
4. No reportable conditions in internal control over the major programs were disclosed by the audit of the financial statements.
5. An unqualified opinion was issued on compliance for the major programs.
6. The audit disclosed no audit findings required to be reported under Section 510(a) of Circular A-133.
7. The major programs were:
 - U.S. Department of Housing and Urban Development:
Local Community Development Block Grant
 - Environmental Protection Agency:
Capitalization Grant for Clean Water State Revolving Loan
 - United States Department of Agriculture:
Water and Waste Disposal Systems Loan and Grant Program
8. The dollar threshold used to distinguish between Type A and Type B programs, as described in Section 520(b) of Circular A-133, was \$300,000.
9. The auditee did not qualify as a low-risk auditee under Section 530 of Circular A-133.

(continued)

TOWN OF HENDERSON, LOUISIANA

Schedule of Findings, Questioned Costs and
Management's Corrective Action Plan (continued)
Year Ended June 30, 2006

Part II: Findings which are required to be reported in accordance with generally accepted governmental auditing standards:

06-1 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.

06-2 Noncompliance with Louisiana Local Government Budget Act

Finding:

The following funds had an unfavorable budget variance of more than five (5) percent during the fiscal year ended June 30, 2006 as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Unfavorable Variance</u>	<u>Percent</u>
General Fund:				
Revenues	\$ 574,458	\$ 477,739	\$ (96,719)	16.84%
Expenditures	\$ 345,600	\$ 365,647	\$ (20,047)	5.80%
Sales Tax:				
Revenues	\$ 136,000	\$ 129,171	\$ (6,829)	5.02%

Management's Corrective Action Plan:

When preparing budget amendments for the general fund for the fiscal year, revenues were budgeted for the general fund which actually belonged to the enterprise fund. Funds were deposited into the general fund in error and a transfer was made to the enterprise fund. However, this transfer was not properly recorded on the Town's general ledger. Also, several expenditures were not taken into consideration relating to the purchase of vehicles as well as items used to build a walking track and pavilion. Items purchased for the walking track project were reimbursed with grant funds. The budget for future years for all funds will be prepared and/or amended accordingly. Mayor Sherbin Collette will be responsible for the immediate implementation of this plan.

(continued)

TOWN OF HENDERSON, LOUISIANA

Schedule of Findings, Questioned Costs and
Management's Corrective Action Plan (continued)
Year Ended June 30, 2006

Part III: Findings and questioned costs for Federal awards which include audit findings as defined in Section 510(a) of Circular A-133:

There are no findings that are required to be reported under the above guidance.

Part IV: Management Letter Items:

06-3 Past Due Billings

Finding:

The Town of Henderson needs to pursue collection related to past due garbage billings.

Management's Corrective Action Plan:

The Town entered into an intergovernmental agreement with the Henderson Nina Water System as of April 3, 2006 where the water system will collect the garbage bills. Any non-payment will result in the customer's water being shut off. The Town is expecting this to solve delinquency problems in the future. For those customers that are currently delinquent, Mayor Sherbin Collette and the Town Council are currently consulting their legal counsel.

TOWN OF HENDERSON, LOUISIANA

Summary Schedule of Prior Audit Findings
Year Ended June 30, 2006

Section I: Findings which are required to be reported in accordance with generally accepted governmental auditing standards:

05-1 Noncompliance with Louisiana Local Government Budget Act

Finding:

The following funds' actual expenditures were in excess of budgeted expenditures by more than five (5) percent during the fiscal year ended June 30, 2005 as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Percent</u>
General Fund	\$ 131,895	\$ 164,553	\$ (32,658)	25%

Status: Unresolved. See item 06-2.

05-2 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 06-1.

Section II: Findings and questioned costs for Federal awards which include audit findings as defined in Section 510(a) of Circular A-133:

There were no findings mentioned under this section at June 30, 2005.

Section III: Management Letter Items:

05-3 Past Due Billings

Finding:

The Town of Henderson should require payment for past due garbage billings or discontinue service to those customers with past due billings.

Status: Unresolved. See item 06-3.

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MANAGEMENT LETTER

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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 Town of Henderson for the year ended June 30, 2006 and submitted our report to you dated August 21, 2006.

We noted a certain area in which improvements in the financial practices of the Town may be desirable:

The Town of Henderson needs to pursue collection related to past due garbage billings.

Should you have any questions or need assistance regarding our recommendation, please feel free to contact us.

Kolder, Champagne, Slaven, & Company, LLC

Certified Public Accountants

Breux Bridge, Louisiana
August 21, 2006