

2167

**Comprehensive
Annual Financial Report
of the**

CITY OF DENHAM SPRINGS

Denham Springs, Louisiana

**For the Fiscal Year Ended
June 30, 2011**

**Prepared by the
City of Denham Springs
Accounting Department**

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 **AUG 08 2012**

**CITY OF DENHAM SPRINGS
DENHAM SPRINGS, LOUISIANA**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2011

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**CITY OF DENHAM SPRINGS
DENHAM SPRINGS, LOUISIANA**

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**CITY OF DENHAM SPRINGS
DENHAM SPRINGS, LOUISIANA**

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City of Denham Springs

MAYOR
JAMES E. DURBIN

CITY TREASURER
CLARENCE E. SPEED, JR.

CITY CLERK
JOAN LEBLANC

December 20, 2011

To the Honorable Mayor, Members of the City Council,
And Citizens of the City of Denham Springs

State law requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Denham Springs (City) for the fiscal year ended June 30, 2011.

This report consists of management's representations concerning the finances of the City of Denham Springs. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Denham Springs has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

Hannis T. Bourgeois, LLP, a firm of licensed certified public accountants has audited the City's financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Denham Springs for the fiscal year ended June 30, 2011, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded based on the audit, that there was a reasonable basis for rendering an unqualified opinion that the City's financial statements for the fiscal year ended June 30, 2011, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

During the current fiscal year, the City was required to undergo a single audit in conformance with the provisions of the revised Single Audit Act of 1996 and the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Government and Non-Profit Organizations. Information related to this single audit, including the Schedule of Expenditures of Federal Awards, Findings and Recommendations, and the Auditor's Report on Compliance and on Internal Control over Financial Reporting, is included in a separately issued report and is available upon request.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

The City of Denham Springs, incorporated in 1903, is located on the western side of Livingston Parish and is adjacent to East Baton Rouge Parish, which contains the capital city of Baton Rouge and is a major industrial area. The City currently occupies a land area of 6.12 square miles and serves a population of 10,215. The City of Denham Springs is empowered to levy a property tax on both real and personal properties located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the governing council.

The City of Denham Springs has operated under the mayor-board of aldermen (city council) form of government since 1903. Policy-making and legislative authority are vested in a governing council consisting of five council members. The governing council is responsible, among other things, for passing ordinances, adopting the budget, and appointing committees. The mayor is responsible for carrying out the policies and ordinances of the governing council, for overseeing the day-to-day operations of the government, and for appointing, with the approval of the city council, the heads of the various departments. The mayor and the city council are elected at large. The mayor and the five council members serve four-year terms.

The City of Denham Springs provides a full range of services, including police and fire protection, maintenance of streets and drainage, maintaining landscape beautification, animal control, cemetery, general administrative services, planning and zoning, building inspection, main street program, health services, gas services, water services, sewer services, and recycling and solid waste disposal.

A determination of the financial reporting entity to be included in this comprehensive annual financial report (CAFR) is made through the application of criteria established by the Governmental Accounting Standards Board (GASB), Statement 14. A complete explanation of the financial reporting entity is included in the Summary of Significant Accounting Policies in the Notes to the Financial Statements.

The City of Denham Springs financial reporting entity consists of the following:

- The Primary Government – This is the City (all funds under the auspices of the Mayor and the City Council).
- Legally separate component units – These units of government are legally separate from the City government but have a sufficiently close relationship with the government to warrant inclusion in the consolidated financial report.

The financial statements included in this CAFR are as follows:

- | | |
|---|-------------------------|
| ➤ The City of Denham Springs | Primary Government |
| ➤ Denham Springs Sewerage District No. 1 | Blended Component Unit |
| ➤ City Court of Denham Springs - Ward II | Discrete Component Unit |
| ➤ Marshal of City Court of Denham Springs - Ward II | Discrete Component Unit |
| ➤ Denham Springs Economic Development District | Discrete Component Unit |

An explanation of the accounting policies of the City of Denham Springs is contained in the Notes to the Financial Statements. The basis of accounting, fund structure, and other significant information on financial policies is explained in detail in the Notes to the Financial Statements.

The annual budget serves as the foundation for the City's financial planning and control. All agencies of the City of Denham Springs are required to submit requests for appropriation to the government's city treasurer. The city treasurer uses these requests as the starting point for developing a proposed budget. The mayor reviews the proposed budget for revisions and budget message. The city treasurer then presents this proposed budget to the city council for review. The city council is required to hold a public hearing on the proposed budget and to adopt a final budget by no later than June 30, the close of the City's fiscal year. The appropriated budget is prepared by fund, function (e.g., public safety), and department (e.g., police). Department heads may make transfers of appropriations within a department. Transfers of appropriations between departments, however, require the special approval of the governing council. Additional details on the budget process are explained in the Notes to the Financial Statements.

Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented in Exhibit B-5 as part of the financial statements of the governmental funds. The only other governmental funds with annual appropriated budgets are the Capital Projects Fund and the Witness Fee Special Revenue Fund. These funds are considered nonmajor funds. The budget comparisons are presented in Exhibits D-3 and D-4 as part of the financial statements of the governmental funds.

As authorized by the Mayor-City Council, the Accounting Department is entrusted with maintaining accounting systems for the City of Denham Springs in accordance with the best-recognized practices in governmental accounting. It keeps the records for, and with the authority of the Mayor, exercises financial and budgetary control over each City department.

In developing and evaluating the accounting system of the City of Denham Springs, the Accounting Department considers the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against loss from unauthorized use or disposition and regarding the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of control should not exceed benefits likely to be derived and that the valuation of costs and benefits requires estimates and judgments by management.

As a recipient of federal and state financial assistance, the City of Denham Springs government is responsible for ensuring that adequate internal controls are in effect. All internal control evaluations occur within the framework described. The Accounting Department believes that the internal controls of the City of Denham Springs adequately safeguard and provide reasonable assurance of the proper recording of financial transactions.

Factors Affecting Financial Condition

Economic Condition and Outlook

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Denham Springs operates.

Local economy. The City of Denham Springs continues to enjoy a favorable economic environment and local indicators point to continued stability. The region has a varied industrial base that adds to the relative stability of the unemployment rate. Major industrial areas located within close proximity include the petrochemical manufacturing plants and the companies supported by these plants such as suppliers, contractors, professionals and financial institutions. Add to this the state governmental job availability in the surrounding areas of Baton Rouge, the state capital for the State of Louisiana, and the businesses supported directly and indirectly.

The 2010 BP (British Petroleum) oil spill in the Gulf of Mexico did not result in any negligible economic impact (either positive or negative) to the City of Denham Springs.

The nationwide financial crisis and subsequent economic distress has resulted in population growth in areas near Denham Springs to slowdown. Key to this slowdown is stricter qualifications for housing mortgages. On a positive note, the factors new residents consider when relocating to Livingston Parish continues to be lower crime rates, a respected school system and various quality of life benefits offered such as recreation, arts, antiques, local music concerts, and theater productions. Though investment dollars are limited, retailers continue to follow the population growth and are locating or expanding operations within the City of Denham Springs. Long-term economic outlook and availability of commercial properties with city services including police and fire protection are major factors with retailers deciding to locate here.

The Bass Pro Shop and Islamorada Fish Company Restaurant opened in February 2008. Since that opening date Longhorn Steak House and Hooters Restaurants have opened for business. Amite Crossing boutique strip center construction is complete. Current occupants are Geisha Restaurant, Nawlins Sports, El Rancho Mexican Grill, Beef Jerky Outlet, Louisiana Discount Liquor, Sports Clips Haircut, Café Phoenicia Mediterranean Cuisine, The Jambalaya Shoppe, Kimberly Blair, US Nails & Spa, Selective Hearing, Anytime Fitness, Crouching Dragon Restaurant, Cupcakes & Cream and Voo-Doo BBQ Grill. Amite Crossing strip center has one available space for business occupants. Currently under construction is Sam's Club. Anticipated additional construction at the Bass Pro Development is Ashley Furniture Store.

At the intersection of Range Road North and Highway 190 is the location once occupied by a Winn Dixie grocery store. This store closed in 2003. After renovations this location is now occupied by Albertsons. Its grand opening was Wednesday May 4, 2011.

Anticipated is the construction of a Comfort Suites hotel located off of Rushing Road (LA Hwy. 3003 west) next to the Hampton Inn. Permits have been filed and plans submitted. Superior Steel is anticipated to relocate from Baton Rouge to the old East Jordan Iron Works Foundry site off Florida Boulevard. The site purchase has been executed with East Jordan Iron Works Foundry. Superior Steel is a fabricator. Construction of a warehouse by East Jordan Iron Works Foundry for product sales is also being anticipated in the region. This warehouse is anticipated to be constructed at the corner of Veterans Boulevard and Florida Street. Currently in the planning stage by developers is the construction of a Holiday Inn hotel on the eastside of South Range Road.

The City of Denham Springs continues to explore additional tracts of land within the City for future commercial growth. The vision is to design streets providing access to vacant available land. Land owners in these identified areas willing to donate the necessary land to construct these streets have the potential to benefit economically from the anticipated commercial growth. The City is currently researching available funding, such as grants, from the State of Louisiana.

The region (which includes the City of Denham Springs and the surrounding unincorporated area within Livingston Parish) has an employed labor force of approximately 53,741. This is according to the Louisiana Department of Labor June 2011 employment numbers. The City's central business district continues to maintain its current 97-100 percent occupancy rate with a variety of stores, specialty shops, and commercial businesses.

Major Initiatives in 2011

The City of Denham Springs has made expansion of sewer services a top priority to areas currently provided water services outside the city limits. During fiscal year 2009, in accordance with Louisiana Revised Statute 33:3911 et seq. and approved by resolution of the Livingston Parish Council adopted December 11, 2008, the City of Denham Springs Council approved on January 26, 2009, the creation of the Denham Springs Sewerage District No. 1 covering areas outside the city limits currently provided water service. The City Council approved the issuance of \$23,750,000 series 2009 utility revenue bonds to finance the cost of constructing sewer lift stations and sewer transmission lines. The bond issue was transacted in November 2009 and net construction funds deposited with the City trustee, Regions Bank. Engineering design is complete and bids have been let and awarded for phases 1-8 and the separate bore package. Phases 1-6 are complete. Construction is anticipated to be complete for Phase 7, Phase 8 and the separate bore package by the middle of January 2012. It is anticipated that all new sewer customers in the newly created district will be connected by June 2012, and total initial new sewer customers will be approximately 2,700.

Long-term financial planning.

The City will continue to improve services and upgrade infrastructure. Projects planned for the future include:

Fire Protection Improvements

- The City was recently awarded a fire rating of 2. Key to this award was the replacement of old water service lines within the City, continued training of firefighters and upgrade of electronic documentation by the fire department.

Highway Infrastructure Improvements

- Construction of an I-12 interchange at Pete's Highway (LA Hwy. 16). This interchange project is to be funded by Federal and State appropriations.
- Rushing Road (LA Hwy. 3003 west) widening project from Range Avenue to Beau Village subdivision. This is to be funded by State and local appropriations.
- Tate Road widening project is to be funded by State and local appropriations.
- Cockerham Road (LA Hwy. 1030) sidewalk/safety/drainage improvement project. This project is to close in ditches on both sides of Cockerham Road (LA Hwy. 1030) between Range Avenue (LA Hwy. 16) and Hatchell Lane (LA Hwy. 1031) adding sidewalks and/or replacing sidewalks currently adjacent to deep ditches. This project anticipates \$1,500,000 of federal enhancement funds and federal safety funds to be available through the State of Louisiana Department of Transportation and Development (DOTD) for construction cost. A match of \$208,200 is anticipated by the City for surveying and engineering cost.
- Hatchell Lane (LA Hwy. 1031) sidewalk/drainage project. The City has authorized Forte and Tablada, Inc. (engineering firm) to make application for federal enhancement/safety dollars through the State of Louisiana Department of Transportation and Development (DOTD). Scope of project and project cost to be determined based on federal/state funding available.
- Encouraging our local Baton Rouge area representatives and senators along with our United States congressional delegation to fully fund the adding of additional I-12 interstate lanes going east and West through the City of Denham Springs past the City of Walker.
- Planning and funding sources continue to be studied for the upgrade of Cook Road from Pete's Highway and an extension of Cook Road to Juban Road. This planned curb and gutter-street will provide access for the possible construction of a new high school and will provide a link to the new interstate interchange and provide new commercial areas. This is within the area under consideration for annexation and is a project expected to require a minimum of five years to complete.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Denham Springs for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2010. This was the 15th consecutive year that the City of Denham Springs has received this prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement by GFOA, a governmental unit must publish an easily readable and efficiently organized CAFR. This report satisfied both accounting principles generally accepted (GAAP) in the United States of America, and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The City of Denham Springs has received this award each year for the 15-year period ending June 30, 2010. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate. The preparation of this report on a timely basis could not have been accomplished without the dedicated services of a highly qualified staff. I also acknowledge the thorough, professional, and timely manner in which the audit was conducted by our independent auditors, Hannis T. Bourgeois, LLP (Certified Public Accountants).

Appreciation is also expressed to the Mayor and City Council for their support in planning and conducting the financial affairs of the City in a responsible and progressive manner.

Respectfully submitted,

City of Denham Springs

Clarence E. Speed, Jr.

Clarence E. Speed, Jr.
City Treasurer

CITY OF DENHAM SPRINGS
PRINCIPAL ELECTED OFFICIALS

JUNE 30, 2011

Mayor:

James E. Durbin

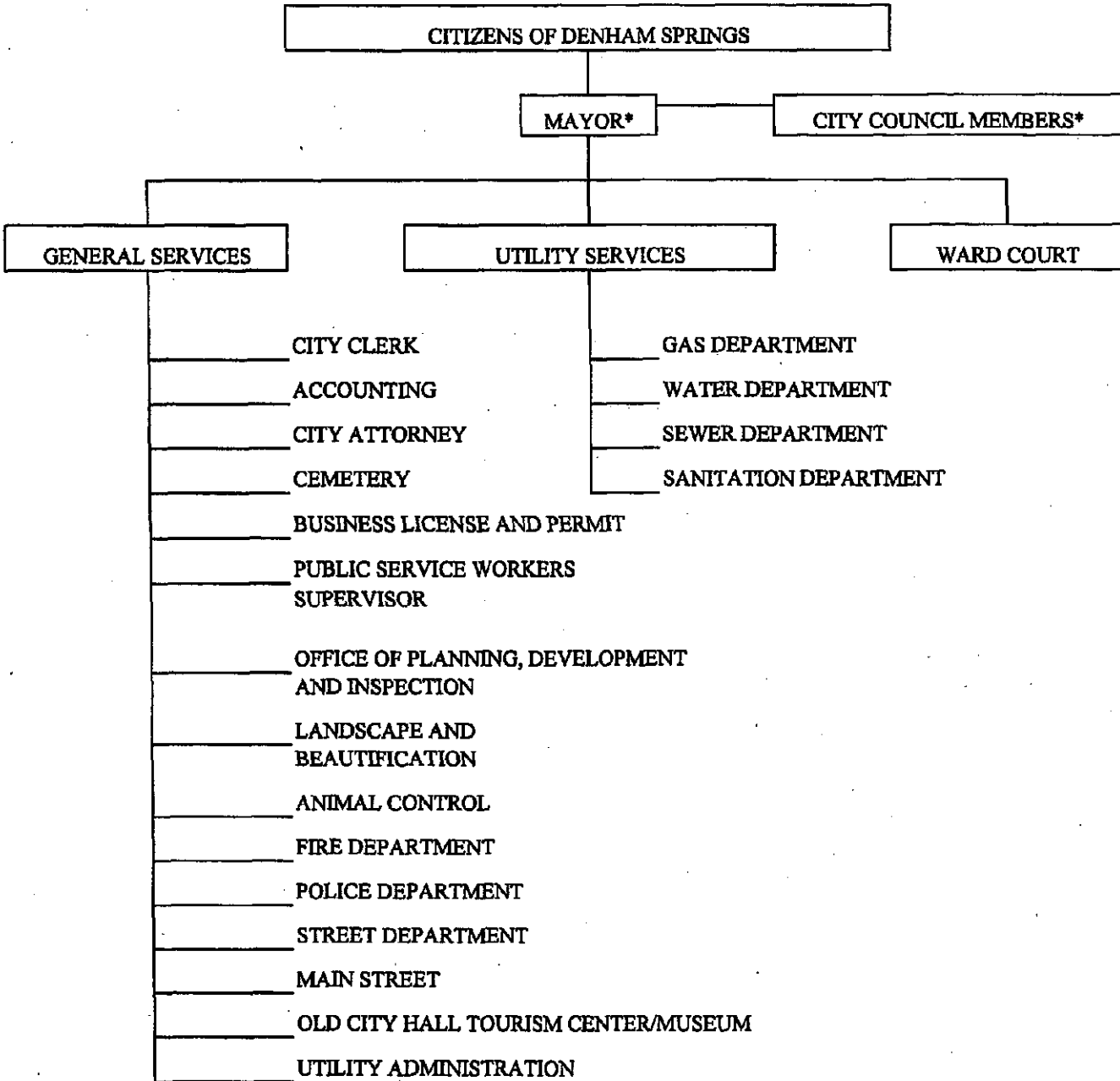
City Council Members:
Current Terms Expire December 31, 2014:

Lori Lamm-Williams
Arthur Perkins
John Wascom
Christopher Davis
Annie M. Fugler

CITY OF DENHAM SPRINGS

ORGANIZATIONAL CHART

JUNE 30, 2011



* ELECTED OFFICIALS

Certificate of Achievement for Excellence in Financial Reporting

Presented to

**City of Denham Springs
Louisiana**

**For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2010**

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Linda C. Davidson

President

Jeffrey R. Emen

Executive Director

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December 20, 2011

INDEPENDENT AUDITOR'S REPORT

The Honorable James E. Durbin, Mayor
and Members of the City Council
Denham Springs, Louisiana

We have audited the accompanying financial statements of the governmental activities, business-type activities, the discretely presented component units, each major fund, the budgetary comparison statement of the general fund and the aggregate remaining fund information of the City of Denham Springs, Louisiana, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. We also have audited the financial statements of the City's nonmajor internal service fund and each of the governmental funds presented in the accompanying combining financial statements and the budgetary comparison schedule of the Capital Projects Fund and the Special Revenue Fund as of and for the year ended June 30, 2011, as listed in the table of contents as exhibits D-1 through D-4. These financial statements are the responsibility of the City'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, the discretely presented component units, each major fund, the budgetary comparison statement of the general fund and the aggregate remaining fund information of the City of Denham Springs, Louisiana, as of June 30, 2011, 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 addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the nonmajor internal service fund, governmental funds and the budgetary comparison schedule of the Capital Projects Fund and the Special Revenue Fund of the City of Denham Springs, Louisiana, as of June 30, 2011, 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.

The Honorable James E. Durbin
And Members of the City Council
City of Denham Springs, Louisiana

As described in Note 1 to the basic financial statements, the City of Denham Springs adopted the provisions of Governmental Accounting Standards Board Statement Number 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, in 2011.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 20, 2011, on our consideration of the City of Denham Springs' internal control over financial reporting and 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 management's discussion and analysis on pages 3 through 24 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Denham Springs, Louisiana's financial statements as a whole. The introductory section, the capital assets schedules, Exhibits E-1 through E-3, the supplementary schedule, Schedule 1, and the statistical section, Schedules 2 through 20 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The capital assets schedules, Exhibits E-1 through E-3, and the supplementary schedule, Schedule 1, have been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections, Schedules 2 through 20, have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Respectfully submitted,

Harris J. Bourgeois, CPA

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

As management of the City of Denham Springs, Louisiana, we offer readers of the City of Denham Springs, Louisiana's financial statements this narrative overview and analysis of the financial activities of the City of Denham Springs, Louisiana, for the fiscal year ended June 30, 2011. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages iv-x of this report.

Financial Highlights

- The assets of the City of Denham Springs primary government exceeded liabilities at the close of the most recent fiscal year by \$28,659,677 (*net assets*).
- The primary government's total net assets compared to prior year total net assets of \$27,515,107 increased by \$1,144,570.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$3,694,603, a decrease of (\$438,959) in comparison with the prior year combined ending fund balances of \$4,133,562. Approximately seventy-one percent of this total amount, \$2,617,281, is available for spending at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$2,617,281 or 25 percent of total general fund expenditures.
- The City's total liabilities increased by \$518,212 during the current fiscal year. Governmental activities liabilities decreased (\$70,101). Significant to this decrease is a reduction in deferred revenue of (\$50,000) and a decrease in capital leases of (\$209,594), offset by an increase of \$87,029 for accounts payable and accrued expenses and an increase in compensated absences of \$102,464 in an attempt to control overtime payments for fire and police. Business-type activities liabilities increased \$588,313. Key to this increase is Denham Springs Sewerage District No. 1 construction payable increase of \$1,398,663 funded through the 2009 bond proceeds and an increase in City employee compensated absences of \$8,965, offset by a (\$240,842) decrease in the City of Denham Springs' water and sewer project construction payable funded by the 2006 and 2008 bond proceeds, a decrease in the 2006 and 2008 utility revenue bond principal of (\$635,000), a decrease due to the amortization of issuance premiums of (\$4,536) offset by amortized bond issuance discounts of \$2,087, and miscellaneous other net increases of \$58,976.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Denham Springs's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* (see Exhibit A-1 and A-2) are designed to provide readers with a broad overview of the City of Denham Springs's finances, in a manner similar to a private-sector business in that all governmental and business-type activities are consolidated into columns which add to a total for the primary government. The statements combine all governmental funds and internal service funds current financial resources with capital assets and long-term obligations. Also presented in the government-wide financial statements is a total column for the business-type activities of the primary government. Component units are separate legal governmental entities to which the City of Denham Springs may be obligated to provide financial assistance and are presented as a separate column in the government-wide statements and as individual activities within the basic financial statements. All City of Denham Springs discretely presented component unit agencies issue separate independently audited financial statements.

The *Statement of Net Assets* (Exhibit A-1) presents information on all of the City of Denham Springs's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Denham Springs is improving or deteriorating.

The *Statement of Activities* (Exhibit A-2) presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods. For example, uncollected taxes and earned but unused vacation leave result in cash flows for future periods. The focus of the Statement of Activities is on both the gross and net cost of various activities which are funded by the government's general tax and other revenues. This is intended to summarize information and simplify the user's analysis of the cost of various governmental services and/or subsidy to various governmental and business-type activities and component units.

Both of the government-wide financial statements distinguish functions of the City of Denham Springs that are principally supported by taxes, licenses, permits, fines and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Denham Springs include general government, public safety, highways and streets, health, and culture and recreation. The business-type activities of the City of Denham Springs include a natural gas and water distribution operation, a sewer disposal operation, and a contracted solid waste disposal operation. In addition, on January 26, 2009 the City of Denham Springs created Denham Springs Sewerage District No. 1. This new sewer district encompasses unincorporated areas in Livingston Parish that the City currently provides natural gas and water services. Denham Springs Sewerage District No. 1 was created in accordance with Louisiana Statute and approved by resolution adopted by the Livingston Parish Council. Denham Springs Sewerage District No. 1 is a blended component unit. Blending is the method of reporting the financial data of a component unit to present the component unit's balances and transactions in a manner similar to the presentation of the balances and transactions of the primary government. All business-type activities are included in a single Utility Enterprise Fund.

The government-wide financial statements include not only the City of Denham Springs itself (known as the *primary government*), but also a legally separate City Court of Denham Springs Ward II and a legally separate Marshall of City of Denham Springs - Ward II for which the City of Denham Springs is financially accountable. In addition to the state constitutionally defined agencies included above, the City has created an Economic Development District under Louisiana Statute, the Denham Springs Economic Development District, to assist the City and surrounding area in the creation of economic development, to improve employment and to otherwise improve the economic condition of the City of Denham Springs and surrounding areas. Financial information for these *component units* is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements are presented in Exhibits A-1 and A-2 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Denham Springs, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Denham Springs can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions.

Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Denham Springs maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, which is considered a major fund. Data from the other four governmental funds (capital projects, debt service, permanent, and special revenue) are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City of Denham Springs adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements are presented in Exhibits B-1 to B-5 of this report.

Proprietary funds. The City of Denham Springs maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Denham Springs uses enterprise funds (Utility Enterprise Fund and Denham Springs Sewer District Number 1) to account for its natural gas and water distribution operation, sewer disposal operation, and contracted solid waste disposal operation. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City of Denham Springs uses an internal service fund to account for fuel and maintenance cost for its fleet of vehicles and equipment. Because these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for the enterprise funds consisting of the natural gas and water distribution operation, sewer disposal operation, and contracted solid waste disposal operation, which are considered to be major funds of the City of Denham Springs. Conversely, the internal service fund is a single, aggregated presentation in the proprietary fund financial statements.

The basic proprietary fund financial statements are presented in Exhibits C-1 to C-3 of this report

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Cash management policies and practices of the City of Denham Springs conservatively invest idle funds in certificates of deposit through its current fiscal agent, Capital One, N.A. Commencing December 14, 2009 the City shifted certificates of deposit balances into public funds interest bearing checking accounts through Capital One, N.A. This change was necessitated by the extremely low interest rates (around 0.45%) offered for reinvesting certificates of deposit proceeds. All investments are collateralized with securities pledged by the financial institution and held in our name by an approved third-party custodial bank. Procedures followed and securities pledged are in accordance with the Statutes of the State of Louisiana. The average yield on the public funds interest bearing checking account was 0.59% for the fiscal year ended June 30, 2011.

Risk management - during the fiscal year ended June 30, 2011 management believes the City is fully insured for all major risks, such as General Liability, Worker's Compensation, Employee and Public Official Fidelity Bonds, and Fire Extended Coverage and Flood Insurance. The City maintains no self-insurance program at June 30, 2011.

GASB Statement No. 54 -- Fund balance reporting and governmental fund type definitions. The City for the fiscal year ended June 30, 2011 implemented GASB Statement No. 54 fund balance reporting. The City adopted a minimum fund balance policy but opted not to set a minimum fund balance amount at this time.

Additional information on the City of Denham Springs cash management policies and practices and risk management can be found in the notes to the financial statements on pages 48-92 of this report.

Other information. In addition to the basic financial statements and accompanying notes, the combining statements, and the individual budgetary comparison schedules referred to earlier in connection with non-major governmental funds are presented immediately following the notes to the financial statements. The combining and individual fund statements and schedules are presented behind the notes to the financial statements as Exhibits D-1 to D-4 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Denham Springs, assets exceeded liabilities by \$28,659,677 at the close of the most recent fiscal year.

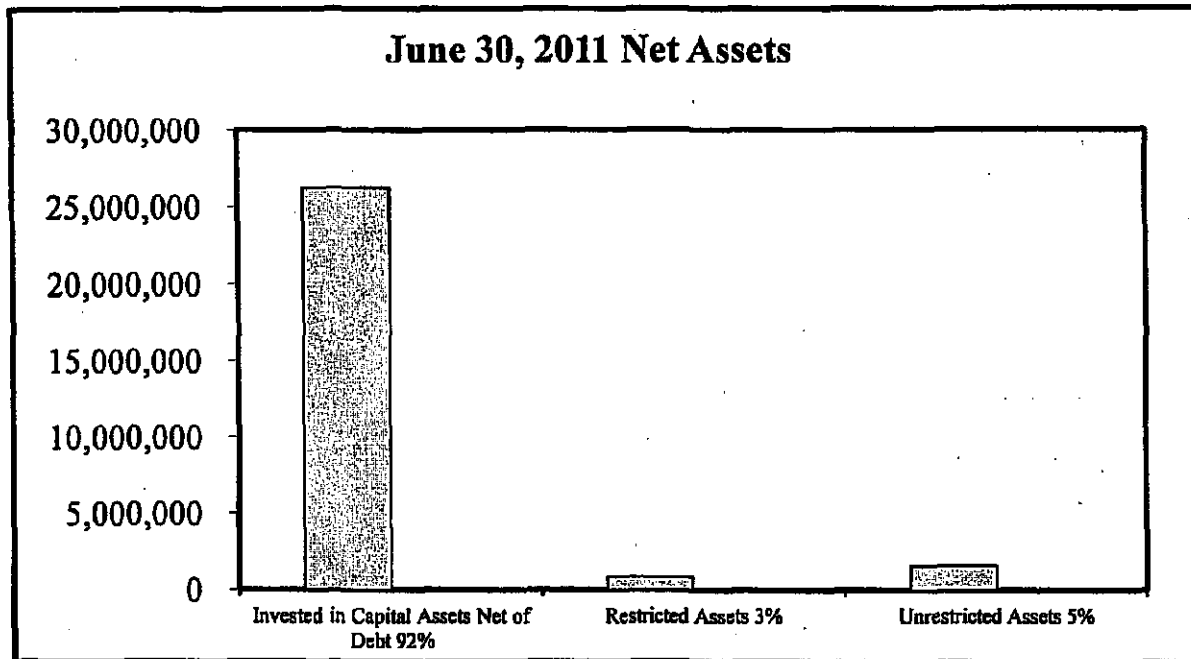
By far the largest portion of the City of Denham Springs's net assets (92 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment, less any related debt used to acquire those assets that is still outstanding). The City of Denham Springs uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Denham Springs's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following table reflects the Condensed Statement of Net Assets for June 30, 2011 with comparative figures from 2010.

City of Denham Springs
Condensed Statement of Net Assets
June 30, 2011 and 2010

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Assets:						
Current and Other Assets	\$ 4,498,038	\$ 4,873,114	\$ 2,626,832	\$ 2,362,111	\$ 7,124,870	\$ 7,235,225
Restricted Assets	-	-	9,870,377	23,117,917	9,870,377	23,117,917
Capital Assets	8,722,519	9,134,203	62,163,966	46,731,605	70,886,485	55,865,808
Total Assets	13,220,557	14,007,317	74,661,175	72,211,633	87,881,732	86,218,950
Liabilities:						
Current Liabilities	914,942	857,526	3,607,009	2,362,833	4,521,951	3,220,359
Long-Term Liabilities	833,605	961,122	53,866,499	54,522,362	54,700,104	55,483,484
Total Liabilities	1,748,547	1,818,648	57,473,508	56,885,195	59,222,055	58,703,843
Net Assets:						
Invested in Capital						
Assets Net of Debt	8,303,719	8,505,809	17,939,388	15,000,218	26,243,107	23,506,027
Restricted	839,347	717,816	3,993	-	843,340	717,816
Unrestricted	2,328,944	2,965,044	(755,714)	326,220	1,573,230	3,291,264
Total Net Assets	\$ 11,472,010	\$ 12,188,669	\$ 17,187,667	\$ 15,326,438	\$ 28,659,677	\$ 27,515,107

For more detailed information see Exhibit A-1, the Statement of Net Assets.



Approximately 92% or \$26,243,107 of the City's net assets at June 30, 2011, reflects the government's investment in capital assets (land, buildings, infrastructure, machinery and equipment) less any related debt to acquire those assets. The City uses these capital assets to provide services to the citizens of Denham Springs and, therefore, these assets are not available for future spending. An additional portion of the City of Denham Springs' net assets, 3 percent or \$843,340, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,573,230 or 5 percent are unrestricted net assets and may be used to meet government's ongoing obligations to citizens and creditors. At the end of the current fiscal year, the City of Denham Springs is able to report positive balances in all three categories of net assets for the government as a whole and a positive balance for the governmental activities.

Restricted assets reported in connection with the City of Denham Springs' business-type activities decreased (\$13,247,540) compared to the prior fiscal year. The key factor in this net decrease is construction payments in the newly created Denham Springs Sewerage District No. 1 at June 30, 2011.

The City's net assets increased by \$1,144,570 during the current fiscal year as compared to 2010's decrease of (\$3,218,103). Attributable to this increase is investments in capital assets, net of related debt of \$2,737,080, an increase in restricted net assets of \$125,524 resulting mainly from GASB 54 implementation of fund balance reporting, offset by a decrease in unrestricted net assets of (\$1,718,034). Key to decrease in unrestricted net assets in governmental activities is investment in streets, drainage, sidewalks, parking, parks and implementation of GASB 54 fund balance reporting. Key to decrease in unrestricted net assets in business-type activities is decreased revenue from charges for services, and increased depreciation expenses as new infrastructure assets funded by 2006 and 2008 bond issues are placed in service for a full fiscal year.

The condensed statement below provides a summary of the changes in net assets for the year ended June 30, 2011, with comparative figures from 2010.

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program Revenues:						
Charges for Services	\$ 735,628	\$ 831,877	\$ 9,362,452	\$ 9,749,444	\$ 10,098,080	\$ 10,581,321
Operating Grants and Contributions	853,316	447,024	-	-	853,316	447,024
Capital Grants and Contributions	276,453	203,621	2,761,000	57,988	3,037,453	261,609
General Revenues:						
Sales Taxes	6,343,589	6,310,540	-	-	6,343,589	6,310,540
Other Taxes	1,972,799	1,954,132	-	-	1,972,799	1,954,132
Miscellaneous	571,449	551,082	91,277	57,330	662,726	608,412
Other	8,527	12,102	11,893	14,149	20,420	26,251
Total Revenues	10,761,761	10,310,378	12,226,622	9,878,911	22,988,383	20,189,289
Expenses:						
General Government	2,049,444	2,067,324	-	-	2,049,444	2,067,324
Public Safety	6,818,702	6,559,363	-	-	6,818,702	6,559,363
Highways and Streets	2,406,333	1,765,577	-	-	2,406,333	1,765,577
Health	82,048	78,210	-	-	82,048	78,210
Culture and Recreation	94,656	95,680	-	-	94,656	95,680
Interest on Long-Term Debt	27,237	38,190	-	-	27,237	38,190
Gas	-	-	3,260,737	3,492,599	3,260,737	3,492,599
Water	-	-	2,384,053	2,173,325	2,384,053	2,173,325
Sewer	-	-	3,839,131	3,636,328	3,839,131	3,636,328
Sanitation	-	-	881,472	848,089	881,472	848,089
Total Expenses	11,478,420	10,604,344	10,365,393	10,150,341	21,843,813	20,754,685
Increase (Decrease) in Net Assets Before Special Items	(716,659)	(293,966)	1,861,229	(271,430)	1,144,570	(565,396)
Special Item	-	-	-	(2,652,707)	-	(2,652,707)
Increase (Decrease) in Net Assets	(716,659)	(293,966)	1,861,229	(2,924,137)	1,144,570	(3,218,103)
Net Assets - Beginning of Year	12,188,669	12,482,635	15,326,438	18,250,575	27,515,107	30,733,210
Net Assets - End of Year	\$ 11,472,010	\$ 12,188,669	\$ 17,187,667	\$ 15,326,438	\$ 28,659,677	\$ 27,515,107

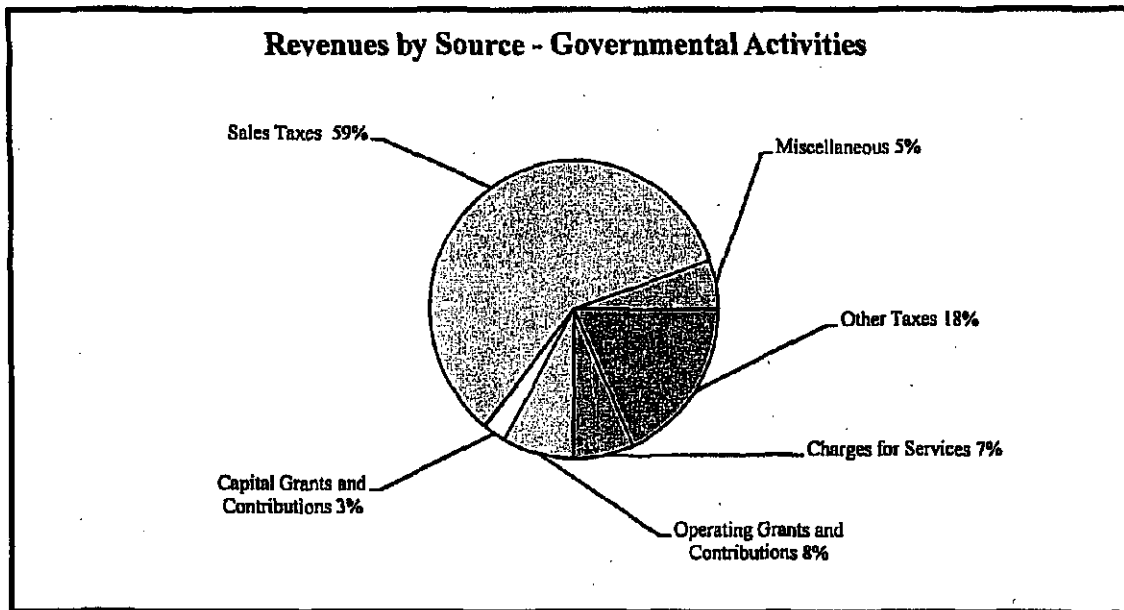
Governmental activities. Governmental activities decreased the City of Denham Springs's net assets by (\$716,659), thereby accounting for 100 percent of the total decrease in the net assets of the City of Denham Springs. Key elements of this net decrease are documented below.

Total revenues from Governmental activities increased by \$451,383 over the prior year caused mainly by the following:

- Ad Valorem Taxes commonly referred to as property taxes increased \$8,794 or 4.3%. Key to this increase is increased valuation of taxpayer property within the City.
- Sales taxes increased by 0.5% or \$33,049 during the fiscal year. Compared to the prior fiscal year this increase is attributable to an 18.0% or \$55,541 increase in vehicles sales tax collected, an increase of 26.9% or \$46,818 in retail sales from the Bass Pro Development, a decrease of 40.8% or \$4,546 in sales tax refunded through audits, offset by a decrease of 1.3% or (\$73,856) in retail sales other than Bass Pro Development.
- Occupational License and Permit Fees decreased (\$23,286). Key to this decrease is reduction in collection of occupational license taxes of (\$10,727), and the reduction in collection of insurance

license taxes of (\$28,489), offset by an increase in Other Permits and Licenses of \$15,930 mainly attributable to inspection permit fees.

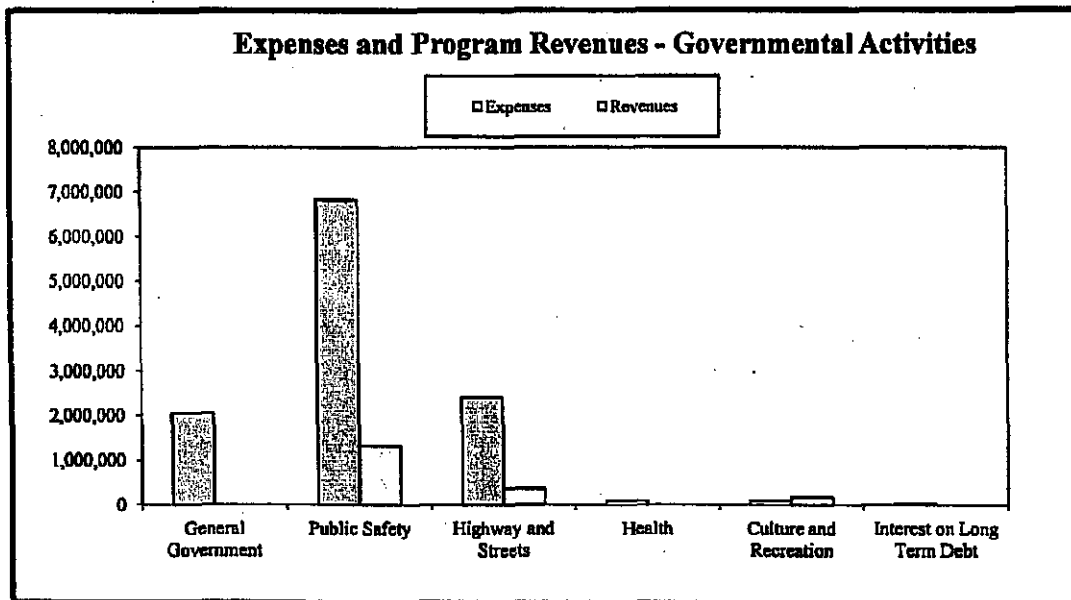
- Franchise fees increased by \$33,159. Compared to the prior fiscal year Entergy Corporation remitted increased electrical franchise fees of \$69,866 and AT&T UVERSE remitted increased cable television franchise fees of \$8,424, offset by a decrease in DEMCO electrical franchise fees of (\$2,577), a decrease in Cox Communications cable television franchise fees of (\$42,384), and a decrease in wrecker franchise fees of (\$170).
- Charges for services decreased by (\$96,249) during the fiscal year. This is mainly attributable to a decrease in fines collected of (\$99,827), a decrease in witness fees of (\$1,512), and a decrease in background check fees of (\$1,464), offset by an increase in animal adoption fees of \$5,250 and an increase in wreck report fees of \$1,304.
- Operating grants and contributions increased \$406,292 during the fiscal year. This net increase is mainly attributable to an increase in On-Behalf payments of \$12,518 from the State of Louisiana for police and fire supplemental pay, an increase of \$26,364 in grants toward law enforcement overtime, an increase in federal highway transportation grants of \$359,171 to brick pave the walkways in the Antique District along Louisiana state highway right-of-ways, an increase of \$2,100 in corporate contributions toward public safety, and an increase of \$6,139 in local and parish contributions toward advertising the City of Denham Springs Antique District as a Livingston Parish tourist destination.
- Capital Grants and Contributions increased by \$72,832. This is mainly attributable to recognition of contribution of professional engineering time valued at \$40,000 and a non-profit contribution of \$150 toward construction of the Kidz Korner Playland, an increase of \$10,000 in State of Louisiana appropriation for the purchase of a fire response truck, an increase of \$50,000 in State of Louisiana appropriation along with parish non-profit organizations contributing \$31,000 toward the construction of Phase 1 – parking lot paving project in the Antique District, and an increase of \$19,336 in corporate/non-profit contributions toward the construction cost of Sanctuary Park at the old city hall location, offset by a decrease of (\$63,404) in law enforcement grants toward purchase of police vehicles and equipment, and a decrease of (\$14,250) attributable to a prior fiscal year state grant toward the purchase of a street department asphalt repair machine.
- Interest income decreased during the current fiscal year by (\$3,575). This decrease was mainly caused by the Federal Open Market Committee continuing to maintain interest rates at 0.0% to 0.25%. This committee sets the Federal Reserve policy for the overnight bank lending rate, which raises the rate earned on invested funds. Of further note is a shift of investment dollars to public funds interest bearing checking accounts. The interest rate as of June 30, 2011 averaged 0.59% for public funds interest bearing checking accounts. Currently for the fiscal year of July 1, 2011 through June 30, 2012 interest rates on dollars deposited into public interest bearing checking accounts are averaging 0.49%. Total dollars on deposit in public funds interest bearing checking accounts increased \$98,623.
- Miscellaneous Income increased by \$20,367. This net increase in revenue resulted from an increase of \$11,949 from fire insurance commissions, an increase of \$17,493 from insurance premium rebates received from Louisiana Workers Compensation Corporation, an increase of \$3,766 in royalty income due to an increase in market value for a barrel of oil, an increase of \$12,849 in rental income for posting unmanned police vehicles in construction zones, offset by a decrease in the sales of assets of \$(3,296), a decrease of (\$4,390) in Alcoholic Beverage tax collections, , a decrease of (\$13,228) in Charitable Gaming tax collections, a decrease in cemetery plots sold of (\$3,750), and a net decrease in other miscellaneous income of (\$1,026).



Total expenses from Governmental Activities increased by \$874,076 due to the following reasons:

- Total salaries charged to governmental activities increased from \$5,478,357 to \$5,546,085 for a net increase of \$67,728 or 1.2%. This net increase in salaries resulted from employees hired in the fire and street departments working a full year.
- Related payroll taxes and employee benefits charged to governmental activities increased from \$1,458,299 to \$1,850,473 for a net increase of \$392,174 or 27%. Key to this increase is the rising cost of required employer contributions to employee fire and police retirement systems.
- General Government, other than salaries and benefits, decreased (\$42,295). General Provisions had a decrease of (\$27,123), while the Cemetery department decreased (\$3,719) mainly due to a decrease in the annual service contract. In addition, the Tax department decreased (\$7,261) mainly due to reduction in operational expenses, the Ward Court increased \$5,088 mainly due to additional court cost, the Planning and Zoning department decreased (\$7,374) mainly due to professional services offset by increased demolition cost, the Landscape department increased \$1,791 for additional insurance cost of landscape contractor coverage for workers compensation, depreciation expense decreased (\$3,185), and the motor pool income decreased expenses by (\$512).
- Public Safety activities other than salaries and benefits decreased (\$74,535). Key is Animal Control expenses decreased (\$35,842), the Fire department expenses decreased (\$14,211), the Police department expenses decreased (\$12,130), while there was an increase in depreciation expense of \$9,327, a decrease in loss on disposal of assets of (\$14,264), and the motor pool income decreased expenses by (\$7,415).
- Highways and Streets activities other than salaries and benefits increased \$541,005. Key to this net increase is decrease of (\$49,399) for Street department expenses, a Street department increase of \$11,282 for street lighting, an increase of \$543,375 in highway widening and enhancement projects, an increase in depreciation expense of \$38,931, and a decrease of expenses of (\$3,184) for motor pool income.

- Health activities increased \$3,838. Council on Aging expenses increased \$5,131 due to building maintenance cost, an increase of \$582 funding garbage collection at the Denham Springs Housing Authority units located at Eugene Street, a decrease of (\$1,523) in pest control expense for mosquito spraying as this program is now handled by the parish government mosquito program funded by a \$30 yearly assessment on City of Denham Springs residents; and a decrease of (\$352) for Youth and Family Counseling building maintenance expenses. The Council on Aging program and the Youth and Family Counseling program operate from City owned buildings in accordance with executed cooperative endeavor agreements.
- Culture and Recreation activities other than salaries and benefits decreased (\$2,886). Support for the City's Main Street program (Antique District) increased \$694 mostly for tourist advertising, a decrease of (\$3,610) toward the operation and maintenance cost of the old city hall building as a tourist information center and museum plus the office supplies, printing, communication cost and other expenses required by the secretary staffing the renovated old city hall building, and an increase of \$30 in depreciation expense for the renovated old city hall building.
- Interest on Long-Term Debt decreased by (\$10,953) as the City pays down the original debt amount of \$979,291 for financing a fire aerial truck and a fire pumper truck. See notes to financial statements for additional detail on this long-term debt.

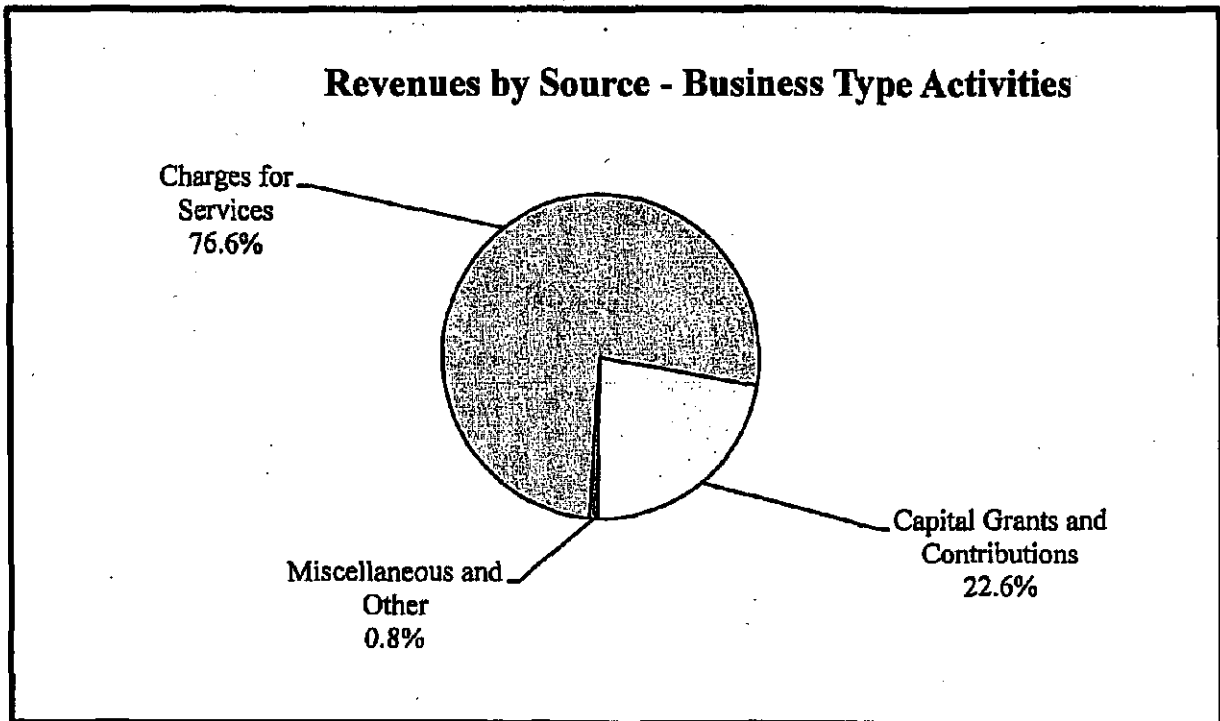
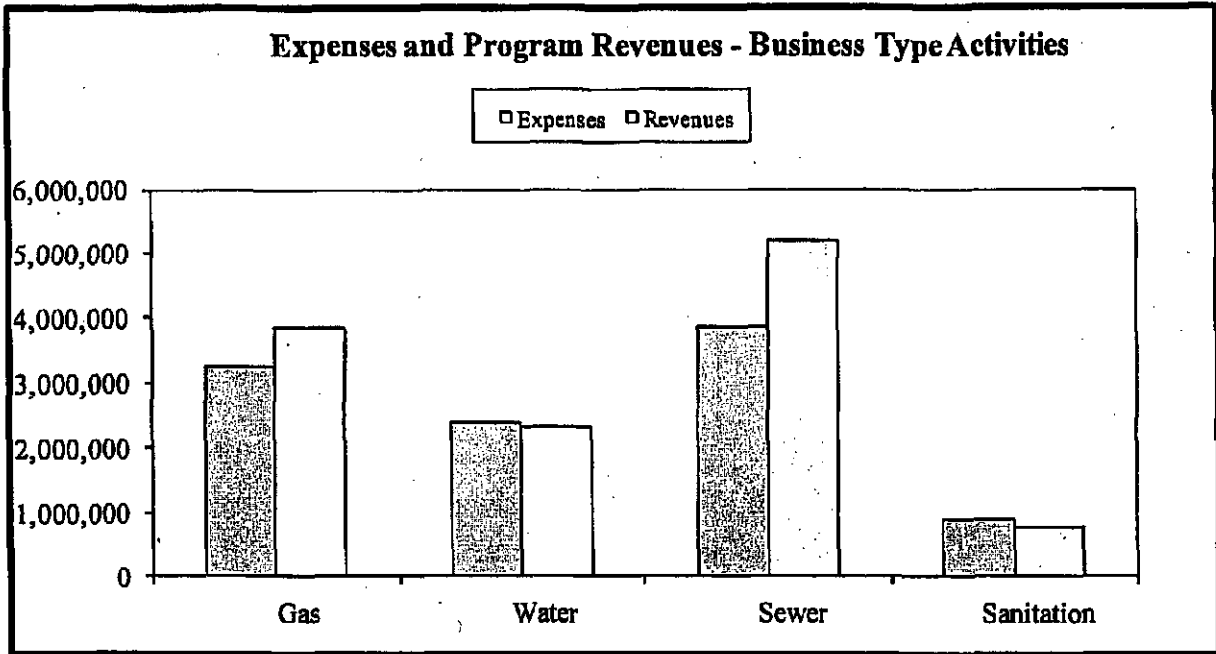


Business-type activities. Business-type activities increased the City of Denham Springs's net assets by \$1,861,229 accounting for 100 percent of the total increase in the government's net assets as compared to a prior fiscal year change (decrease) in net assets of (\$2,924,137). Comparing the current fiscal year net asset change to the prior fiscal year net asset change results in a net change of \$4,785,366. Key elements to this net increase are documented below.

- Overall charges for services for business-type activities decreased (\$386,992) compared to prior fiscal year. Gas charges for services decreased (\$465,800), water charges for services increased \$92,054, sewer charges for services decreased (\$34,380) and sanitation charges for services increased \$21,134. Key to the decrease in Gas charges is a decrease in gas operation charges of (\$127,757), a decrease in fuel cost billed of (\$324,192) and a decrease in delinquent charges of

(\$13,851). Note gas operation charges and fuel cost billed vary from year to year based on price and volume purchased.

- Business-type activities expenses increased \$215,052.
 - Gas Department expenses decreased (\$231,862) compared to prior fiscal year. This is mainly due to a (\$349,239) lower natural gas fuel cost purchase price, offset by an increase in direct expenses of \$116,621 and an increase in general and administrative expenses of \$756.
 - Water Department expenses increased \$210,728 compared to prior fiscal year. This is attributable to \$201,800 in direct expenses, offset by a decrease of (\$44,420) in general and administrative expenses, and an increase of \$53,348 in non-operating expenses. Of note is increased depreciation expense of \$181,133, increased maintenance expense of \$33,332, increased contracted meter reading cost of \$5,349, increased insurance expense of \$3,377, decreased professional fees of (\$30,393), increased interest expense and amortization expense on bond issues of \$53,348.
 - Sewer Department expenses increased \$202,803 compared to prior fiscal year. This is attributable to a decrease of (\$62,773) in direct expenses, an increase of \$4,187 in general and administrative expenses, an increase of \$131,623 for non-operating expenses, and an increase of \$129,766 of expenses from the operations of the Denham Springs Sewerage District No. 1.
 - Sanitation Department expenses increased \$33,383 compared to prior fiscal year. This is attributable to an increase of \$46,561 in direct expenses, offset by a decrease of (\$13,178) in general and administrative expense. Of note is increased disposal contractor cost of \$46,455 resulting from a rate increase on September 1, 2010.
- Business-type program revenues – operating grants and contributions were zero for current and prior fiscal year.
- Business-type program revenues – capital grants and contributions increased \$2,703,012. This is attributable to servitude valuations for the new Denham Springs Sewerage District No. 1.
- Business-type activities miscellaneous income increased \$33,947 while interest income decreased by (\$2,256).
- Business-type activities special item – Decrease of \$2,652,707 for prior fiscal year write-down of sewer treatment facility oxidation pond. During the prior fiscal year, the City placed into service a new mechanical sewer treatment plant. This new plant was constructed with the proceeds of 2006 and 2008 utility revenue bonds. This caused the previous sewer treatment facility oxidation pond to be obsolete and no longer being used. This resulted in a write-down in the value of the asset of (\$2,652,707) as a special item.



Financial Analysis of the Government's Funds

As noted earlier, the City of Denham Springs uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City of Denham Springs's *governmental funds* is to provide information on near-term inflow, and balances of *spendable* resources. Such information is useful in assessing the City of Denham Springs's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Denham Springs's governmental funds reported combined ending fund balances of \$3,694,603, a decrease of (\$438,959) in comparison with the prior fiscal year. In accordance with GASB #54 the governmental fund reporting includes new classifications Nonspendable, Restricted, Committed, Assigned, and Unassigned. Approximately 71% of this total amount, \$2,617,281, constitutes unassigned fund balance, which is available for spending at the government's discretion. Nonspendable fund balance is \$877,362 or 24% and includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The City's Nonspendable classification meet both (a) and (b). Prepaid Insurance meets Nonspendable (a) and Permanent Fund Principal meets Nonspendable (b). Permanent Fund Principal is established to generate income to pay for the perpetual care of the municipal cemetery. Restricted fund balances are restricted to specific purposes (witness fees and Lakeland Acres Subdivision 1994 paving certificates debt service). Restricted fund balances are \$87,327 or 2%. Assigned fund balance is constrained by the City Council's intent to be used for specific purposes, but are neither restricted nor committed, except for stabilization arrangements. Assigned to Capital Projects ended the fiscal year with a fund balance of \$112,633 or 3%. The City does not have any Governmental Fund "Committed" fund balances for this fiscal year ended. Committed amounts can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority. Committed amounts are established by authorization specifying the purposes of which the amount can be used (for example legislation, resolution, ordinance). The authorization specifying the purposes for which amounts can be used should have the consent of both the City Council and Mayor.

The general fund is the chief operating fund of the City of Denham Springs. At the end of the current fiscal year total general fund balance is \$2,742,623. General fund balance has two classifications in accordance with GASB #54. Nonspendable - prepaid insurance fund balance of \$125,342 or 5%, and Unassigned fund balance of \$2,617,281 or 95%. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 26 percent of total general fund expenditures. Total fund balance represents 27 percent of total general fund expenditures.

During the current fiscal year, the fund balance of the City of Denham Springs' general fund decreased by (\$476,191), as compared to the prior fiscal year net change in fund balance of (\$247,267). Key factors in this decrease are as follows:

- General fund revenue resulted in a net decrease of (\$37,195) compared to the prior fiscal year. Key factors to this net decrease are:
 - Increase in tax revenues of \$57,129. This increase is attributable to Ad Valorem tax of \$8,794, electrical franchise tax of \$67,289, sales tax of \$33,049, offset by a decrease from alcoholic beverage tax of (\$4,390), cable TV franchise tax of (\$33,960), chain store tax of (\$255), charitable gaming tax of (\$13,228), and wrecker franchise tax of (\$170). Of note is the decrease in cable TV franchise tax due to the discovery of addresses outside the city limits. This was discovered during an audit.
 - Decrease in licenses and permits of (\$23,286) due to local economy.
 - Decrease in fines and forfeits of (\$99,827) or 13%, compared to prior fiscal year amount.
 - Decrease in interest income of (\$1,128).
 - Increase in fees of \$3,786. Of note are increase in animal adoption fees of \$5,250 and a decrease in background check fees of (\$1,464). Background check services are currently being handled exclusively by the Louisiana State Police.

- Decrease in intergovernmental revenue of (\$16,394). Of note is decrease in state law enforcement grants for overtime.
- Increase in miscellaneous revenue of \$42,525. Of note are increases in insurance premium rebates through LWCC of \$17,493, royalty receipts from BP America of \$3,766, wreck report fees of \$1,304, rent income from posting unmanned police cars at construction zones of \$12,849, and miscellaneous income of \$7,113.
- These revenues have been detailed in the governmental activities section above – pages 10-12. Key to future revenue growth will be economic stability of Livingston Parish and the southeastern portion of the State of Louisiana.
- General fund expenditures resulted in a net decrease of (\$50,231) compared to the prior fiscal year. Key factors in this net decrease are:
 - General government expenditures decreased by (\$13,291). Salaries increased \$16,155 or 2% and benefits increased \$3,547 or 2%, equipment purchased increased \$5,297, contracted cemetery services decreased (\$3,334), and a net decrease of (\$34,956) for all the other expenses.
 - Public Safety expenditures increased \$5,904. Salaries decreased (\$35,588) or 0.9%, benefits increased \$365,168 or 35%, equipment purchases decreased (\$261,493) and all other expenses netted a decrease of (\$62,183) or 5%.
 - Highways and Street expenditures decreased (\$19,624). Of note is increase in salaries of \$82,749 or 11%, benefits increased \$21,280 or 10%, equipment purchases decreased (\$85,536), equipment expense increased \$12,156, street maintenance and materials decreased (\$62,253), street lighting expense increased \$11,282 and all other expenses netted an increase of \$698.
 - Health activities increased \$3,838. Council on Aging building maintenance and electricity expense increased \$5,131, offset by a decrease of (\$352) for Youth and Family Counseling building maintenance expenses. These programs operate from City owned buildings in accordance with executed cooperative endeavor agreements. Denham Springs Housing Authority located at Eugene Street increased \$582 due to rate increase in contracted garbage collection service, pest control decreased (\$1,523) because of the mosquito program administered through parish government.
 - Culture and Recreation activities increased \$2,884. Of note is a modest increase in salary of \$33 and increase in benefits of \$2,213 for the employee staffing the old city hall building, decrease of (\$56) for operational cost at the old city hall building operating as a tourist information center and museum, and an increase of \$694 promoting the City of Denham Springs Main Street through brochures and advertisements.
 - Debt Service decreased (\$29,942). Payment of principal decreased (\$19,137) and payment of interest decreased (\$10,805). These decreases are attributable to the City paying off debt financing police cruisers and timely payment of debt financing a fire aerial truck and a fire pumper truck. Payment terms require five annual payments, with the second payment timely remitted on April 1, 2011.
- Pension and other postemployment benefits – Substantially all employees of the City of Denham Springs are members of the following statewide retirement systems: Municipal Employees Retirement System of Louisiana (MERS), Municipal Police Employees Retirement System of Louisiana (MPERS), or Firefighters Retirement System of Louisiana. These systems are multiple employer (cost-sharing), public employee retirement systems (PERS), controlled and administered

by separate State appointed board of trustees. The City of Denham Springs has no obligation in connection with employee benefits offered through these plans beyond its annual contractual payment to these State Pension Boards.

- Additional information on the City of Denham Springs' pension arrangements and post employment benefits can be found in Notes 11 and 12 in the notes to the financial statements.
- Of concern is the related retirement benefit enjoyed by City employees. The City continues to monitor the State administered retirement system employer rates. For this fiscal period the municipal employees rate stayed the same while Police and Fire rates increased as follows:

	<u>Prior Employer Rate</u>	<u>Current Employer Rate</u>	<u>Rate Increase</u>
Municipal Employees Retirement System of Louisiana	6.75%	6.75%	0.00%
Municipal Police Employees Retirement System of Louisiana	11.00%	25.00%	14.00%
Firefighters Retirement System of Louisiana	14.00%	21.50%	7.50%

Overall retirement cost increased \$353,409 for the fiscal year ended June 30, 2011. The net increases breaks down as follows:

	<u>FY 09-10</u>	<u>FY 10-11</u>	<u>Net Increase (Decrease)</u>
Municipal Employees Retirement System of Louisiana	\$ 221,409	\$ 224,729	\$ 3,320
Municipal Police Employees Retirement System of Louisiana	186,958	444,184	257,226
Firefighters Retirement System Of Louisiana	<u>179,680</u>	<u>272,543</u>	<u>92,863</u>
Total	<u>\$ 588,047</u>	<u>\$ 941,456</u>	<u>\$ 353,409</u>

The Capital Projects Fund transferred-out to the general fund (\$799) to reimburse for the purchase of old city hall fixtures. The General Fund transferred \$336,359 to the Capital Projects Fund to fund the Denham Springs streetscape project, design work for the Cockerham Road enhancement project and design work and match for Tate Road overlay. The Capital Projects Fund as of the end of the fiscal year has an Assigned fund balance of \$112,633, compared to the prior fiscal year Assigned fund balance of \$117,626.

The 1994 Paving Certificates (Lakeland Acres Subdivision) Debt Service Fund has a total restricted fund balance of \$3,267, compared to the prior year restricted fund balance of \$3,266. The increase is interest earned of \$1.

The Permanent Fund has a total nonspendable – permanent fund principal fund balance of \$752,020, compared to prior year nonspendable – permanent fund principal fund balance of \$717,816. This is the Cemetery Care Permanent Fund used to account for principal trust amounts received and related interest income. The interest income portion of the trust can be used to maintain the City's cemetery once income is determined to be sufficient to cover total expenses.

The Special Revenue Fund – Witness Fee Fund has a restricted fund balance of \$84,060, compared to the prior fiscal year restricted fund balance of \$76,040. This fund is used to account for the cost of court appearances by police officers at the City Court of Denham Springs – Ward II to provide testimony.

Proprietary funds. The City of Denham Springs' proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Charges for services decreased (\$386,992). The majority of this is attributable to the volume of gas purchases billed and the reduced fuel cost price.

Operating expenses increased \$34,203. This net increase is attributable to an increase of \$89,535 in personal services and benefits, a decrease of (\$2,357) in contractual services, a decrease of (\$349,239) in the cost of materials (natural gas), an increase of \$41,350 in utilities (mainly electricity cost), an increase of \$49,017 in repair and maintenance of gas, water and sewer systems, an increase of \$11,790 in supplies, an increase of \$19,793 in insurance expense, an increase of \$220,118 in depreciation expense and a (\$45,804) decrease in bad debt expense.

Unrestricted net assets of the proprietary funds at the end of the year amounted to (\$755,714). Key to this decrease is charges for services. The rate structure was unable to fully fund debt service, operational cost and non-cash expenses (depreciation and bad debt). Effective July 1, 2011 gas charges were increased an additional 20 cents per hundred cubic feet sold and water customers availability charge increased \$5.00 per month. The total increase in net assets for the proprietary funds for the fiscal year ended June 30, 2011 is \$1,861,229. The factors concerning the enterprise fund have already been addressed in the discussion of the City of Denham Springs' business-type activities.

The newly created Denham Springs Sewerage District No. 1 unrestricted net assets at the end of the year amounted to \$51,967, compared to unrestricted net assets for the prior fiscal year of (\$3,705). Restricted for debt service is \$3,993. Invested in capital assets, net of related debt, is \$2,610,133. Sewer operations generated net income of \$76,968 and capital contributions in the form of sewer impact fees, tap fees and inspections fees in exchange for homeowner servitudes valued at \$2,559,268 plus developer paid sewer impact fees, tap fees and inspection fees of \$33,562 for total capital contributions of \$2,592,830. As of June 30, 2011, the Denham Springs Sewerage District No. 1 was billing 1,269 customers.

General Fund Budgetary Highlights

Major differences between the original budget and the final amended budget of the General Fund are briefly summarized as follows:

Revenues:

Total final budgeted revenues decreased by (\$94,505) over the original budget. Key to this decrease is:

- Electrical franchise tax was decreased by (\$41,495) due current receipts and historical data.
- Cable TV Franchise tax was decreased by (\$70,000) due to an audit discovery of cable customers with Denham Springs addresses living outside the city limits.
- Gaming tax is a recently enacted revenue source from operation of two video bingo parlors within the city limits. Based on prior and current fiscal year receipts, it was decreased (\$16,000).
- Building permits was decreased by (\$15,000) based on collections and anticipated startup of Sam's Club. Sam's Club permit fees of \$23,455 were received on June 6, 2011.
- Planning and Zoning Fees were increased \$385 based on current receipts and historical data.

- Fines and forfeit revenue decreased (\$79,872) based on current receipts and historical data.
- Interest income revenue was decreased (\$3,500). This decrease was based on the rapid decline in interest rates approved by the Federal Open Market Committee.
- Intergovernmental revenue increased \$112,843. Key to this increase was a grant for police mobile command center vehicle and COPS hiring grant.
- Miscellaneous income increased \$18,134. Key to this increase is wreck reports increase of \$5,500, rental income increase of \$9,680, non-profit organization donation of \$3,554 for the purchase of benches for Antique District, an increase in net gain on sale of assets of \$1,500, and a miscellaneous income increase of \$900, offset by a decrease in royalty income from BP America of (\$3,000).

Expenditures:

Total budgeted appropriations were increased by \$371,836. General Government overall was increased \$4,376. Public Safety was increased \$231,043. Key to this increase was increased salaries, equipment expenses, and equipment purchases within public safety. Highway and Streets was increased \$140,273. Key to this increase was salaries and equipment expense. Health was decreased (\$13,933) based on current expenditures. Culture and Recreation increased \$6,333. Key to this increase was purchase of benches for the Antique District with the non-profit organization donation and the promotional cost of printing brochures and advertising the City as a tourist destination and the operational cost of the old city hall building. Debt service increased \$3,744. Payoff of the GMAC lease-purchase of police cruisers was underestimated by one month.

Other Financing Sources (Uses):

Total budgeted other financing sources (uses) – Increased transfer-in from capital projects fund of \$799 for fixtures installed at old city hall building. Increased transfer-out to capital projects fund of (\$336,369) to pay for general fund infrastructure improvements.

Capital Asset and Debt Administration

Capital assets. The City of Denham Springs' investment in capital assets for its governmental and business-type activities as of June 30, 2011, amounts to \$70,886,485 (net of accumulated depreciation). This investment in capital assets includes land, servitudes acquisition cost, buildings and systems, improvements, machinery and equipment, roads, highways, and drainage. The total increase in the City of Denham Springs' investment in capital assets for the current fiscal year was 26.9% (a (4.5%) percent decrease for governmental activities and a 33.0% percent increase for business-type activities).

Major capital asset events during the current fiscal year included the following governmental activities:

- Construction in progress balance as of June 30, 2011 is \$52,771. This is the ongoing Tate Road improvement project. Bids have been let to widen by one foot on each roadside and overlay with new asphalt.
- Completed the \$235,599 Kidz Korner Playland park for special needs children.
- Completed the \$36,289 Sanctuary Park next to the old city hall building in the Antique District of Denham Springs.
- Completed at a cost of \$93,407 Phase 1 – Antique District parking lot paving project. These are four adjacent lots owned by the City of Denham Springs.
- Equipment purchases in the governmental funds totaling \$158,096.

Major capital asset events during the current fiscal year included the following business-type activities:

- Land and right-of-way as of June 30, 2011 increased \$3,818,630. Key to this increase is the City of Denham Springs utility fund acquisition cost of servitude right-of-way of \$97,412 and the Denham Springs Sewerage District No. 1 (DSSD #1) acquisition cost of land from Mo-Dad Utilities, LLC and Total Environmental Solutions, Inc.(TESI) valued at \$102,750 and acquisition cost/value of servitude right-of-way of \$3,618,468, of which \$2,559,268 is servitude valuation acquired from property owners within the DSSD#1 in lieu of tap fees, inspection fees and sewer impact fees. Note the land acquisition from Mo-Dad Utilities, LLC and TESI are occupied by treatment plants servicing various subdivisions within the new DSSD #1. These treatment plants are to be phased out and all sewerage to be collected and treated at the City's treatment plant on Forest Delatte Road. Note DSSD #1 land and right-of-way cost of \$1,059,200 paid with 2009 bond money.
- Construction in progress of \$84,837 financed by a \$9,100,000 Utility Revenue Bond issue – 2008 series as of June 30, 2011 is the professional design cost of a new sewer building. Additional funding for the actual construction cost is being explored.
- Construction in progress of \$20,573 paid from sewer impact fee monies. Construction in progress as of June 30, 2011 is \$17,686 for sewer lift station pump upgrade and \$2,887 for sewer lift station renovations.
- Construction in progress as of June 30, 2011 of 13,497,056 is financed by a \$23,750,000 Utility Revenue Bond – 2009 series for the construction of a new sewer collection system within the newly created Denham Springs Sewerage District No. 1.

• The following is a list of completed projects placed in service during the current fiscal year:

○ Gas Projects		
▪ Gas Line Expansion to Subdivisions along Pete's Hwy.	\$	75,917
▪ Juban Parc Pipeline		<u>43,811</u>
Total Gas Systems Additions	\$	<u>119,728</u>
○ Water Projects Outside City Limits		
▪ Plantation Park Water System Assets Acquired	\$	71,538
▪ Water Well – Springhill Drive		<u>962,053</u>
Total Water Systems Additions	\$	<u>1,033,591</u>
○ Sewer Projects		
▪ Wastewater Treatment Plant – Launder Covers	\$	116,638
▪ Deep Sewer – Phase II		529,392
▪ Pete's Hwy. Lift Station Influent Line Rehab		21,576
▪ Rushing Road Sewer Pump Station Renovation		33,234
▪ Florida and Plymouth		3,845
▪ Tate Road to I-12 Interstate Rehab design work – This design work was beneficial to the DSSD #1 collection line system		25,453
▪ DSSD #1 Sewer Systems Purchased		
TESI		30,093
MO-DAD Utilities, LLC		560,239
▪ Wastewater Treatment Plants for subdivision in DSSD #1		
Purchased from – TESI		55,376
Purchased from – MO-DAD Utilities, LLC		<u>141,683</u>
Total Sewer Systems Additions		<u>\$1,517,529</u>

- The following is a list of equipment totaling \$386,433 placed in service during the current fiscal year:

○ Utility Administration Department installed a drawer and audio system for the customer drive-thru window	\$ 5,295
○ Utility Administration Department purchased utility billings software including set-up, data migration, and training	52,500
○ Sewer Department purchased moisture control equipment	3,200
○ DSSD #1 purchased a vacuum truck	287,463
○ DSSD #1 purchased a Kubota Mini-Excavator	<u>37,975</u>
Total Equipment Additions	\$ 386,433

- Each of the below listed departments had \$127,895 in fully depreciated business-type equipment asset disposals as of June 30, 2011:

○ Utility Administration disposed of assets classified as equipment totaling	\$ 73,541
○ Gas Department disposed of assets classified as equipment totaling	28,112
○ Water Department disposed of assets classified as equipment totaling	18,292
○ Sewer Department disposed of assets classified as equipment totaling	<u>7,950</u>
Total Business-Type Activities Capital Assets Disposed	\$ 127,895

Capital Assets
(Net of Accumulated Depreciation)
June 30, 2011 and 2010

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land and Right-of-Ways	\$ 1,222,026	\$ 1,222,026	\$ 4,008,296	\$ 189,666	\$ 5,230,322	\$ 1,411,692
Buildings and Improvements	2,518,853	2,645,010	358,265	370,510	2,877,118	3,015,520
Gas System	-	-	1,936,247	1,927,867	1,936,247	1,927,867
Water System	-	-	11,133,126	10,579,032	11,133,126	10,579,032
Sewer System	-	-	30,386,558	29,885,622	30,386,558	29,885,622
Machinery and Equipment	2,301,856	2,672,017	739,008	580,557	3,040,864	3,252,574
Infrastructure	2,627,013	2,441,684	-	-	2,627,013	2,441,684
Construction in Progress	52,771	153,466	13,602,466	3,198,351	13,655,237	3,351,817
Total	<u>\$ 8,722,519</u>	<u>\$ 9,134,203</u>	<u>\$ 62,163,966</u>	<u>\$ 46,731,605</u>	<u>\$ 70,886,485</u>	<u>\$ 55,865,808</u>

Additional information on the City of Denham Springs' capital assets can be found in note 8 of this report.

Long-term debt. At the end of the current fiscal year, the City of Denham Springs had total debt outstanding of \$54,797,580. Of this amount, \$418,800 comprises debt backed by the full faith and credit of the City. The remainder of the debt \$54,378,780 is secured by utility service charges and lawfully available funds. There are no general obligation bonds outstanding by the City of Denham Springs at June 30, 2011.

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Obligations Under						
Capital Leases \$	418,800	\$ 628,394	\$ -	\$ -	\$ 418,800	\$ 628,394
Revenue Bonds	-	-	54,378,780	55,016,229	54,378,780	55,016,229
Total	\$ 418,800	\$ 628,394	\$ 54,378,780	\$ 55,016,229	\$ 54,797,580	\$ 55,644,623

During the current fiscal year, the City of Denham Springs' total debt decreased by (\$847,043). On August 26, 2008 proceeds from a capital lease of \$979,291 financed the purchase of a fire aerial truck and a fire pumper truck. The third principal payment of (\$209,594) was timely remitted April 1, 2011 and principal payments of (\$635,000) on the 2006 and 2008 Utility Fund Revenue Bonds plus bond premium amortization of (\$4,536) net of bond issuance discount of \$2,087 were made in the current fiscal year. On November 1, 2009, the City of Denham Springs on behalf of the Denham Springs Sewerage District No. 1, issued a 2009 utility revenue bond for \$23,750,000. The proceeds from this issuance are for the construction of a sewer collection system within the Denham Springs Sewerage District No. 1. New sewer customer hookups within this newly created sewer district will pay for this infrastructure. Only 2009 bond interest payments were remitted for the fiscal year ended June 30, 2011.

Additional information on the City's long-term debt can be found in Note 9 of this report.

Economic Factors and Next Year's Budgets and Rates

- The revised June 2011 unemployment rate for the City of Denham Springs was 7.9 percent, which is a decrease from a revised rate of 8.1 percent a year ago. This compares favorably to the state's revised average unemployment rate of 8.1 percent and compares favorably to the revised national average rate of 9.3 percent.
- The occupancy rate of the City's central business district has remained from 97-100 percent for the past several years.
- Inflationary trends in the region compare favorably to national indices.

All of these factors were considered in preparing the City of Denham Springs' budget for the 2012 fiscal year.

Current fiscal year end June 30, 2011, unassigned fund balance in the general fund is \$2,617,281. The City adopted a 2012 fiscal year general fund budget setting anticipated revenue of \$10,327,747 and anticipated appropriation expenditures of \$10,292,102 anticipating a net surplus of \$35,645.

- Budgeted general fund revenues anticipate a net increase of \$128,400 compared to the FYE 2011 amended adopted budget. Of note is the adoption of a net increase in sales tax revenue of \$195,925. The next paragraph details how budgeted city sales tax revenue was established for the fiscal year 2011 – 2012 Anticipated are increases in utilities franchise tax of \$41,495, charitable gaming tax of \$16,000, permits of \$15,000, Ward II Court fine collection of \$3,042, police and fire supplemental pay of \$10,550, royalty income from BP America of \$3,000, offset by decreases in interest income of (\$900), police vehicle and equipment grants(\$77,749), police overtime grants of (\$4,665), COPS hiring grant of (\$50,000), miscellaneous income of (\$22,499), and a decrease in the transfer in from capital projects fund of (\$799).

The City of Denham Springs' general fund received for the fiscal year 2010-2011 approximately 62% of its revenues or \$6,343,589 from the 1½% general sales and use tax levied by the City of Denham Springs. Sales tax collections of \$6,603,925 is based on actual collections through March 2011 and the anticipated full fiscal year impact of the opening of an Albertsons grocery store and the expected sales tax collections for May and June 2012 from the opening of a Sam's Club in the Bass Pro development.

- The City adopted a 2012 fiscal year general fund appropriations budget decrease of (\$709,145), compared to the FYE 2011 amended adopted budget. Key to this net decrease are decreases in general government of (\$2,846), in public safety of (\$202,226), in highways and streets of (\$129,909), in health of (\$34,883), in culture and recreation of (\$2,922), and in transfers to capital projects fund of (\$336,359).

Capital Projects Fund – anticipated is a net increase in capital project funding from state highway appropriations of \$2,964,267, compared to the FYE 2011 amended adopted budget. Anticipated is a net increase in capital project expenditures of \$3,143,727, compared to the FYE 2011 amended adopted budget. This is the anticipated cost of the Cockerham Road enhancement project, Rushing Road widening project and the Tate Road overlay project. At the time of setting this budget the assigned capital projects fund balance was \$148,543. As of the fiscal year ended June 30, 2011, assigned capital projects fund balance is \$112,633.

Special Revenue Fund – Witness fees for the 2012 fiscal year anticipate a decrease of (\$4,192) compared to FYE 2011 amended adopted budget, and appropriations budget is anticipated to remain the same as the FYE 2011 amended adopted budget. This fund is self-supported through payment of ticket fines collected by the Ward II Court. As of the fiscal year ended June 30, 2011, restricted for witness fees fund balance is \$84,060.

This financial report is designed to provide a general overview of the City of Denham Springs' finances for all those with an interest in the government's finances. Questions concerning any of this information provided in this report or requests for additional information should be addressed to the City Treasurer, c/o City of Denham Springs, P.O. Box 1629, Denham Springs, Louisiana 70727-1629.

BASIC FINANCIAL STATEMENTS

CITY OF DENHAM SPRINGS

STATEMENT OF NET ASSETS

JUNE 30, 2011

	Primary Government			Component Units		
	Governmental Activities	Business-Type Activities	Total	City Court of Denham Springs - Ward II	Marshal of City Court of Denham Springs - Ward II	Denham Springs Economic Development District
ASSETS						
Cash and Cash Equivalents	\$ 1,989,582	\$ 127,212	\$ 2,116,794	\$ 236,290	\$ 68,318	\$ 11,772
Investments	-	-	-	245,324	-	-
Receivables, Net	202,062	841,676	1,043,738	1,017	-	9,194
Due from Other Governments	1,040,656	26,385	1,067,041	-	-	600,710
Due from Component Unit	21,719	-	21,719	-	-	-
Internal Balances	1,094,564	(1,094,564)	-	-	-	-
Inventories	24,113	179,299	203,412	-	-	-
Prepaid Items	125,342	5,936	131,278	-	-	-
Restricted Assets:						
Cash	-	9,870,215	9,870,215	-	-	3,556,586
Receivable	-	162	162	-	-	641
Deferred Bond Issuance Costs	-	2,540,888	2,540,888	-	-	1,086,713
Capital Assets:						
Land and Construction in Progress	1,274,797	17,610,762	18,885,559	-	-	7,303,750
Other Capital Assets, Net of Depreciation	7,447,722	44,553,204	52,000,926	30,644	141,926	31,281,795
Total Assets	<u>\$ 13,220,557</u>	<u>\$ 74,661,175</u>	<u>\$ 87,881,732</u>	<u>\$ 513,275</u>	<u>\$ 210,244</u>	<u>\$ 43,851,161</u>
LIABILITIES						
Accounts Payable and Accrued Expenses	\$ 504,187	\$ 2,894,325	\$ 3,398,512	\$ 486	\$ 41,247	\$ 252,564
Due to Primary Government	-	-	-	-	21,719	-
Non-Current Liabilities:						
Due Within One Year	410,755	712,684	1,123,439	8,711	20,547	275,000
Due in More Than One Year	833,605	53,866,499	54,700,104	-	26,050	46,771,617
Total Liabilities	1,748,547	57,473,508	59,222,055	9,197	109,563	47,299,181
NET ASSETS						
Investment in Capital Assets, Net of Related Debt	8,303,719	17,939,388	26,243,107	30,644	95,329	(1,231,613)
Restricted for:						
Cemetery Care:						
Nonexpendable	752,020	-	752,020	-	-	-
Civil Fees	-	-	-	86,334	-	-
Debt Service	-	3,993	3,993	-	-	-
Witness Fees	84,060	-	84,060	-	-	-
Other	3,267	-	3,267	-	-	-
Unrestricted (Deficit)	2,328,944	(755,714)	1,573,230	387,100	5,352	(2,216,407)
Total Net Assets	<u>11,472,010</u>	<u>17,187,667</u>	<u>28,659,677</u>	<u>504,078</u>	<u>100,681</u>	<u>(3,448,020)</u>
Total Liabilities and Net Assets	<u>\$ 13,220,557</u>	<u>\$ 74,661,175</u>	<u>\$ 87,881,732</u>	<u>\$ 513,275</u>	<u>\$ 210,244</u>	<u>\$ 43,851,161</u>

The accompanying notes constitute an integral part of this statement.

CITY OF DENHAM SPRINGS
STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2011

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government:				
Governmental Activities:				
General Government	\$ 2,049,444	\$ -	\$ -	\$ -
Public Safety	6,818,702	721,118	480,813	118,160
Highways and Streets	2,406,333	14,510	359,171	-
Health	82,048	-	-	-
Culture and Recreation	94,656	-	13,332	158,293
Interest on Long-Term Debt	27,237	-	-	-
Total Governmental Activities	11,478,420	735,628	853,316	276,453
Business-Type Activities:				
Gas	3,260,737	3,854,570	-	-
Water	2,384,053	2,332,431	-	-
Sewer	3,839,131	2,424,324	-	2,761,000
Sanitation	881,472	751,127	-	-
Total Business-Type Activities	10,365,393	9,362,452	-	2,761,000
Total Primary Government	\$ 21,843,813	\$ 10,098,080	\$ 853,316	\$ 3,037,453
Component Units:				
City Court of Denham Springs - Ward II	\$ 562,471	\$ 444,395	\$ 28,013	\$ -
Marshal of City Court of Denham Springs - Ward II	732,956	347,538	128,302	-
Denham Springs Economic Development District	2,722,688	48,046	-	-
Total Component Units	\$ 4,018,115	\$ 839,979	\$ 156,315	\$ -
General Revenues:				
Taxes:				
Property				
Sales				
Occupational and Permits				
Franchise				
Miscellaneous				
Interest Income				
Payments from the City of Denham Springs				
Total General Revenues and Transfers				
Change in Net Assets				
Net Assets (Deficit) - Beginning of Year				
Net Assets (Deficit) - End of Year				

The accompanying notes constitute an integral part of this statement.

Net (Expense) Revenue and
Changes in Net Assets

Primary Government			Component Units		
Governmental Activities	Business-Type Activities	Total	City Court of Denham Springs - Ward II	Marshal of City Court of Denham Springs - Ward II	Denham Springs Economic Development District
\$ (2,049,444)	\$ -	\$ (2,049,444)	\$ -	\$ -	\$ -
(5,498,611)	-	(5,498,611)	-	-	-
(2,032,652)	-	(2,032,652)	-	-	-
(82,048)	-	(82,048)	-	-	-
76,969	-	76,969	-	-	-
(27,237)	-	(27,237)	-	-	-
(9,613,023)	-	(9,613,023)	-	-	-
-	593,833	593,833	-	-	-
-	(51,622)	(51,622)	-	-	-
-	1,346,193	1,346,193	-	-	-
-	(130,345)	(130,345)	-	-	-
-	1,758,059	1,758,059	-	-	-
(9,613,023)	1,758,059	(7,854,964)	-	-	-
-	-	-	(90,063)	-	-
-	-	-	-	(257,116)	-
-	-	-	-	-	(2,674,642)
-	-	-	(90,063)	(257,116)	(2,674,642)
215,189	-	215,189	-	-	-
6,343,589	-	6,343,589	-	-	3,051,054
959,812	-	959,812	-	-	-
797,798	-	797,798	-	-	-
571,449	91,277	662,726	7,958	5,294	-
8,527	11,893	20,420	6,188	199	7,797
-	-	-	46,860	216,094	-
8,896,364	103,170	8,999,534	61,006	221,587	3,058,851
(716,659)	1,861,229	1,144,570	(29,057)	(35,529)	384,209
12,188,669	15,326,438	27,515,107	533,135	136,210	(3,832,229)
\$ 11,472,010	\$ 17,187,667	\$ 28,659,677	\$ 504,078	\$ 100,681	\$ (3,448,020)

CITY OF DENHAM SPRINGS

BALANCE SHEET
GOVERNMENTAL FUNDS

JUNE 30 2011

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and Cash Equivalents	\$ 673,608	\$ 987,352	\$ 1,660,960
Receivables:			
Ad Valorem Taxes, Net	5,204	-	5,204
Other	196,388	470	196,858
Due from Other Funds	1,094,564	-	1,094,564
Due from Other Governments	1,038,960	-	1,038,960
Due from Component Units	21,719	-	21,719
Prepaid Insurance	125,342	-	125,342
Total Assets	\$ 3,155,785	\$ 987,822	\$ 4,143,607
LIABILITIES			
Accounts Payable	\$ 98,473	\$ 35,842	\$ 134,315
Payroll Taxes Payable	7,514	-	7,514
Retirement and Group Insurance Payable	104,798	-	104,798
Accrued Salaries and Wages	173,507	-	173,507
Other Liabilities	28,870	-	28,870
Total Liabilities	413,162	35,842	449,004
FUND BALANCES			
Fund Balances:			
Nonspendable:			
Prepaid Insurance	125,342	-	125,342
Permanent Fund Principal	-	752,020	752,020
Restricted For:			
Witness Fees	-	84,060	84,060
Other Purposes	-	3,267	3,267
Assigned To:			
Capital Projects	-	112,633	112,633
Unassigned	2,617,281	-	2,617,281
Total Fund Balances	2,742,623	951,980	3,694,603
Total Liabilities and Fund Balances	\$ 3,155,785	\$ 987,822	\$ 4,143,607

The accompanying notes constitute an integral part of this statement.

CITY OF DENHAM SPRINGS

RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET ASSETS

JUNE 30, 2011

Fund Balances-Total Governmental Funds		\$ 3,694,603
<p>Amounts Reported for Governmental Activities in the Statement of Net Assets are Different Because:</p>		
<p>Capital Assets Used in Governmental Activities are not Financial Resources and are not Reported in the Governmental Funds</p>		
Governmental Capital Assets	17,519,474	
Less Accumulated Depreciation	<u>(8,838,565)</u>	8,680,909
<p>Long-Term Liabilities are not Due and Payable in the Current Period and Therefore are not Reported in the Governmental Funds:</p>		
Compensated Absences Payable		(811,532)
Capital Lease Payable		(418,800)
Accrued Interest Payable on Capital Leases		(6,753)
<p>The Motor Pool Internal Service Fund is Used by Management to Charge the Cost of Vehicle Repairs to Individual Funds. The Assets and Liabilities of the Internal Service Fund are Included in Governmental Activities in the Statement of Net Assets</p>		
Motor Pool Internal Service Fund Net Assets		<u>333,583</u>
Net Assets of Governmental Activities		<u>\$ 11,472,010</u>

The accompanying notes constitute an integral part of this statement.

CITY OF DENHAM SPRINGS
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2011

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$ 7,705,488	\$ -	\$ 7,705,488
Licenses and Permits	959,812	-	959,812
Fines and Forfeits	658,025	-	658,025
Interest	4,745	3,663	8,408
Fees	27,571	29,978	57,549
Intergovernmental	639,244	433,027	1,072,271
Miscellaneous	177,753	122,336	300,089
Total Revenues	10,172,638	589,004	10,761,642
Expenditures:			
Current:			
General Government	1,929,337	23,220	1,952,557
Public Safety	6,450,485	-	6,450,485
Highways and Streets	1,537,640	-	1,537,640
Health	82,048	-	82,048
Culture and Recreation	73,787	-	73,787
Capital Outlay:			
Highways and Streets	-	628,305	628,305
Culture and Recreation	-	235,807	235,807
Debt Service:			
Principal Retirement	209,594	-	209,594
Interest	30,378	-	30,378
Total Expenditures	10,313,269	887,332	11,200,601
Excess (Deficiency) of Revenues over Expenditures	(140,631)	(298,328)	(438,959)
Other Financing Sources (Uses):			
Transfers In	799	336,359	337,158
Transfers Out	(336,359)	(799)	(337,158)
Total Other Financing Sources (Uses)	(335,560)	335,560	-
Net Change in Fund Balances	(476,191)	37,232	(438,959)
Fund Balances at Beginning of Year	3,218,814	914,748	4,133,562
Fund Balances at End of Year	\$ 2,742,623	\$ 951,980	\$ 3,694,603

The accompanying notes constitute an integral part of this statement.

CITY OF DENHAM SPRINGS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2011

Net Change in Fund Balances - Total Governmental Funds \$ (438,959)

Amounts Reported for Governmental Activities in the Statement of Activities
are 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	422,696	
Depreciation Expense	<u>(828,292)</u>	
		(405,596)

Loss on Disposition of Capital Assets -

The Issuance of Long-Term Debt (e.g., bonds, leases) Provides Current Financial
Resources to Governmental Funds, While the Repayment of the Principal of
Long-Term Debt Consumes the Current Financial Resources of the Governmental
Funds. Neither Transaction, However, has any Effect on Net Assets.

Repayment of Principal on Long-Term Debt		209,594
Accrued Interest Payable on Capital Lease		3,141

Some Expenses Reported in the Statement of Activities do not Require the
use of Current Financial Resources and are not Reported as Expenditures
in Governmental Funds.

Increase in Compensated Absences Payable		(98,691)
--	--	----------

Internal Service Funds are Used by Management to Charge the Costs of
Certain Activities to Individual Funds. The Net Revenue (Expense) of
the Internal Service Fund is Reported with Governmental Activities.

		<u>13,852</u>
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Change in Net Assets of Governmental Activities		<u>\$ (716,659)</u>
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The accompanying notes constitute an integral part of this statement.

**CITY OF DENHAM SPRINGS
GENERAL FUND**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL**

FOR THE YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
Revenues				
Taxes:				
Ad Valorem Taxes	\$ 205,000	\$ 205,000	\$ 215,189	\$ 10,189
Alcoholic Beverage Tax	27,000	27,000	22,700	(4,300)
Cable TV Franchise Tax	200,000	130,000	129,989	(11)
Chain Store Tax	23,515	23,515	23,120	(395)
Charitable Gaming Tax	311,000	295,000	303,092	8,092
Electrical Franchise Taxes	705,000	663,505	666,334	2,829
Sales Taxes	6,408,000	6,408,000	6,343,589	(64,411)
Wrecker Franchise Tax	1,645	1,645	1,475	(170)
	7,881,160	7,753,665	7,705,488	(48,177)
Licenses and Permits:				
Occupational Licenses	893,000	893,000	843,451	(49,549)
Other Permits and Licenses	102,240	87,625	116,361	28,736
	995,240	980,625	959,812	(20,813)
Fines and Forfeits:				
Ward II Court	740,983	661,111	657,444	(3,667)
Forfeiture Funds	2,000	2,000	581	(1,419)
	742,983	663,111	658,025	(5,086)
Interest Income	8,000	4,500	4,745	245
Fees:				
Animal Adoption Fees	16,000	16,000	13,061	(2,939)
Road Maintenance Fees	14,150	14,150	14,510	360
	30,150	30,150	27,571	(2,579)

(CONTINUED)

**CITY OF DENHAM SPRINGS
GENERAL FUND**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL - (CONTINUED)**

FOR THE YEAR ENDED JUNE 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Intergovernmental:				
Federal Government:				
Law Enforcement Grants	16,000	14,665	176,245	161,580
State Government:				
Fire Insurance Commissions	35,000	35,000	41,942	6,942
Fire Department Grants	-	10,000	10,000	-
Law Enforcement Grants	95,000	202,749	44,177	(158,572)
On Behalf Payments for Salaries	372,000	367,450	366,451	(999)
Other Grant Revenue	-	979	429	(550)
	<u>518,000</u>	<u>630,843</u>	<u>639,244</u>	<u>8,401</u>
Miscellaneous:				
Insurance Premium Rebate	30,000	30,000	43,403	13,403
Royalties	36,000	33,000	35,798	2,798
Wreck Reports	13,500	19,000	20,054	1,054
Rent Income	320	10,000	12,974	2,974
Miscellaneous	37,700	43,654	65,524	21,870
	<u>117,520</u>	<u>135,654</u>	<u>177,753</u>	<u>42,099</u>
Total Revenues	<u>10,293,053</u>	<u>10,198,548</u>	<u>10,172,638</u>	<u>(25,910)</u>

(CONTINUED)

**CITY OF DENHAM SPRINGS
GENERAL FUND**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL - (CONTINUED)**

FOR THE YEAR ENDED JUNE 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
General Government:				
General Provisions:				
Salaries	515,560	515,560	492,895	22,665
Council Per Diems	60,000	60,000	60,000	-
Payroll Taxes, Retirement, and Group Insurance	132,093	126,638	121,520	5,118
Chamber of Commerce	10,000	10,000	10,000	-
Equipment Purchased	-	8,197	8,197	-
Insurance	36,753	25,915	25,693	222
Legal and Professional	46,468	45,556	38,298	7,258
Membership Fees and Educational Training	15,000	22,575	23,208	(633)
Miscellaneous	56,975	62,113	54,992	7,121
Printing, Postage and Office Supplies	56,000	56,000	56,354	(354)
Rental Equipment	7,000	5,500	5,601	(101)
Repairs and Maintenance	53,700	52,000	46,068	5,932
Small Tools and Supplies	3,500	3,000	2,743	257
Telephone	40,000	52,000	54,377	(2,377)
Travel	25,000	27,000	28,338	(1,338)
Utilities	35,550	35,550	34,894	656
Total General Provisions	<u>1,093,599</u>	<u>1,107,604</u>	<u>1,063,178</u>	<u>44,426</u>
Cemetery:				
Contracted Services	50,000	51,667	51,666	1
Insurance	500	3,047	3,061	(14)
Miscellaneous	300	400	352	48
Repairs and Maintenance	-	-	275	(275)
Total Cemetery	<u>50,800</u>	<u>55,114</u>	<u>55,354</u>	<u>(240)</u>

(CONTINUED)

**CITY OF DENHAM SPRINGS
GENERAL FUND**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL - (CONTINUED)**

FOR THE YEAR ENDED JUNE 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
General Government (Continued):				
Tax:				
Salaries	54,241	54,241	52,161	2,080
Payroll Taxes, Retirement, and Group Insurance	13,109	12,833	12,654	179
Collection Fees	114,620	114,620	108,770	5,850
Equipment Expense	2,500	2,500	275	2,225
Insurance	1,867	1,232	904	328
Legal and Professional	2,500	2,500	298	2,202
Miscellaneous	3,550	3,550	439	3,111
Printing, Postage and Office Supplies	4,950	5,300	2,944	2,356
Small Tools and Supplies	1,000	1,000	363	637
Tax Roll	5,125	5,125	4,980	145
	<u>203,462</u>	<u>202,901</u>	<u>183,788</u>	<u>19,113</u>
Ward Court:				
Salaries	51,550	51,550	51,550	-
Payroll Taxes, Retirement, and Group Insurance	20,710	21,267	21,145	122
Additional Court Costs	37,390	37,104	10,620	26,484
Building Maintenance	18,710	18,710	2,335	16,375
Insurance	2,000	1,729	1,536	193
Legal and Professional	8,465	8,465	8,462	3
Payments to Component Units	233,071	233,071	262,954	(29,883)
Utilities	1,741	1,741	1,213	528
	<u>373,637</u>	<u>373,637</u>	<u>359,815</u>	<u>13,822</u>

(CONTINUED)

**CITY OF DENHAM SPRINGS
GENERAL FUND**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL - (CONTINUED)**

FOR THE YEAR ENDED JUNE 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
General Government (Continued):				
Planning and Zoning:				
Salaries	133,816	137,082	137,046	36
Payroll Taxes, Retirement, and Group Insurance	37,939	38,681	39,101	(420)
Demolition Expense	10,000	12,000	11,182	818
Inspections	10,000	5,000	2,982	2,018
Insurance	10,853	7,014	4,463	2,551
Legal and Professional	13,000	9,500	9,978	(478)
Miscellaneous	16,700	11,389	7,935	3,454
Printing, Postage and Office Supplies	10,825	5,325	3,227	2,098
Repairs and Maintenance	250	250	-	250
Small Tools and Supplies	1,500	3,142	1,994	1,148
Vehicle Expense	3,000	3,000	733	2,267
Total Planning and Zoning	247,883	232,383	218,641	13,742
Landscaping:				
Contracted Services	50,000	50,000	46,620	3,380
Insurance	500	2,618	1,852	766
Miscellaneous	-	-	89	(89)
Total Landscaping	50,500	52,618	48,561	4,057
Total General Government	2,019,881	2,024,257	1,929,337	94,920

(CONTINUED)

**CITY OF DENHAM SPRINGS
GENERAL FUND**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL - (CONTINUED)**

FOR THE YEAR ENDED JUNE 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Public Safety:				
Animal Control:				
Salaries	231,991	231,991	228,574	3,417
Payroll Taxes, Retirement, and Group Insurance	27,336	26,106	25,779	327
Animal Care Expense	49,500	49,500	48,078	1,422
Equipment Expense	4,400	5,500	5,703	(203)
Insurance	11,234	7,300	7,133	167
Miscellaneous	14,461	16,475	15,243	1,232
Small Tools and Supplies	500	500	396	104
Telephone	2,000	2,400	2,660	(260)
Utilities	13,100	14,750	13,011	1,739
Total Animal Control	354,522	354,522	346,577	7,945
Fire:				
Salaries	1,392,631	1,439,890	1,417,598	22,292
Payroll Taxes, Retirement, and Group Insurance	565,559	561,859	543,871	17,988
Legal and Professional	12,500	16,562	15,279	1,283
Equipment Purchased	-	31,949	34,118	(2,169)
Equipment Expense	50,000	60,682	58,222	2,460
Insurance	157,000	138,600	130,586	8,014
Membership Fees and Educational Training	32,000	32,000	12,430	19,570
Miscellaneous	17,850	17,850	5,641	12,209
Printing, Postage and Office Supplies	4,100	4,100	2,901	1,199
Repairs and Maintenance	18,600	20,100	20,597	(497)
Small Tools and Supplies	42,500	32,500	11,038	21,462
Telephone	25,000	25,000	25,992	(992)
Uniforms	19,600	19,600	7,757	11,843
Utilities	29,000	29,000	30,481	(1,481)
Total Fire	2,366,340	2,429,692	2,316,511	113,181

(CONTINUED)

**CITY OF DENHAM SPRINGS
GENERAL FUND**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL - (CONTINUED)**

FOR THE YEAR ENDED JUNE 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Public Safety (Continued):				
Police:				
Salaries	2,203,738	2,215,096	2,156,645	58,451
Payroll Taxes, Retirement, and Group Insurance	880,907	851,813	842,853	8,960
Equipment Purchased	45,000	136,039	107,659	28,380
Equipment Expense	151,200	224,000	239,723	(15,723)
Equipment Rental	9,330	9,330	7,717	1,613
Insurance	191,000	156,793	161,287	(4,494)
Jail Expense	1,000	1,000	-	1,000
Membership Fees and Educational Training	10,000	10,000	8,387	1,613
Miscellaneous	21,200	39,080	31,721	7,359
Printing, Postage and Office Supplies	16,500	35,500	29,075	6,425
Professional Fees	14,000	14,000	19,991	(5,991)
Repairs and Maintenance	33,500	33,525	30,219	3,306
Small Tools and Supplies	18,000	13,000	10,576	2,424
Telephone	60,000	85,390	82,907	2,483
Uniforms	24,500	23,000	17,034	5,966
Utilities	49,300	49,300	41,603	7,697
Total Police	<u>3,729,175</u>	<u>3,896,866</u>	<u>3,787,397</u>	<u>109,469</u>
Total Public Safety	<u>6,450,037</u>	<u>6,681,080</u>	<u>6,450,485</u>	<u>230,595</u>
Highway and Streets:				
Streets:				
Salaries	731,393	818,141	808,658	9,483
Payroll Taxes, Retirement, and Group Insurance	230,012	230,973	231,355	(382)
Equipment Purchased	-	4,568	4,568	-
Equipment Expense	86,500	150,600	160,080	(9,480)

(CONTINUED)

CITY OF DENHAM SPRINGS
GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL - (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
Highway and Streets (Continued):				
Streets:				
Equipment Rental	6,500	8,000	7,878	122
Insurance	93,000	68,483	65,783	2,700
Uniforms	8,200	15,000	18,624	(3,624)
Legal and Professional	1,000	1,243	1,242	1
Streets Maintenance and Materials	107,100	102,600	87,939	14,661
Membership Fees and Educational Training	300	300	69	231
Miscellaneous	18,230	18,600	10,782	7,818
Small Tools and Supplies	6,000	5,000	2,866	2,134
Telephone	5,500	10,500	10,024	476
Utilities	9,200	9,200	5,990	3,210
Total Streets	1,302,935	1,443,208	1,415,858	27,350
Lighting:				
Utilities	118,000	118,000	121,782	(3,782)
Total Lighting	118,000	118,000	121,782	(3,782)
Total Highways and Streets	1,420,935	1,561,208	1,537,640	23,568
Health:				
Council on Aging	52,056	54,056	51,744	2,312
Denham Springs Housing Authority	11,601	11,268	12,302	(1,034)
Pest Control	11,000	-	-	-
West Livingston Park	1,800	-	-	-
Youth and Family Counseling	21,500	18,700	18,002	698
Total Health	97,957	84,024	82,048	1,976

(CONTINUED)

**CITY OF DENHAM SPRINGS
GENERAL FUND**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL - (CONTINUED)**

FOR THE YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
Culture and Recreation:				
Salaries	22,445	22,445	22,317	128
Payroll Taxes, Retirement, and Group Insurance	10,062	10,783	10,764	19
Equipment Purchased	-	3,554	3,554	-
Insurance	2,400	2,332	2,340	(8)
Legal and Professional	3,642	3,480	3,614	(134)
Membership Fees and Educational Training	1,780	680	450	230
Repairs and Maintenance	10,114	11,814	11,909	(95)
Printing, Postage and Office Supplies	7,250	9,908	10,068	(160)
Telephone	3,200	3,750	3,629	121
Travel	1,500	-	-	-
Utilities	5,620	5,600	5,142	458
	<u>68,013</u>	<u>74,346</u>	<u>73,787</u>	<u>559</u>
Debt Service:				
Principal Retirement	236,229	239,973	209,594	30,379
Interest	-	-	30,378	(30,378)
	<u>236,229</u>	<u>239,973</u>	<u>239,972</u>	<u>1</u>
Total Expenditures	<u>10,293,052</u>	<u>10,664,888</u>	<u>10,313,269</u>	<u>351,619</u>

(CONTINUED)

**CITY OF DENHAM SPRINGS
GENERAL FUND**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL - (CONTINUED)**

FOR THE YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
Excess (Deficiency) of Revenues Over Expenditures	1	(466,340)	(140,631)	325,709
Other Financing Sources (Uses):				
Operating Transfers In	-	799	799	-
Operating Transfers Out	-	(336,359)	(336,359)	-
Total Other Financing Sources (Uses)	-	(335,560)	(335,560)	-
Net Change in Fund Balance	1	(801,900)	(476,191)	325,709
Fund Balance at Beginning of Year	3,218,814	3,218,814	3,218,814	-
Fund Balance at End of Year	<u>\$ 3,218,815</u>	<u>\$ 2,416,914</u>	<u>\$ 2,742,623</u>	<u>\$ 325,709</u>

The accompanying notes constitute an integral part of this statement.

**CITY OF DENHAM SPRINGS
PROPRIETARY FUNDS**

STATEMENT OF NET ASSETS

JUNE 30, 2011

	Business-Type Activities -			Governmental Activities - Motor Pool Internal Service Fund
	Utility Enterprise Fund	Denham Springs Sewer District Number 1	Total Business-Type Activities	
Current Assets:				
Cash and Cash Equivalents	\$ 500	\$ 126,712	\$ 127,212	\$ 328,622
Restricted Assets:				
Cash for Customer Deposits	881,404	-	881,404	-
Revenue Bond Covenant Accounts	514,737	96,999	611,736	-
Revenue Bond Construction Account	184,445	8,192,630	8,377,075	-
Accrued Interest Receivable	1	161	162	-
	<u>1,580,587</u>	<u>8,289,790</u>	<u>9,870,377</u>	-
Receivables:				
Accounts (Net of Allowance for Uncollectible Accounts of \$191,000)	412,718	-	412,718	-
Due from Other Governments	26,385	-	26,385	1,696
Unbilled Utility Sales	428,958	-	428,958	-
	<u>868,061</u>	-	<u>868,061</u>	1,696
Inventory, at Cost	179,299	-	179,299	24,113
Due from Other Funds	146,556	71,650	218,206	-
Prepaid Expenses	5,936	-	5,936	-
Total Current Assets	<u>2,780,939</u>	<u>8,488,152</u>	<u>11,269,091</u>	<u>354,431</u>
Noncurrent Assets:				
Deferred Bond Issuance Costs	1,409,142	1,131,746	2,540,888	-
Capital Assets:				
Land and Construction in Progress	392,488	17,218,274	17,610,762	-
Other Capital Assets, at Cost (Net of Accumulated Depreciation)	43,470,406	1,082,798	44,553,204	41,610
Total Noncurrent Assets	<u>45,272,036</u>	<u>19,432,818</u>	<u>64,704,854</u>	<u>41,610</u>
Total Assets	<u>\$ 48,052,975</u>	<u>\$ 27,920,970</u>	<u>\$ 75,973,945</u>	<u>\$ 396,041</u>

The accompanying notes constitute an integral part of this statement.

	Business-Type Activities -			Governmental Activities - Motor Pool Internal Service Fund
	Utility Enterprise Fund	Denham Springs Sewer District Number 1	Total Business-Type Activities	
Current Liabilities				
(Payable from Current Assets):				
Accounts Payable	\$ 322,641	\$ 1,426,345	\$ 1,748,986	\$ 45,038
Accrued Salaries and Wages	75,778	-	75,778	-
Accumulated Unpaid Vacation	50,100	-	50,100	3,507
Customers' Deposits	857,668	-	857,668	-
Bonds Payable - Current Portion	662,584	-	662,584	-
Other Current Liabilities	6,762	-	6,762	3,392
Due To Other Funds	1,166,214	146,556	1,312,770	-
Accrued Bond Interest	112,125	93,006	205,131	-
Total Current Liabilities	3,253,872	1,665,907	4,919,779	51,937
Noncurrent Liabilities:				
Accumulated Unpaid Vacation	150,303	-	150,303	10,521
Bonds Payable (Net of Unamortized Bond Premium or Discount)	30,127,226	23,588,970	53,716,196	-
Total Noncurrent Liabilities	30,277,529	23,588,970	53,866,499	10,521
Total Liabilities	33,531,401	25,254,877	58,786,278	62,458
Net Assets:				
Invested in Capital Assets, Net of Related Debt	15,329,255	2,610,133	17,939,388	41,610
Restricted for Debt Service	-	3,993	3,993	-
Unrestricted (Deficit)	(807,681)	51,967	(755,714)	291,973
Total Net Assets	14,521,574	2,666,093	17,187,667	333,583
Total Liabilities and Net Assets	\$ 48,052,975	\$ 27,920,970	\$ 75,973,945	\$ 396,041

CITY OF DENHAM SPRINGS
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2011

	Business-Type Activities -			Governmental
	Utility Enterprise Fund	Denham Springs Sewer District Number 1	Total Business-Type Activities	Activities - Motor Pool Internal Service Fund
Operating Revenues:				
Charges for Services	\$ 9,153,398	\$ 209,054	\$ 9,362,452	\$ 678,343
Total Operating Revenues	9,153,398	209,054	9,362,452	678,343
Operating Expenses:				
Personal Services and Benefits	2,611,626	14,158	2,625,784	114,713
Contractual Services	1,125,861	23,201	1,149,062	85
Cost of Materials	1,435,008	-	1,435,008	515,875
Utilities	473,240	26,778	500,018	5,257
Repair and Maintenance	880,429	20,716	901,145	7,486
Supplies	221,098	13,865	234,963	4,168
Insurance	234,572	5,140	239,712	6,918
Depreciation	1,817,635	30,030	1,847,665	10,108
Bad Debts	44,908	-	44,908	-
Total Operating Expenses	8,844,377	133,888	8,978,265	664,610
Operating Income	309,021	75,166	384,187	13,733
Nonoperating Revenues:				
Intergovernmental	93,500	-	93,500	-
Interest	5,555	1,802	7,357	119
Amortization of Bond Premium	4,536	-	4,536	-
Miscellaneous	91,277	-	91,277	-
Total Nonoperating Revenues	194,868	1,802	196,670	119
Nonoperating Expenses:				
Interest	1,355,379	-	1,355,379	-
Amortization of Bond Costs	29,662	-	29,662	-
Amortization of Bond Discount	2,087	-	2,087	-
Miscellaneous	-	-	-	-
Total Nonoperating Expenses	1,387,128	-	1,387,128	-
Income (Loss) Before Contributions	(883,239)	76,968	(806,271)	13,852
Capital Contributions	74,670	2,592,830	2,667,500	-
Change in Net Assets	(808,569)	2,669,798	1,861,229	13,852
Total Net Assets at				
Beginning of Year (Deficit)	15,330,143	(3,705)	15,326,438	319,731
Total Net Assets at End of Year	\$ 14,521,574	\$ 2,666,093	\$ 17,187,667	\$ 333,583

The accompanying notes constitute an integral part of this statement.

**CITY OF DENHAM SPRINGS
PROPRIETARY FUNDS**

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2011

	<u>Business-Type Activities -</u>			Governmental
	Utility Enterprise Fund	Denham Springs Sewer District Number 1	Total Business-Type Activities	Activities - Motor Pool Internal Service Fund
Cash Flows From Operating Activities:				
Cash Received from Customers	\$ 9,272,634	\$ 209,054	\$ 9,481,688	\$ 678,343
Cash Payments to Suppliers for Goods and Services	(4,347,797)	(81,395)	(4,429,192)	(521,117)
Cash Payments to Employees for Services and Benefits	(2,590,977)	(14,158)	(2,605,135)	(110,440)
Other Receipts (Payments)	(217,852)	70,785	(147,067)	-
Net Cash Provided by Operating Activities	2,116,008	184,286	2,300,294	46,786
Cash Flows From Capital and Related Financing Activities:				
Acquisition and Construction of Capital Assets	(1,169,516)	(11,290,165)	(12,459,681)	(4,020)
Interest Income Received on Bond Proceeds Capitalized	46	-	46	-
Interest Expense Paid that was Capitalized	-	(1,111,303)	(1,111,303)	-
Interest Expense Paid on Bonds Not Capitalized	(1,357,354)	-	(1,357,354)	-
Principal Paid on Revenue Bonds	(635,000)	-	(635,000)	-
Net Receipts from Customer Deposits	24,475	-	24,475	-
Capital Contributions	74,670	32,654	107,324	-
Net Cash Provided by (Used in) Capital and Related Financing Activities	(3,062,679)	(12,368,814)	(15,431,493)	(4,020)
Cash Flows From Investing Activities:				
Proceeds from Sales and Maturity of Investments	501,045	-	501,045	-
Interest Income Received	8,443	2,235	10,678	119
Net Cash Provided by Investing Activities	509,488	2,235	511,723	119
Net Increase (Decrease) in Cash and Cash Equivalents	(437,183)	(12,182,293)	(12,619,476)	42,885
Cash and Cash Equivalents - Beginning of Year	2,018,269	20,598,634	22,616,903	285,737
Cash and Cash Equivalents - End of Year	<u>\$ 1,581,086</u>	<u>\$ 8,416,341</u>	<u>\$ 9,997,427</u>	<u>\$ 328,622</u>
Schedule of Noncash Investing, Capital and Financing Activities:				
Amortization of Deferred Bond Expense	<u>\$ 29,662</u>	<u>\$ -</u>	<u>\$ 29,662</u>	<u>\$ -</u>
Amortization of Bond Premium and Discount (Net)	<u>\$ (2,449)</u>	<u>\$ -</u>	<u>\$ (2,449)</u>	<u>\$ -</u>
Capital Contributions - Donated Right-of-Ways	<u>\$ -</u>	<u>\$ 2,560,176</u>	<u>\$ 2,560,176</u>	<u>\$ -</u>

(CONTINUED)

CITY OF DENHAM SPRINGS
PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2011

	Business-Type Activities -			Governmental Activities - Motor Pool Internal Service Fund
	Utility Enterprise Fund	Denham Springs Sewer District Number 1	Total Business-Type Activities	
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:				
Operating Income	\$ 309,021	\$ 75,166	\$ 384,187	\$ 13,733
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:				
Depreciation	1,817,635	30,030	1,847,665	10,108
Provision for Bad Debts	44,908	-	44,908	-
Intergovernmental Revenues	93,500	-	93,500	-
Miscellaneous Revenues	91,277	-	91,277	-
Changes in Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable	(152,984)	-	(152,984)	-
(Increase) Decrease in Other Receivables	244,805	-	244,805	-
(Increase) Decrease in Unbilled Utility Sales	27,415	-	27,415	-
(Increase) Decrease in Due from Other Funds	(142,435)	(71,650)	(214,085)	-
(Increase) Decrease in Inventory	(6,411)	-	(6,411)	406
(Increase) Decrease in Prepaid Expenses	3,379	-	3,379	-
Increase (Decrease) in Accounts Payable - Trade	25,443	8,305	33,748	18,266
Increase (Decrease) in Accrued Salaries and Wages	11,684	-	11,684	-
Increase (Decrease) in Other Current Liabilities	-	-	-	500
Increase (Decrease) in Due To Other Funds	(260,194)	142,435	(117,759)	-
Increase (Decrease) in Accumulated Unpaid Vacation	8,965	-	8,965	3,773
Net Cash Provided by Operating Activities	<u>\$ 2,115,008</u>	<u>\$ 184,286</u>	<u>\$ 2,300,294</u>	<u>\$ 46,786</u>

The accompanying notes constitute an integral part of this statement.

CITY OF DENHAM SPRINGS

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2011

(1) **Summary of Significant Accounting Policies -**

A. Financial Reporting Entity

The City of Denham Springs "the City" was incorporated May 8, 1903, under the provisions of R.S. 33:321-48. The City operates under a Mayor - City Council form of government and provides the following services as authorized by its charter: public safety (police, animal control, and fire), highways and streets, health and social services, culture-recreation, education, public improvements, planning and zoning, and general administrative services.

As required by accounting principles generally accepted in the United States of America, these financial statements present the City of Denham Springs, Louisiana, and its component units, entities for which the City of Denham Springs is considered to be financially accountable. The discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the City. Each discretely presented component unit has a June 30, 2011 year end.

The financial reporting entity consists of (1) the primary government (all funds under the auspices of the Mayor and the City Council), (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the 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.

Governmental Accounting Standards Board (GASB) Statement No. 14, the Financial Reporting Entity, established criteria for determining which component units should be considered part of the City of Denham Springs for financial reporting purposes. The basic criteria for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

1. Appointing a voting majority of an organization's governing body, and
 - a. The ability of the City to impose its will on that organization and/or
 - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the City.
2. Organizations for which the City does not appoint a voting majority but are fiscally dependent on the City.

CITY OF DENHAM SPRINGS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011

3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

As required by accounting principles generally accepted in the United States of America, these financial statements present the City of Denham Springs (the primary government) and its component units. Based on the criteria above, the City of Denham Springs has included the following component units in the financial reporting entity:

BLENDDED COMPONENT UNIT

The City of Denham Springs created the Denham Springs Sewer District No. 1 on January 26, 2009, under the authority of Louisiana Revised Statute 33:3911 et. seq. The Denham Springs Sewer District No. 1 is a separate legal entity and is governed by the Mayor and the City Council of the City of Denham Springs and is reported as a proprietary fund in the basic financial statements of the City of Denham Springs. The purpose of the Sewer District is to install sewer infrastructure into unincorporated areas of Livingston Parish and within the designated boundaries of the District, to provide sewer services to residence of the area, and to set rates and collect sewer fees once the system is installed. The Sewer District is connecting into the City of Denham Springs sewer treatment facility as the infrastructure is installed.

DISCRETELY PRESENTED COMPONENT UNITS

Component units that are legally separate from the City but are financially accountable to the City, or whose relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete are discretely presented. The component units column of the government-wide financial statements include the financial data of these discretely presented component units. They are reported in a separate column to emphasize that they are legally separate from the City.

Funding for the following state constitutionally defined agencies is included in the City's general fund. These officials however, have certain statutorily defined sources of funds for their own operating and/or capital budget discretion. These funds have been discretely presented in the City's government-wide financial statements:

City Court of Denham Springs - Ward II - The Judge of the Court is an elected official provided by the Louisiana State Constitution. Fiscal interdependency exists between the City and the City Court in that the City is required to provide the City Court office facilities and the City pays a portion of the Judge's compensation, and reimburses the

CITY OF DENHAM SPRINGS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011

Court for certain other salaries and benefits. The City Court has jurisdiction over all violations of City Ordinances and State misdemeanor cases. The jurisdiction includes the incorporated area of the City of Denham Springs and Ward Two of Livingston Parish. The City has the ability to modify or approve their budget which comes from the General Fund. There are certain funds collected by the City Court, pursuant to state statute, which are under the control of the courts. The City's government-wide financial statements discretely presents the City Court of Denham Springs - Ward II's financial statements for the year ended June 30, 2011.

Marshal of City Court of Denham Springs - Ward II - The Marshal is an elected official provided by the Louisiana State Constitution. Fiscal interdependency exists between the City and the Marshal in that the City is required to provide the Marshal's office facilities, and reimburses the Marshal's office for certain other salaries and benefits. The Marshal of the City Court of Denham Springs has the power of a sheriff in the execution of the Court's orders and mandates in making requests and preserving the peace. The City has the ability to modify or approve the budget which comes from the General Fund. The Marshal serves the citizenry of the City of Denham Sprigs and Ward Two of Livingston Parish. The City's government-wide financial statements discretely presents the Marshal's financial statements for the year ended June 30, 2011.

In addition to the state constitutionally defined agencies included above, the City created the Denham Springs Economic Development District which created a Louisiana nonprofit corporation, the Denham Springs Economic Development Corporation, to assist the City in the creation of economic development, to improve employment and to otherwise improve the economic condition of the City of Denham Springs and surrounding areas.

Denham Springs Economic Development District - The Denham Springs Economic Development District ("the District") was created by an ordinance of the City Council of the City of Denham Springs on December 9, 2003, pursuant to the Louisiana Cooperative Economic Development Law. A board of five members is provided by law. The District encompasses approximately 75 acres within the City of Denham Springs.

The purpose of the District is to secure Sales Tax Increment Revenue bonds issued to provide funds for the construction of infrastructure improvements and acquiring, constructing and equipping the Bass Pro retail outlet and restaurant and ancillary items within the District. The District issued Sales Tax Increment Revenue Bonds Series 2007 A, B, and C dated March 1, 2007 in the total amount of \$41,540,000 and issued Sales Tax Increment Revenue Bonds Series 2008 dated May 27, 2008 in the amount of \$8,460,000. The proceeds were used for the purchase of 24 acres within the 75 acre

CITY OF DENHAM SPRINGS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011

District and for the construction of the "Bass Pro Shops" project and infrastructure. The bonds will be repaid from sales tax revenues generated by developments within the District. Collateral for the bonds is limited to the prospective developments and the City of Denham Springs has no liability for these bonds or for the debt service of these bonds.

Because of the required cooperation from each of and the sales tax revenues to be given up by each of the following governmental entities,

**City of Denham Springs
Livingston Parish School Board
Livingston Parish Council
Livingston Parish Sheriff
Livingston Parish Gravity Drainage District #1
State of Louisiana**

the District created the Denham Springs Economic Development Corporation on February 14, 2004. The Corporation's Board is composed of five members recommended by the City of Denham Springs, two members recommended by the Livingston Parish School Board, one member recommended by the Livingston Parish Council, and one member recommended by the Livingston Parish Sheriff for a total of nine members. The corporation is a private nonprofit corporation created pursuant to the Louisiana Nonprofit Corporation Law (Chapter 2 of Title 12 of the Louisiana Revised Statutes) and has been assigned the responsibilities to oversee, supervise and approve the construction of infrastructure improvements and acquiring, constructing, and equipping the Bass Pro retail outlet and restaurant and ancillary items. Ownership of the 24 acres, facilities and infrastructure remains with the District. There was no financial activity within this corporation prior to March of 2007.

The Denham Springs Economic Development Corporation has been included in the financial statements of the Denham Springs Economic Development District as a blended component unit, and the Denham Springs Economic Development District has been included in the City's government-wide financial statements as a discretely presented component unit for the year ended June 30, 2011.

RELATED ORGANIZATIONS

City officials are also responsible for appointing members of the board of another organization. The City's accountability does not extend beyond making the appointments.

CITY OF DENHAM SPRINGS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011

Denham Springs Housing Authority - The Denham Springs Housing Authority is a legally separate government entity formed to administer housing programs funded by the U.S. Department of Housing and Urban Development (HUD). The City governing authority appoints a majority of the Authority's members; however, there is no financial relationship between the Authority and the primary government.

The Denham Springs Parks and Recreation District #3 of Livingston Parish is a related organization of the City, however the City officials have no responsibility for the District. The District does however include the geographic area of the City.

Denham Springs Parks and Recreation District (PARD) - PARD is a legally separate parish agency that provides parks and recreational services to the residents of Livingston Parish District #3. District #3 includes the geographic area within the City of Denham Springs.

PARD sets its own ad valorem tax, can incur debt and owns property. The City has no budget approval, management designation or commission member removal powers. PARD finances capital and operating budgets directly from the parish constituents within District #3, and has no financial benefit/burden relationship with the City of Denham Springs.

The following agency is a non-profit corporation established pursuant to State Statutes to finance debt for various public purposes within Livingston Parish. The City Council appoints the board members of the agency. The agency is fiscally independent from the City, issues its own debt, approves its budgets, and sets its rates and charges. The primary government has no authority to remove board members, designate management, or approve or modify rates. The City is not obligated in any manner for the debt issues of this agency.

Denham Springs/Livingston Housing and Mortgage Finance Authority

Complete financial statements for each of the City of Denham Springs component units and related organizations can be obtained at the Office of the Legislative Auditor of the State of Louisiana, 1600 North Third Street, P.O. Box 94397, Baton Rouge, LA 70804-9397, or at each of the agencies administrative offices.

CITY OF DENHAM SPRINGS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the activities of the primary government and its component units. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

CITY OF DENHAM SPRINGS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental fund:

The *general fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The City reports the following major proprietary funds:

The *utility enterprise fund* accounts for the provision of gas, water, sewer and sanitation services to the residents of the City of Denham Springs and some residents of the parishes of Livingston and East Baton Rouge. All activities necessary to provide such services are accounted for in this fund, including but not limited to, administration, operations, maintenance, financing and related debt service, and billing and collections.

The *Denham Springs Sewer District Number 1 fund (a blended component unit)* accounts for the provision of sewer services to customers outside the limits of the City of Denham Springs but within a certain geographical area of Livingston Parish. All activities necessary to provide such services are accounted for in this fund, including but not limited to, administration, operations, maintenance, financing and related debt service, and billing and collections.

Additionally, the City reports the following fund types:

The *capital projects fund* is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The capital projects fund excludes those type of capital related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations or other governments.

The *special revenue fund* is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt services or capital projects.

CITY OF DENHAM SPRINGS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011

The internal service fund accounts for services such as vehicle fuel and repairs and maintenance to vehicles provided to other departments or agencies of the City, on a cost reimbursement basis.

The debt service fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

The permanent fund is used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the City's programs – that is, for the benefit of the City or its citizenry.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are other charges between the City's utility functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's utility fund and of the City's internal service funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise fund and internal service fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

CITY OF DENHAM SPRINGS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011

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

D. Assets, Liabilities and Net Assets or Equity

1. Deposits and Investments -

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments, with original maturities of three months or less from the date of acquisition.

State statutes authorizes the City to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements and the State Treasurer's Investment Pool.

Investments (certificates of deposit with original maturities greater than 90 days) are stated at cost.

Deposit and Investment policies of the component units are similar to those of the primary government except that the restricted cash and investments of the Denham Springs Economic Development District have been placed in trust and are to be invested in accordance with the bond indenture to which these funds were derived.

2. Receivables and Payables -

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a nonspendable fund balance classification in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources. At June 30, 2011, there were no advances between funds.

CITY OF DENHAM SPRINGS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011

All trade and property tax receivables are shown net of an allowance for uncollectibles. Trade accounts receivable based on agings and estimated charge-off percentages comprise the trade accounts receivable allowance for uncollectibles. The property tax receivable allowance is equal to three percent of the current year property tax levy plus one hundred percent of any unpaid prior year tax at June 30, 2011.

Property taxes are levied in September or October each year on property values assessed as of the same date. Billed taxes become delinquent on January 1 of the following year, at which time the applicable property is subject to lien, and penalties and interest are assessed.

3. Inventories and Prepaid Items -

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. Restricted Assets -

Primary Government -

Certain proceeds of the City's Enterprise Fund 2006 and 2008 Revenue Bonds and the Sewer District Number 1 2009 Revenue Bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. The "revenue bond construction" account is used to report those proceeds of revenue bond issuances that are restricted for use in construction. The "revenue bond debt service" accounts are used to segregate resources accumulated for debt service payments over the next twelve months.

Certain proceeds and resources of the City's Utility Enterprise Fund are set aside to reimburse customers their utility deposits upon discontinuance of service.

Component Unit -

Certain proceeds of the Denham Springs Economic Development District revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts within a trust and their use is limited by applicable bond covenants. The "revenue bond construction" accounts are used to report those proceeds of revenue bond issuances that are restricted for use in construction. The "revenue bond debt service" accounts are used to segregate resources accumulated for debt service payments over the next twelve months.

CITY OF DENHAM SPRINGS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011

5. Capital Assets -

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$2,000 (amount not rounded). Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

In the case of the initial capitalization of general infrastructure assets, the City of Denham Springs chose to not include such assets acquired prior to 1980.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed, net of interest earned on the invested proceeds over the same period.

Property, plant, and equipment of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	15 - 40
Building Improvements	10 - 25
Public Domain Infrastructure	50
System Infrastructure	20 - 50
Equipment	3 - 15

6. Compensated Absences -

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the City does not have a policy to pay any amounts when employees separate from service with the City. All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

CITY OF DENHAM SPRINGS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011

7. Long-Term Obligations -

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. Fund Equity -

The City implemented the provisions of Governmental Accounting Standards Board Statement No. 54 which redefined how fund balances are presented in fund financial statements, effective July 1, 2010. In the governmental fund financial statements, fund balances 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 state or federal laws, or externally imposed conditions by grantors or creditors.

Committed - Amounts that can only be used for specific purposes determined by a formal action by City Council ordinance or resolution. These amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed.

Assigned - Amounts the City intends to use for a specific purpose; intent can be expressed by the City Council or by an official or body to which the City Council delegates the authority.

CITY OF DENHAM SPRINGS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011

Unassigned - All amounts not included in other spendable classifications; positive amounts are only in the general fund. The City has not adopted a policy to maintain the general fund's unassigned fund balance above a certain minimum level.

The details of the fund balances are included in the Balance Sheet - Governmental Funds (Exhibit B-1). City Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. As noted above, restricted funds are used first as appropriate. Assigned Funds are reduced to the extent that expenditure authority has been budgeted by the City Council or the Assignment has been changed by the City Council. Decreases to fund balance first reduce Unassigned Fund balance; in the event that Unassigned becomes zero, then Assigned and Committed Fund Balances are used in that order.

9. Post-Employment Health Care Benefits -

Retiree Benefits -

In addition to the pension benefits described in Note 11, the City provides postretirement healthcare benefits to all employees who retire from the City, as per the requirements of a local ordinance. The group insurance is paid by the City and reimbursed by the retired employee. There is no associated cost to the City under this program, and there are only five (5) participants in the program as of June 30, 2011. Since the retiree healthcare benefit program is reimbursed to the City by the participants and the number of retirees opting to use this benefit has been historically low, the City determined any postemployment benefit accrual would be immaterial to the financial statements as the only potential accrual would be the implicit benefit of the retirees of paying the insurance group rate.

COBRA Benefits -

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the City provides healthcare benefits to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premiums are paid by the City and reimbursed by the insured. This program is offered for a duration of eighteen (18) months after the termination date. There is no associated cost to the City under this program, and at June 30, 2011, there is only one (1) participant in the program.

10. Use of Estimates -

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America includes the use of estimates that affect the financial statements. Accordingly, actual results could differ from those estimates.

CITY OF DENHAM SPRINGS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011

11. Current Accounting Pronouncements -

In November 2010, the Governmental Accounting Standards Board issued GASB Statement No. 61 "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34". The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. It modifies certain requirements for inclusion of component units in the financial reporting entity, and it amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. This Statement also clarifies the reporting of equity interests in legally separate organizations and requires a primary government to report its equity interest in a component unit as an asset. This Statement will be required to be adopted by the City of Denham Springs for fiscal year ending June 30, 2013.

In December 2010, the Governmental Accounting Standards Board issued GASB Statement No. 62 "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements." This Statement supersedes GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting," thereby eliminating the election provided in paragraph 7 of that Statement for enterprise funds and business-type activities to apply post-November 30, 1989 FASB Statements and Interpretations that do not conflict with or contradict GASB pronouncements. However, those entities can continue to apply, as other accounting literature, post-November 30, 1989 FASB pronouncements that do not conflict with or contradict GASB pronouncements, including this Statement. This Statement will be required to be adopted by the City of Denham Springs for fiscal year ending June 30, 2013.

In June 2011, the Governmental Accounting Standards Board issued GASB Statement No. 63 "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position." The objective of this Statement is to provide financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources and deferred inflows of resources are defined as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. This Statement also amends the net asset reporting requirements in GASB Statement No. 34, "Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments", and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into

CITY OF DENHAM SPRINGS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011

the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. This Statement will be required to be adopted by the City of Denham Springs for fiscal year ending June 30, 2013.

(2) Stewardship, Compliance and Accountability -

A. Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds, except the Debt Service Fund and the Cemetery Care Permanent Fund which are not budgeted. All annual appropriations lapse at fiscal year end.

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

1. The City Treasurer prepares a proposed budget and submits same to the Mayor and 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 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 action necessary to finalize and implement the budget, the budget is adopted through passage of an ordinance 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 City Council.

Activities of the General Fund, the Capital Project Fund, and the Special Revenue Fund are included in the annual appropriated budget. The City is not required to prepare and does not prepare an annual appropriated budget for its Debt Service Fund, Enterprise Fund, Internal Service Fund or Cemetery Care Permanent Fund.

The appropriated budget is prepared by fund, function and department. The City's department heads may make transfers within a department. Transfers of appropriations between departments require the approval of the City Council. The legal level of budgetary control is the department level. Any increase in departmental budgets must be approved by the City Council.

CITY OF DENHAM SPRINGS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011

Budgeted amounts are as originally adopted, or as amended from time to time by the City Council. For the fiscal year ended June 30, 2011, the City Council approved the increase in the original expenditures of the General Fund from \$10,293,052 to \$10,664,888.

The total General Fund increase amounted to \$371,836. The General Fund budget as amended was increased approximately \$149,000 for salaries, increased approximately \$147,000 for equipment expenses, increased approximately \$139,000 for additional capital outlay expenses, and decreased approximately \$96,000 for insurance expense. These areas were the major budget increases and decreases.

Budgetary data for the discretely presented component units are not presented in these financial statements.

(3) Deposits and Investments -

The City has established a consolidated bank account with a local bank into which monies are deposited and from which all disbursements are now being made. The purpose of the consolidation account is to reduce administrative charges and provide a single cash balance available for the maximization of investment earnings. Each fund shares in the investment earnings of the consolidated account according to its average cash balance. Cash is transferred from those funds with available cash resources to cover any negative cash balances, if any, in other funds at year-end.

The City also invests all excess funds in certificates of deposits, which have maturity dates greater than 90 days when purchased, and are therefore classified as investments for financial reporting. At June 30, 2011, all certificates of deposit had matured and had not yet been reinvested in new certificates of deposits due to the minimum interest rates in effect.

The discretely presented component units maintain deposit accounts and investments in certificates of deposits similar to the Primary Government.

A. Primary Government

As reflected in Exhibit A-1, the City of Denham Springs, Louisiana has cash totaling \$11,987,009 and investments totaling \$-. Under state law, these deposits must be secured by federal deposit insurance or the pledge of securities owned by the bank. These pledged securities are held by and are in the name of the fiscal agent bank but pledged to the City. The following is a summary of cash and investments at June 30, 2011.

CITY OF DENHAM SPRINGS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Deposits in Bank Accounts per Balance Sheet:			
Cash and Cash Equivalents	\$1,989,582	\$9,997,427	\$11,987,009

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. As of June 30, 2011, \$3,990,904 of the City's bank balance of \$14,022,263 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging institution's trust department or agent, but not in the entity's name. Neither the City of Denham Springs nor its discretely presented component units has a policy for custodial credit risk.

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement of the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the City that the fiscal agent has failed to pay deposited funds upon demand.

B. Deposits - Discretely Presented Component Units

The discretely presented component units are required to invest funds within the same state statutes as the primary government. Component unit deposits (including demand deposit accounts and all certificates of deposits) at June 30, 2011, are summarized below.

	<u>City Court of Denham Springs Ward II</u>	<u>Marshall of City Court of Denham Springs Ward II</u>	<u>Denham Springs Economic Development District</u>
Deposits in Bank Accounts Per Balance Sheet:			
Cash and Cash Equivalents	\$ 236,290	\$ 68,318	\$ 3,568,358
Certificates of Deposits	<u>245,324</u>	<u>-</u>	<u>-</u>
	481,614	68,318	3,568,358
Fiduciary Amounts - Not Included in Statement of Net Assets	<u>280,866</u>	<u>-</u>	<u>-</u>
	<u>\$ 762,480</u>	<u>\$ 68,318</u>	<u>\$ 3,568,358</u>

CITY OF DENHAM SPRINGS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the component units' deposits may not be returned to them. As of June 30, 2011, \$129,563 of the component units' bank balances of \$4,519,057 were exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging institution's trust department or agent, but not in the entity's name.

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement of the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the component unit that the fiscal agent has failed to pay deposited funds upon demand.

(4) **Ad Valorem Taxes -**

Ad valorem taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied by the City in September or October and are actually billed to the taxpayers in November. Billed taxes become delinquent on January 1 of the following year. Revenues from ad valorem taxes are budgeted in the year billed.

The City's property taxes are now billed and collected by the Livingston Parish Tax Collector from information on assessed values received from the Livingston Parish Assessor's Office. The Tax Collector remits collections monthly to the City.

For the year ended June 30, 2011, taxes of 2.748 mills were levied on property with assessed valuations totaling \$78,768,530 and were dedicated to general purposes.

Total taxes levied were \$216,457. Taxes receivable at June 30, 2011, consisted of the following:

Taxes Receivable - Current Roll	\$ 7,368
Taxes Receivable - Prior Years	<u>20,932</u>
	28,300
Allowance for Uncollectible Taxes	<u>(23,096)</u>
	<u>\$ 5,204</u>

CITY OF DENHAM SPRINGS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011

(5) Receivables -

Receivables as of June 30, 2011, including the applicable allowances for uncollectible accounts, are as follows:

	<u>Interest</u>	<u>Ad Valorem Taxes</u>	<u>Royalties</u>	<u>Franchise Taxes</u>	<u>Accounts</u>	<u>Unbilled Sales</u>	<u>Less: Allowance for Uncollectibles</u>	<u>Total - Net Receivable</u>
<u>Governmental Activities:</u>								
General Fund	\$ -	\$28,300	\$ 3,388	\$147,342	\$45,658	\$ -	\$ (23,096)	\$ 201,592
Nonmajor Governmental Funds	-	-	-	-	470	-	-	470
Total Governmental Activities	-	28,300	3,388	147,342	46,128	-	(23,096)	202,062
<u>Business Type-Activities:</u>								
Utility Fund	162	-	-	-	603,718	428,958	(191,000)	841,838
<u>Component Units:</u>								
City Court of Denham Springs - Ward II	917	-	-	-	100	-	-	1,017
Marshall of City Court of Denham Springs - Ward II	-	-	-	-	-	-	-	-
Denham Springs Economic Development District	641	-	-	-	9,194	-	-	9,835
Total Component Units	1,558	-	-	-	9,294	-	-	10,852
	<u>\$ 1,720</u>	<u>\$ 28,300</u>	<u>\$ 3,388</u>	<u>\$147,342</u>	<u>\$659,140</u>	<u>\$428,958</u>	<u>\$(214,096)</u>	<u>\$1,054,752</u>

(6) Due From Other Governments -

Due from Other Governments as of June 30, 2011, consists of the following:

	<u>Livingston Parish School Board</u>	<u>State of Louisiana</u>	<u>Livingston Parish</u>	<u>FEMA</u>	<u>Other</u>	<u>Total</u>
<u>Governmental Activities:</u>						
General Fund	\$ 971,256	\$ 4,847	\$ 38,449	\$ 24,408	\$ -	\$1,038,960
Internal Service Fund	-	-	-	1,696	-	1,696
Total Governmental Activities	971,256	4,847	38,449	26,104	-	1,040,656
<u>Business Type-Activities:</u>						
Utility Fund	-	-	-	26,385	-	26,385
<u>Component Units:</u>						
City Court of Denham Springs - Ward II	-	-	-	-	-	-
Marshall of City Court of Denham Springs - Ward II	-	-	-	-	-	-
Denham Springs Economic Development District	348,867	251,843	-	-	-	600,710
Total Component Units	348,867	251,843	-	-	-	600,710
	<u>\$ 1,320,123</u>	<u>\$ 256,690</u>	<u>\$ 38,449</u>	<u>\$ 52,489</u>	<u>\$ -</u>	<u>\$1,667,751</u>

CITY OF DENHAM SPRINGS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011

(7) Interfund Receivables, Payables - Due (To) From Primary Government/Component Units - Transfers In, Transfers Out -

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Due To</u>	<u>Due From</u>
Governmental Activities:			
General Fund	Utility Fund	\$ -	\$ 1,094,564
Business Type-Activities:			
Denham Springs Sewer			
District Number 1	Utility Fund	146,566	-
	Utility Fund		71,650
Utility Fund	General Fund	1,094,564	-
	Sewer District Number 1	-	146,566
	Sewer District Number 1	<u>71,650</u>	<u>-</u>
		<u>\$1,312,780</u>	<u>\$1,312,780</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. The balance owed to the General Fund from the Utility Fund resulted from amounts of outstanding checks in excess of bank balances attributable to the Utility Fund in the amount of \$1,094,564. The Denham Springs Sewer District Number 1 owes the Utility Fund \$146,566 in accumulated project costs in connection with the construction of the District's infrastructure and for cost for services provided by the Utility Fund. The Utility Fund handles the billing and collection of amounts due from customers of Denham Springs Sewer District Number 1. The Utility Fund and the District share some common customers because the Utility fund provides those customers water services. The Utility Fund owes Denham Springs Sewer District Number 1 \$71,650 for impact fees collected and billed and unbilled sales for the month of June 2011. These balances due to and from funds are expected to be repaid in the subsequent year.

	<u>Due (To)/From Primary Government</u>	<u>Due (To)/From Component Units</u>
Primary Government:		
General Fund	\$ -	\$ 21,719
Component Units:		
Marshall of City Court of Denham Springs - Ward II	<u>(21,719)</u>	<u>-</u>
Total	<u>\$ (21,719)</u>	<u>\$ 21,719</u>

CITY OF DENHAM SPRINGS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011

(8) Changes in Capital Assets -

Primary government capital asset activity for the year ended June 30, 2011 was as follows:

	<u>Balance</u> <u>June 30, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2011</u>
<u>Governmental Activities:</u>				
Capital Assets not being Depreciated:				
Land	\$ 1,222,026	\$ -	\$ -	\$ 1,222,026
Construction in Progress	<u>153,466</u>	<u>264,600</u>	<u>(365,295)</u>	<u>52,771</u>
Total Capital Assets not being Depreciated	1,375,492	264,600	(365,295)	1,274,797
Capital Assets being Depreciated:				
Buildings and Improvements	5,206,438	-	-	5,206,438
Infrastructure	4,391,461	365,295	-	4,756,756
Equipment	<u>6,441,592</u>	<u>162,116</u>	<u>(104,246)</u>	<u>6,499,462</u>
Total Capital Assets being Depreciated	16,039,491	527,411	(104,246)	16,462,656
Less: Accumulated Depreciation for:				
Buildings and Improvements	2,561,428	126,157	-	2,687,585
Infrastructure	1,949,777	179,966	-	2,129,743
Equipment	<u>3,769,575</u>	<u>532,277</u>	<u>(104,246)</u>	<u>4,197,606</u>
Total Accumulated Depreciation	8,280,780	838,400	(104,246)	9,014,934
Total Capital Assets being Depreciated, Net	<u>7,758,711</u>	<u>(310,989)</u>	<u>-</u>	<u>7,447,722</u>
Total Governmental Activities Capital Assets, Net	<u>\$ 9,134,203</u>	<u>\$ (46,389)</u>	<u>\$ (365,295)</u>	<u>\$ 8,722,519</u>
<u>Business-Type Activities:</u>				
Capital Assets not being Depreciated:				
Land and Right-of-Ways	\$ 189,666	\$ 3,818,630	\$ -	\$ 4,008,296
Construction in Progress	<u>3,198,351</u>	<u>12,949,626</u>	<u>(2,545,511)</u>	<u>13,602,466</u>
Total Capital Assets not being Depreciated	3,388,017	16,768,256	(2,545,511)	17,610,762

(CONTINUED)

CITY OF DENHAM SPRINGS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011

	<u>Balance</u> <u>June 30, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2011</u>
Capital Assets being Depreciated:				
Buildings and Improvements	583,297	-	-	583,297
Gas System	4,775,161	119,728	-	4,894,889
Water System	15,657,325	1,033,591	-	16,690,916
Sewer System	34,294,389	1,517,529	-	35,811,918
Equipment	<u>2,333,130</u>	<u>386,433</u>	<u>(127,895)</u>	<u>2,591,668</u>
Total Capital Assets being Depreciated	57,643,302	3,057,281	(127,895)	60,572,688
Less: Accumulated Depreciation for:				
Building and Improvements	212,787	12,245	-	225,032
Gas System	2,847,294	111,348	-	2,958,642
Water System	5,078,293	479,497	-	5,557,790
Sewer System	4,408,767	1,016,593	-	5,425,360
Equipment	<u>1,752,573</u>	<u>227,982</u>	<u>(127,895)</u>	<u>1,852,660</u>
Total Accumulated Depreciation	14,299,714	1,847,665	(127,895)	16,019,484
Total Capital Assets being Depreciated, Net	43,343,588	1,209,616	-	44,553,204
Total Business-Type Activities Capital Assets, Net	\$46,731,605	\$17,977,872	\$ (2,545,511)	\$62,163,966

Depreciation expense was charged to functions of the primary government as follows:

Governmental Activities:

General Government	\$ 96,186
Public Safety	442,621
Culture and Recreation	24,465
Highway and Streets	<u>265,020</u>
	828,292

Business-Type Activities:

Water	\$ 561,382
Gas	177,167
Sewer	1,102,897
Sanitation	<u>6,219</u>

Capital Assets Held by Internal Service Funds are Charged to the Various Functions Based on their Usage of the Assets

10,108

Total Depreciation Expense - Governmental Activities

\$ 838,400

Total Depreciation Expense - Business-Type Activities \$ 1,847,665

CITY OF DENHAM SPRINGS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011

Construction Commitments

Governmental Activities:

The City has three active construction projects as of June 30, 2011 in the governmental activities. The projects include the Tate Road Improvements, Rushing Road Widening Project, and Cockerham Road Drainage. The Tate Road Improvements project is a City owned project. The other two projects are State of Louisiana owned. The following schedule represents project phases completed with additional phases of projects expected to be contracted during the following fiscal year:

<u>Project</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Tate Road Improvements	\$ 52,711	\$ 99,458

Business-Type Activities:

The City issued \$23,765,000 (2006 Utility Revenue Bonds - Sewer Project) dated December 1, 2006, to fund the upgrade of the City owned sewer treatment plant, fund the expansion of the City water distribution system to unincorporated areas of the City, fund the renovations and rehabilitation of City sewer manholes, fund the reclamation of the City's sewer lagoons, and fund any other repairs or expansions needed to maintain the City's water distribution system, and costs related to the issuance of the bonds. The City also issued \$9,100,000 (2007 Utility Revenue Bonds - Sewer Project) dated May 28, 2008, to finance the modification and upgrade of the sewer treatment facility owned by the City and located in the unincorporated area of the Parish, to finance the purchase of a financial guaranty insurance policy and a reserve fund surety bond policy, and to fund the costs of the issuance of the Bonds. In addition, on November 1, 2009, the Denham Springs Sewer District No. 1, a blended component unit of the City of Denham Springs, issued \$23,750,000 Series 2009 Revenue Bonds. The bonds were issued for the purpose of providing funds to acquire, construct, extend and improve the sewerage system within the boundaries of the Denham Springs Sewer District No. 1, paying capitalized interest on the bonds for a period of eighteen months, and paying the cost of issuance of the bonds. Following is a schedule that lists the various projects and the projected costs on the 2006 Series bond, the 2007 Series bond, and the Denham Springs Sewer District Number 1 Series 2009 bond:

CITY OF DENHAM SPRINGS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011

Series 2006 Bond Issue Projects

<u>Project Name</u>	<u>Projected Costs</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Sewer Treatment Plant Project	\$13,045,197	\$13,045,197	\$ -
Sewer System Repair Projects	1,426,134	1,426,134	-
Water Systems Expansion - Outside City	6,769,289	6,769,289	-
Water Systems Repairs - Inside City	1,933,712	1,933,712	-
Other Miscellaneous Repairs	<u>1,019,255</u>	<u>1,019,255</u>	<u>-</u>
	<u>\$24,193,587</u>	<u>\$24,193,587</u>	<u>\$ -</u>

Series 2007 Bond Issue Projects

<u>Project Name</u>	<u>Projected Costs</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Water/Sewer Building	\$ 234,392	\$ 84,837	\$ 149,555
Sewer Treatment Plant Cost	<u>8,368,786</u>	<u>8,368,786</u>	<u>-</u>
	<u>\$ 8,603,178</u>	<u>\$ 8,453,623</u>	<u>\$ 149,555</u>

**Denham Springs Sewer District No. 1
Series 2009 Bond Issue Projects**

<u>Project Name</u>	<u>Projected Costs</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Sewer Collection System	\$ 18,395,914	\$ 12,208,477	\$ 6,187,437
Sewer Customers	1,442,062	1,442,062	-
Sewer Equipment	325,439	325,439	-
Other Miscellaneous	<u>579,046</u>	<u>-</u>	<u>579,046</u>
	<u>\$ 20,742,461</u>	<u>\$ 13,975,978</u>	<u>\$ 6,766,483</u>

CITY OF DENHAM SPRINGS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011

A summary of changes in capital assets for component units is as follows:

City Court of Denham Springs - Ward II:

<u>Governmental Activities</u>	<u>Balance July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2011</u>
Equipment:				
Copier	\$ 11,018	\$ -	\$ -	\$ 11,018
Telephone System	11,171	-	-	11,171
Furniture and Fixtures	26,579	-	-	26,579
Computer Equipment	136,480	2,266	-	138,746
Police Equipment	4,273	-	-	4,273
Leasehold Improvements	15,696	-	-	15,696
Other Equipment	<u>27,896</u>	<u>1,230</u>	<u>-</u>	<u>29,126</u>
Totals	233,113	3,496	-	236,609
Less: Accumulated Depreciation	<u>195,590</u>	<u>10,375</u>	<u>-</u>	<u>205,965</u>
Capital Assets, Net	<u>\$ 37,523</u>	<u>\$ (6,879)</u>	<u>\$ -</u>	<u>\$ 30,644</u>

Marshal of City Court of Denham Springs - Ward II:

<u>Governmental Activities</u>	<u>Balance July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2011</u>
Office Equipment	\$ 21,489	\$ -	\$ -	\$ 21,489
Furniture and Fixtures	17,111	-	-	17,111
Machinery and Equipment	44,073	-	-	44,073
Vehicles	195,539	40,381	-	235,920
Leasehold Improvements	<u>12,529</u>	<u>-</u>	<u>-</u>	<u>12,529</u>
Totals	290,741	40,381	-	331,122
Less: Accumulated Depreciation	<u>149,168</u>	<u>40,028</u>	<u>-</u>	<u>189,196</u>
Capital Assets, Net	<u>\$ 141,573</u>	<u>\$ 353</u>	<u>\$ -</u>	<u>\$ 141,926</u>

CITY OF DENHAM SPRINGS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011

Denham Springs Economic Development District:

	<u>Balance</u> <u>June 30, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2011</u>
<u>Governmental Activities:</u>				
Capital Assets not being Depreciated:				
Land	\$ 7,303,750	\$ -	\$ -	\$ 7,303,750
Construction in Progress	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Capital Assets not being Depreciated	7,303,750	-	-	7,303,750
Capital Assets being Depreciated:				
Buildings	26,205,237	-	-	26,205,237
Roads	6,566,631	-	-	6,566,631
Utilities	<u>2,063,484</u>	<u>-</u>	<u>-</u>	<u>2,063,484</u>
Total Capital Assets being Depreciated	34,835,352	-	-	34,835,352
Less: Accumulated Depreciation for:				
Buildings and Improvements	1,555,936	655,131	-	2,211,067
Roads	665,945	328,332	-	994,277
Utilities	<u>245,039</u>	<u>103,174</u>	<u>-</u>	<u>348,213</u>
Total Accumulated Depreciation	2,466,920	1,086,637	-	3,553,557
Total Capital Assets being Depreciated, Net	<u>32,368,432</u>	<u>(1,086,637)</u>	<u>-</u>	<u>31,281,795</u>
Total Governmental Activities Capital Assets, Net	<u>\$ 39,672,182</u>	<u>\$ (1,086,637)</u>	<u>\$ -</u>	<u>\$ 38,585,545</u>

Depreciation expense was charged to functions of the component unit government as follows:

Governmental Activities:	
City Court of Denham Springs – Ward II	\$ 10,375
Marshal of City Court of Denham Springs – Ward II	40,028
Denham Springs Economic Development District	<u>1,086,637</u>
	<u>\$ 1,137,040</u>

CITY OF DENHAM SPRINGS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011

(9) **Long-Term Liabilities -**
Primary Government -
Revenue Bonds

Utility Enterprise Fund: The City issues bonds where it pledges income derived from the acquired or constructed assets to pay debt services. On December 1, 2006, the City issued \$23,765,000 of revenue bonds. During a prior fiscal year, the City issued an additional \$9,100,000 of revenue bonds dated May 28, 2008. These bonds were issued to finance the funding of the upgrade of the City owned sewer treatment plant, the funding of the expansion of the City water distribution system to unincorporated areas of the City, the funding of renovations and rehabilitations of City sewer manholes, the funding of the reclamation of the City's sewer lagoons, the funding of a water and sewer department building, the funding of any other repairs and/or expansions needed to maintain the City's water distribution system, and any costs incidental to the issuance of these bonds.

Denham Springs Sewer District Number 1: On November 1, 2009, the Louisiana Local Government Environmental Facilities and Community Development Authority issued \$23,750,000 in revenue bonds on behalf of the Denham Springs Sewer District Number 1. These bonds were issued for the purpose of (1) financing the cost of acquiring, constructing, extending and improving the sewerage infrastructure within the District and (2) paying capitalized interest on the bonds for a period of eighteen months, and (3) paying the cost of issuance of the bonds.

The revenue bonds outstanding at June 30, 2011, are as follows:

<u>Description/Purpose</u>	<u>Original Issue Amount</u>	<u>Interest Rate</u>	<u>Final Maturity</u>	<u>Balance June 30, 2011</u>
Business-Type Activities:				
Utility Enterprise Fund:				
2006 Utility Revenue Bonds - Sewer Project	\$23,765,000	4.00 to 4.75%	12-01-2036	\$21,970,000
2008 Utility Revenue Bonds - Sewer Project	\$ 9,100,000	3.00 to 4.88%	12-01-2038	8,715,000
Denham Springs Sewer District Number 1:				
2009 Denham Springs Sewer District No. 1 Project	\$23,750,000	4.00 to 5.00%	12-01-2039	23,750,000
Total Revenue Bonds				\$54,435,000

CITY OF DENHAM SPRINGS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011

Revenue bond debt service requirements to maturity, including interest requirements, are as follows:

Year Ending June 30,	Principal	Interest	Total
2012	\$ 660,000	\$ 2,449,245	\$ 3,109,245
2013	685,000	2,424,008	3,109,008
2014	710,000	2,397,589	3,107,589
2015	735,000	2,370,095	3,105,095
2016	1,195,000	2,332,817	3,527,817
2017-2021	6,715,000	10,898,242	17,613,242
2022-2026	8,210,000	9,365,184	17,575,184
2027-2031	10,155,000	7,357,762	17,512,762
2032-2036	12,775,000	4,665,831	17,440,831
2037-2040	<u>12,595,000</u>	<u>1,290,741</u>	<u>13,885,741</u>
Total Revenue Bonds	<u>\$54,435,000</u>	<u>\$45,551,514</u>	<u>\$ 99,986,514</u>

The 2006 Utility Revenue Bond - Sewer Project requires the following funds to be maintained:

A debt service fund designed to achieve proper mailing of principal and interest payments as due on the Revenue Bond.

The City is required to pay monthly one-sixth (1/6) of the interest due on the next interest payment date due on the bonds into an interest account of the Debt Service Fund. In addition, the City is required to pay monthly one-twelfth (1/12) of the principal due on the next principal payment date due on the bonds into a principal account of the Debt Service Fund. At June 30, 2011, the Debt Service Fund requirements for the interest and principal accounts were fully funded with an actual balance of \$380,193.

The 2008 Utility Revenue Bond - Sewer Project requires the following funds to be maintained:

A debt service fund designed to achieve proper mailing of principal and interest payments as due on the Revenue Bond.

The City is required to pay monthly one-twelfth (1/12) of the interest and principal paid on the bonds during the immediate preceding bond year into a principal and interest account of the Debt Service Fund. At June 30, 2011, the Debt Service Fund requirements for the interest and principal accounts were fully funded with an actual balance of \$134,544.

The 2009 Denham Springs Sewer District Number 1 Project Bond requires the following funds to be maintained:

CITY OF DENHAM SPRINGS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011

A capitalized interest fund which will be used to receive the immediate transfer of a portion of the proceeds of the bonds to pay interest capitalized on the bonds for a period of eighteen months during the construction phase of the project. Any funds remaining after June 30, 2011 shall be transferred into the debt service fund. At June 30, 2011, \$520 remained in the capitalized interest fund.

A debt service fund designed to achieve proper mailing of principal and interest payments as due on the Revenue Bond.

Upon completion of the construction or eighteen months, whichever occurs first, the Denham Springs Sewer District Number 1 will be required to pay monthly one-sixth (1/6) of the interest due on the next interest payment date due on the bonds into an interest account of the Debt Service Fund. In addition, the City is required to pay monthly one-twelfth (1/12) of the principal due on the next principal payment date due on the bonds into a principal account of the Debt Service Fund. At June 30, 2011, the balance in the account was \$96,479.

Prior Year Bond Defeasance. There are no outstanding balances on any prior-year bond defeasance as of June 30, 2011.

Capital Lease Payable. The City entered into a capital lease agreement on October 31, 2007, for financing the purchase of seven police vehicles for the Police Department. The lease required monthly payments of principal and interest of \$3,743 for thirty-six months with the final payment due October 31, 2010. The lease was paid out during the current year. The City entered into a capital lease agreement on August 13, 2008, for financing the purchase of two fire trucks for the Fire Department. The lease requires annual payments of principal and interest of \$225,000 for five years with a final payment due April 1, 2013. The lease agreements contain a non-appropriation exculpatory clause that allows cancellation if the City Council does not make an annual appropriation for the lease payments. The capital leases payable at June 30, 2011, are as follows:

<u>Description/Purpose</u>	<u>Original Lease Amount</u>	<u>Interest Rate</u>	<u>Final Maturity</u>	<u>Balance June 30, 2011</u>
Capital lease to finance the purchase of two fire trucks	\$979,291	4.93%	04/01/13	\$418,800

CITY OF DENHAM SPRINGS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011

Capital lease payments to maturity including interest requirements are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 204,365	\$ 20,635	\$ 225,000
2013	<u>214,435</u>	<u>10,565</u>	<u>225,000</u>
Total	<u>\$ 418,800</u>	<u>\$ 31,200</u>	<u>\$ 450,000</u>

Changes in Long-Term Debt. Long-term liability activity for the year ended June 30, 2011 is as follows:

	<u>Balance</u> <u>June 30, 2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2011</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
Governmental Activities:					
Capital Lease	\$ 628,394	\$ -	\$ 209,594	\$ 418,800	\$ 204,365
Compensated Absences	<u>723,096</u>	<u>618,410</u>	<u>515,946</u>	<u>825,560</u>	<u>206,390</u>
Governmental Activity					
Long-Term Liabilities	<u>\$ 1,351,490</u>	<u>\$ 618,410</u>	<u>\$ 725,540</u>	<u>\$ 1,244,360</u>	<u>\$ 410,755</u>
Business-Type Activities:					
2006 Utility Revenue					
Bond-Sewer Project	\$22,435,000	\$ -	\$ 465,000	\$21,970,000	\$ 485,000
2008 Utility Revenue					
Bond-Sewer Project	8,885,000	-	170,000	8,715,000	175,000
2009 Denham Springs Sewer					
District No. 1 Project	23,750,000	-	-	23,750,000	-
Adjust for Deferred Amount:					
For Issuance Premium	214,303	-	4,536	209,767	4,735
For Issuance Discounts	<u>(268,074)</u>	<u>-</u>	<u>(2,087)</u>	<u>(265,987)</u>	<u>(2,151)</u>
Total Bonds Payable	55,016,229	-	637,449	54,378,780	662,584
Compensated Absences	<u>191,438</u>	<u>172,186</u>	<u>163,221</u>	<u>200,403</u>	<u>50,100</u>
Business-Type Activities					
Long-Term Liabilities	<u>\$55,207,667</u>	<u>\$ 172,186</u>	<u>\$ 800,670</u>	<u>\$54,579,183</u>	<u>\$ 712,684</u>

CITY OF DENHAM SPRINGS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011

The internal service fund serves predominantly the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year-end \$14,028 of compensated absences for the internal service fund is included in the above amounts. Also, for the governmental activities, capital leases and compensated absences are generally liquidated by the General Fund.

Component Units -

Denham Springs Economic Development District:

The following is a summary of the changes in general long-term debt of the Denham Springs Economic Development District for the year ended June 30, 2011:

	<u>Balance</u> <u>June 30, 2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2011</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
Governmental Activities:					
2007 Series A	\$ 5,060,000	\$ -	\$ -	\$ 5,060,000	\$ -
2007 Series B	29,850,000	-	1,025,000	28,825,000	145,000
2007 Series C	5,300,000	-	-	5,300,000	-
2008 Series	8,300,000	-	120,000	8,180,000	130,000
Adjust for Deferred Amount:					
For Issuance Discounts	<u>(328,392)</u>	<u>-</u>	<u>(10,009)</u>	<u>(318,383)</u>	<u>-</u>
Long-Term Liabilities	<u>\$ 48,181,608</u>	<u>\$ -</u>	<u>\$1,134,991</u>	<u>\$ 47,046,617</u>	<u>\$275,000</u>

At June 30, 2011, long-term debt consists of the following Sales Tax Increment Revenue Bonds dated March 1, 2007 for the 2007 Series and May 27, 2008 for the 2008 Series.

On July 16, 2009, the 2007 Series B Bonds and the 2008 Series Bonds were converted from taxable variable rate sales tax increment revenue bonds to non-taxable variable rate sales tax increment revenue bonds. In addition, the 2007 Series C Bonds were converted from taxable fixed rate subordinate sales tax increment bonds to non-taxable fixed rate subordinate sales tax increment bonds. The conversion was done in an effort to reduce future interest payments.

Series 2007A Tax-Exempt Variable
Rate Sales Tax Increment Revenue

Bonds - Variable Interest Rate
Interest Only until July 1, 2034
with Final Maturity January 1, 2037

\$ 5,060,000

(CONTINUED)

CITY OF DENHAM SPRINGS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011

Series 2007B Taxable Variable
Rate Sales Tax Increment Revenue
Bonds - Converted to Non-Taxable Variable
Rate Sales Tax Increment Revenue
Bonds on July 16, 2009;
Final Maturity January 1, 2034 28,825,000

Series 2007C Taxable Fixed Rate
Subordinate Sales Tax Increment
Revenue Bonds - Interest Rate 10.00%;
Converted to Non-Taxable Fixed Rate
Subordinate Sales Tax Increment
Revenue Bonds - Interest Rate 8.00%
on July 16, 2009;
Interest Only Paid Each Year;
Single Bond Maturity January 1, 2037 5,300,000

Series 2008 Taxable Variable Rate
Sales Tax Increment Revenue
Revenue Bonds - Converted to Non-Taxable
Variable Rate Sales Tax Increment
Revenue Bonds on July 16, 2009;
Final Maturity January 1, 2037 8,180,000

\$ 47,365,000

These bonds were issued for the purchase of 24 acres within the 75 acre District and for the construction of the "Bass Pro Shops" project and infrastructure. The bonds will be paid from the dedicated portion of the sale tax revenues generated from the District. Additional collateral for these bonds is limited to the "Bass Pro Shop" development and the City of Denham Springs has no liability for these bonds.

The annual requirements to amortize the bonds outstanding using estimated current interest rates of 0.22% for the Series 2007A, 0.22% for the Series 2007B, and 0.22% for the Series 2008 are shown in the following schedule. Other fees related to the Series 2007A, Series 2007B, and Series 2008 bonds that are not included in the following schedule consist of an estimated 1.90% for letter of credit fees and an estimated 0.125% for remarketing fees for all bonds.

CITY OF DENHAM SPRINGS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011

Year Ending June 30,	2007 Series A		2007 Series B		2007 Series C	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ -	\$ 10,752	\$ 145,000	\$ 60,661	\$ -	\$ 424,000
2013	-	11,132	180,000	62,338	-	424,000
2014	-	11,132	250,000	61,880	-	424,000
2015	-	11,132	350,000	61,227	-	424,000
2016	-	11,163	450,000	60,519	-	424,000
2017-2021	-	55,691	4,180,000	279,799	-	2,120,000
2022-2026	-	55,691	8,585,000	211,847	-	2,120,000
2027-2031	-	55,691	9,470,000	105,622	-	2,120,000
2032-2036	3,180,000	48,997	5,215,000	13,436	-	2,120,000
2037	1,880,000	2,111	-	-	5,300,000	424,000
	<u>5,060,000</u>	<u>273,492</u>	<u>28,825,000</u>	<u>917,329</u>	<u>5,300,000</u>	<u>11,024,000</u>
Less: Unamortized						
Discount	(37,950)	-	(215,142)	-	-	-
Total	<u>\$ 5,022,050</u>	<u>\$ 273,492</u>	<u>\$ 28,609,858</u>	<u>\$ 917,329</u>	<u>\$ 5,300,000</u>	<u>\$ 11,024,000</u>

Year Ending June 30,	2008 Series		Total Governmental Activities		
	Principal	Interest	Principal	Interest	Total
2012	\$ 130,000	\$ 17,243	\$ 275,000	\$ 512,656	\$ 787,656
2013	140,000	17,545	320,000	515,015	835,015
2014	150,000	17,233	400,000	514,245	914,245
2015	160,000	16,899	510,000	513,258	1,023,258
2016	170,000	16,588	620,000	512,270	1,132,270
2017-2021	1,010,000	76,651	5,190,000	2,532,141	7,722,141
2022-2026	1,385,000	63,843	9,970,000	2,451,381	12,421,381
2027-2031	1,875,000	46,417	11,345,000	2,327,730	13,672,730
2032-2036	2,545,000	22,767	10,940,000	2,205,200	13,145,200
2037	615,000	845	7,795,000	426,956	8,221,956
	<u>8,180,000</u>	<u>296,031</u>	<u>47,365,000</u>	<u>12,510,852</u>	<u>59,875,852</u>
Less: Unamortized					
Discount	(65,291)	-	(318,383)	-	(318,383)
Total	<u>\$ 8,114,709</u>	<u>\$ 296,031</u>	<u>\$ 47,046,617</u>	<u>\$ 12,510,852</u>	<u>\$59,557,469</u>

CITY OF DENHAM SPRINGS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011

Marshal of City Court of Denham Springs - Ward II:

The following is a summary of the changes in general long-term debt of the Marshal of City Court of Denham Springs - Ward II for the year ended June 30, 2011:

	<u>Balance</u> <u>June 30, 2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2011</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
Governmental Activities:					
Capital Lease	\$ 43,583	\$ 22,881	\$ 19,867	\$ 46,597	\$ 20,547

Capital Lease Payable. The Marshal entered into a capital lease agreement on November 3, 2009, for financing the purchase of a 2010 Chevrolet Tahoe for the deputies. The lease requires monthly payments of principal and interest of \$618 for forty eight months with a final payment due January 19, 2014. In addition, the Marshal entered into a capital lease agreement on November 5, 2009, for financing the purchase of a 2010 Ford Crown Victoria for the deputies. The lease requires quarterly payments of principal and interest of \$2,332 for twelve quarters with a final payment due August 5, 2012. In the current fiscal year, the Marshal entered into a capital lease agreement on July 9, 2010, for financing the purchase of a 2010 Chevrolet Express for transporting prisoners. The lease requires monthly payments of principal and interest of \$530 for forty-eight months with a final payment due July 9, 2014. The lease agreements contain a non-appropriation exculpatory clause that allows cancellation if the Marshal does not make an annual appropriation for the lease payments. The capital leases payable at June 30, 2011, are as follows:

<u>Description/Purpose</u>	<u>Original</u> <u>Lease</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Final</u> <u>Maturity</u>	<u>Balance</u> <u>June 30, 2011</u>
Capital lease to finance the purchase of 2010 Chevrolet Tahoe	\$ 26,727	5.50%	01/19/14	\$ 17,846
Capital lease to finance the purchase of 2010 Ford Crown Victoria	\$ 25,801	6.05%	08/05/12	11,149
Capital lease to finance the purchase of 2010 Chevrolet Express	\$ 22,881	5.27%	07/09/14	17,602
				<u>\$ 46,597</u>

CITY OF DENHAM SPRINGS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011

Capital lease payments to maturity including interest requirements are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 20,547	\$ 2,032	\$ 22,579
2013	15,115	998	16,113
2014	10,409	282	10,691
2015	<u>526</u>	<u>2</u>	<u>528</u>
Total	<u>\$ 46,597</u>	<u>\$ 3,314</u>	<u>\$ 49,911</u>

(10) Customers' Deposits -

Meter deposits are paid by customers upon application for utility services and are returnable to them upon termination of service. Receipts from meter deposits are deposited in the Utility Operating Fund and refunds of deposits on termination of service are made from the same account.

The City has a certificate of deposit and a demand deposit account which is designated specifically for Customers' Deposits. At June 30, 2011, customers' deposits amounted to \$857,668 and the balances of the certificate of deposit and the demand deposit account for Customers' Deposits amounted to \$881,404 and are included as Restricted Assets on the Statement of Net Assets.

(11) Retirement Commitments -

A. Plan Descriptions, Contribution Information, and Funding Policies

Substantially all employees of the City of Denham Springs are members of the following statewide retirement systems: Municipal Employees Retirement System of Louisiana, Municipal Police Employees Retirement System of Louisiana, or Firefighters Retirement System of Louisiana. These systems are multiple employer (cost-sharing), public employee retirement systems (PERS), controlled and administered by separate boards of trustees. Pertinent information relative to each plan follows:

The following is a summary of eligibility factors, contribution methods, and benefit provisions.

CITY OF DENHAM SPRINGS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011

	Municipal	Municipal Police	
	<u>Employees Retirement</u>	<u>Employees Retirement</u>	<u>Firefighters Retirement</u>
	<u>System of Louisiana</u>	<u>System of Louisiana</u>	<u>System of Louisiana</u>
Eligibility to Participate	All permanent employees working at least 35 hours per week, not covered by another pension plan, and under age 60 at date of employment and are paid wholly or in part from City funds; all elected municipal officials are also eligible to participate; all employees of the City are members of Plan B.	All full-time police department employees engaged in law enforcement are required to participate in the System.	Mandatory for all full-time firefighters employed by a municipality, parish, or fire protection district that did not enact an ordinance before January 1, 1980, exempting itself from participation in the System.
Authority Establishing Contribution Obligations and Benefits	State Statute	State Statute	State Statute
Plan Members' Contribution Rate (Percent of Covered Payroll)	5.00%	7.50%	8.00%
City's Contribution Rate (Percent of Covered Payroll)	6.75%	25.00%	21.50%
Period Required to Vest	10 years	12 years	12 years

CITY OF DENHAM SPRINGS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011

	<u>Municipal Employees Retirement System of Louisiana</u>	<u>Municipal Police Employees Retirement System of Louisiana</u>	<u>Firefighters Retirement System of Louisiana</u>
Benefits and Eligibility for Distribution (Full-Time)	At or after age 60 with at least 10 years of creditable service or at or after 55 with at least 30 years of creditable service, 2% of final average salary multiplied by the years of creditable service; at least 10 years but less than 30 years of creditable service, may take early retirement benefits reduced 3% for each year retirement precedes age 60; in any case monthly retirement benefits can not exceed 100% of final average salary	25 years of creditable service at any age or has 20 years of creditable service and is age 50 or has 12 years of creditable service and is age 55, 3 1/3% of average salary multiplied by the years of creditable service not to exceed 100% of final salary; early retirement, 20 years of service regardless of age, 3 1/3% of average salary multiplied by creditable service actuarially reduced for retirement prior to age 50.	20 years or more of creditable service and attained age 50 or 12 years of service and age 55 or 25 years of service at any age, 3 1/3% of average salary multiplied by the years of creditable service not to exceed 100% of final salary
Deferred Retirement Option	Yes, 30 years creditable service	Yes, 25 years of creditable service regardless of age or 20 years of creditable service and attaining the age of 50	Yes, after completing 20 years of creditable service
Provisions for: Cost of Living Adjustments (Normal Retirement)	Yes	Yes	Yes
Death (Duty, Non-Duty, Post Retirement)	Yes	Yes	Yes

(CONTINUED)

CITY OF DENHAM SPRINGS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011

	<u>Municipal Employees Retirement System of Louisiana</u>	<u>Municipal Police Employees Retirement System of Louisiana</u>	<u>Firefighters Retirement System of Louisiana</u>
Disability (Duty, Non-Duty)	Yes	Yes	Yes
Cost of Living Allowances	Yes	Yes	Yes

B. Trend Information -

Contributions required by State statute:

Fiscal Year	<u>Municipal Employees Retirement System of Louisiana</u>		<u>Municipal Police Employees Retirement System of Louisiana</u>		<u>Firefighters Retirement System of Louisiana</u>	
	<u>Required Contribution</u>	<u>Percentage Contributed</u>	<u>Required Contribution</u>	<u>Percentage Contributed</u>	<u>Required Contribution</u>	<u>Percentage Contributed</u>
2002	\$184,844	100%	\$177,673	100%	\$122,030	100%
2003	\$235,415	100%	\$182,630	100%	\$128,281	100%
2004	\$299,519	100%	\$275,777	100%	\$235,124	59%
2005	\$317,335	100%	\$320,036	100%	\$254,973	138%
2006	\$326,121	100%	\$251,776	100%	\$199,621	100%
2007	\$343,216	100%	\$250,519	100%	\$176,041	100%
2008	\$370,239	100%	\$317,836	100%	\$200,578	100%
2009	\$382,787	100%	\$276,065	100%	\$220,173	100%
2010	\$375,732	100%	\$314,431	100%	\$282,354	100%
2011	\$379,777	100%	\$577,439	100%	\$374,369	100%

Trend information showing the progress of the Systems in accumulating sufficient assets to pay benefits when due is presented in their annual financial reports. Copies of these reports may be obtained from the respective State retirement systems.

(12) Deferred Compensation Plan -

The City offers its employees a deferred compensation plan created in accordance with Louisiana Revised Statutes 42:1301 through 42:1308 and Section 457 of the Internal Revenue Code of 1954. The Louisiana Public Employees' Deferred Compensation Plan is available to all employees and permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. In accordance with the amended provisions of Internal Revenue Code Section 457 which were enacted into law in August 1996, all amounts deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights,

CITY OF DENHAM SPRINGS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011

are solely the property and rights of the participants and their beneficiaries. As required by the amendment to the code, the City established a custodial account with a third party administrator who will hold the assets and income of the plan.

Under GASB Statement No. 32, "Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans", governments who have no responsibility for the plan and are not formally considered the plan's trustee are not required to report the plan in its financial statements. Since the City's plan is held in a custodial account with a third party administrator, the assets and liabilities are not presented in the City's financial statements as of June 30, 2011.

At June 30, 2011, assets totaling \$711,533 are held by Great West Life & Annuity Insurance Company, a deferred compensation center.

Compensation deferred under this plan for the fiscal year ended June 30, 2011, amounted to \$55,983.

(13) Litigation -

The City is a defendant in several lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the City's counsel that resolution of these matters will not have a material adverse effect on the financial condition of the City of Denham Springs.

(14) Intergovernmental Revenue -

GASB No. 24 requires government employers to disclose the amount recognized in the financial statements for on-behalf payments of salaries and fringe benefits.

Supplementary salary payments are made by the State of Louisiana directly to certain groups of the City's employees. The City is not legally responsible for these salaries. Therefore, the basis for recognizing the revenue and expenditure payments is the actual contribution made by the State. For the fiscal year ended June 30, 2011, the State paid supplemental salaries to the City's fire and law enforcement employees in the amount of \$366,451.

(15) Risk Management -

The City is exposed to various risks of loss related to torts theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The City maintains commercial insurance for all risks of loss, including (1) Worker's Compensation, (2) Public Official Bonds and Employees Liability, (3) Business Auto Liability, (4) Umbrella coverage, (5) Law Enforcement Professional Liability, (6) Fire and Extended coverage and (7) Flood Insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

CITY OF DENHAM SPRINGS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011

(16) Mayor and Council Members' Compensation -

The following list includes the compensation paid to the Mayor and Council Members for the year ended June 30, 2011. The current terms of the Mayor and Council Members expire on December 31, 2014.

James E. Durbin, Mayor 417 Centerville Street Denham Springs, Louisiana 70726 Telephone: 665-8121 - Term Began: January 1, 2011	\$ 78,750
Lori Lamm-Williams, Council Member 717 Poplar Street Denham Springs, Louisiana 70726 Telephone: 665-4462 - Term Began: January 1, 2011	\$ 12,000
Arthur Perkins, Council Member 906 Hatchell Lane Denham Springs, Louisiana 70726 Telephone: 664-6730 - Term Began: January 1, 2011	\$ 12,000
John Wascom, Council Member 522 Centerville Street Denham Springs, Louisiana 70726 Telephone: 665-7037 - Term Began: January 1, 2011	\$ 12,000
Rene F. Delahoussaye, Jr. 211 Centerville E. Denham Springs, Louisiana 70726 Telephone: 665-4889 - Term Expired: December 31, 2010	\$ 6,000
Annie M. Fugler 510 Rushing Road, W. Denham Springs, Louisiana 70726 Telephone: 665-1461 - Term Began: January 1, 2011	\$ 12,000
Christopher Davis 717 Kennedy Street Denham Springs, Louisiana 70726 Telephone: 802-6273 - Term Began: January 1, 2011	\$ 6,000

CITY OF DENHAM SPRINGS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011

**(17) Schedule of Business-Type Activities Net Income (Loss) from Operations
by Department for the Fiscal Year Ended June 30, 2011 -**

	<u>Gas Department</u>	<u>Water Department</u>	<u>Sewer Department</u>	<u>Sanitation Department</u>	<u>Total Utility Enterprise Fund</u>	<u>Denham Springs Sewer District Number 1</u>
Operating Revenues:						
Charges for Services	\$ 3,801,361	\$ 2,203,426	\$ 2,184,483	\$ 740,758	\$ 8,930,028	\$ 209,054
Delinquent Charges	53,209	30,842	30,577	10,369	124,997	-
Miscellaneous	-	98,163	210	-	98,373	-
Total Operating Revenues	3,854,570	2,332,431	2,215,270	751,127	9,153,398	209,054
Operating Expenses:						
Direct	2,680,469	1,524,592	2,243,361	775,527	7,223,949	83,109
General and Administrative	580,268	466,401	467,814	105,945	1,620,428	50,779
Total Operating Expenses	3,260,737	1,990,993	2,711,175	881,472	8,844,377	133,888
Operating Income (Loss) by Department	593,833	341,438	(495,905)	(130,345)	309,021	75,166
Nonoperating Revenues	29,708	36,961	128,199	-	194,868	1,802
Nonoperating Expenses	-	(393,060)	(994,068)	-	(1,387,128)	-
Capital Contributions	-	-	74,670	-	74,670	2,592,830
Change in Net Assets					(808,569)	2,669,798
Business-Type Activities						
Departmental Net Income (Loss)	<u>\$ 623,541</u>	<u>\$ (14,661)</u>	<u>\$ (1,287,104)</u>	<u>\$ (130,345)</u>		
Change in Net Assets						
Business-Type Activities					<u>\$ (808,569)</u>	<u>\$ 2,669,798</u>

CITY OF DENHAM SPRINGS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011

**(18) Schedule of Business-Type Activities Operating Expenses by Department
for the Fiscal Year Ended June 30, 2011 -**

	<u>Gas Department</u>	<u>Water Department</u>	<u>Sewer Department</u>	<u>Sanitation Department</u>	<u>Total Utility Enterprise Fund</u>	<u>Denham Springs Sewer District Number 1</u>
Direct Expenses:						
Natural Gas Purchases	\$ 1,435,008	\$ -	\$ -	\$ -	\$ 1,435,008	\$ -
Direct Labor	626,648	458,486	573,200	-	1,658,334	-
Chlorinator Expense	-	27,632	-	-	27,632	-
Depreciation	177,167	561,382	1,072,867	6,219	1,817,635	30,030
Utilities	5,917	111,764	262,918	-	380,599	26,518
Equipment Expenses	113,145	58,993	96,335	-	268,473	113
Equipment Rental	8,420	25,856	4,353	-	38,629	70
Lab Fees	-	-	37,549	-	37,549	5,775
Maintenance	193,560	173,012	191,614	-	558,186	20,603
Meter Reading	83,608	102,187	-	-	185,795	-
Meter Repairs	26,158	-	-	-	26,158	-
Small Tools and Supplies	10,838	5,280	4,525	-	20,643	-
Subcontract Disposal Service	-	-	-	769,308	769,308	-
	<u>2,680,469</u>	<u>1,524,592</u>	<u>2,243,361</u>	<u>775,527</u>	<u>7,223,949</u>	<u>83,109</u>
General and Administrative Expenses:						
Office Salaries	107,230	133,382	97,666	61,086	399,364	11,166
Payroll Taxes, Retirement and Group Insurance	213,223	155,426	168,905	16,374	553,928	2,992
Utilities	14,183	2,867	1,860	1,163	20,073	212
Maintenance and Repairs	12,915	3,719	10,978	-	27,612	-
Insurance	103,916	69,137	57,970	3,549	234,572	5,140
Miscellaneous	48,492	28,086	37,201	8,501	122,280	11,464
Office Expense	25,737	27,531	21,693	3,214	78,175	2,401
Professional Fees	17,538	14,525	29,953	4,932	66,948	17,356
Telephone	24,976	16,728	30,604	260	72,568	48
Bad Debts	12,058	15,000	10,984	6,866	44,908	-
	<u>580,268</u>	<u>466,401</u>	<u>467,814</u>	<u>105,945</u>	<u>1,620,428</u>	<u>50,779</u>
Total Operating Expenses	<u>\$ 3,260,737</u>	<u>\$ 1,990,993</u>	<u>\$ 2,711,175</u>	<u>\$ 881,472</u>	<u>\$ 8,844,377</u>	<u>\$ 133,888</u>

CITY OF DENHAM SPRINGS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011

**(19) Schedule of Business-Type Activities Operating Expenses by
Function for the Fiscal Year Ended June 30, 2011 -**

	Total Utility Enterprise Fund	Denham Springs Sewer District Number 1
Personal Services and Benefits:		
Direct Labor	\$ 1,658,334	\$ -
Office Salaries	399,364	11,166
Payroll Taxes, Retirement and Group Insurance	553,928	2,992
	<u>2,611,626</u>	<u>14,158</u>
Contractual Services:		
Chlorinator Expense	27,632	-
Equipment Rental	38,629	70
Lab Fees	37,549	5,775
Meter Reading	185,795	-
Subcontract Disposal Service	769,308	-
Professional Fees	66,948	17,356
	<u>1,125,861</u>	<u>23,201</u>
Cost of Materials:		
Natural Gas Purchases	1,435,008	-
Utilities:		
Utilities (Direct)	380,599	26,518
Utilities (General)	20,073	212
Telephone	72,568	48
	<u>473,240</u>	<u>26,778</u>
Repair and Maintenance:		
Equipment Expenses	268,473	113
Maintenance	558,186	20,603
Meter Repairs	26,158	-
Maintenance and Repairs	27,612	-
	<u>880,429</u>	<u>20,716</u>
Supplies:		
Small Tools and Supplies	20,643	-
Office Expense	78,175	2,401
Miscellaneous	122,280	11,464
	<u>221,098</u>	<u>13,865</u>
Insurance	234,572	5,140
Depreciation	1,817,635	30,030
Bad Debts	44,908	-
Total Operating Expenses	<u><u>\$ 8,844,377</u></u>	<u><u>\$ 133,888</u></u>

CITY OF DENHAM SPRINGS

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2011

(20) Cooperative Endeavor Agreement -

A cooperative endeavor agreement dated December 15, 2006 was made by and among Denham Springs Economic Development District (the "District"), Denham Springs Economic Development Corporation (the "Corporation"), City of Denham Springs, State of Louisiana (the "City"), Law Enforcement District of the Parish of Livingston, State of Louisiana (the "Law Enforcement District"), Livingston Parish School Board, both in its capacity as a Participating Tax Recipient Entity (the "School Board") and its capacity as the Tax Collector for Sales and Use Taxes in the District (the "Tax Collector"), Parish of Livingston, State of Louisiana (the "Parish"), Special Sales Tax District No. 1 of the Parish of Livingston, State of Louisiana (the "School District"), Gravity Drainage District No. 1 of the Parish of Livingston, State of Louisiana (the "Gravity Drainage District") and The State of Louisiana (the "State"), acting by and through the Louisiana Department of Revenue (the "Department").

Pursuant to this Cooperative Endeavor Agreement, the Participating Tax Recipient Entities and the State have pledged and dedicated and will irrevocably pledge and dedicate an amount of Annual Pledged Local Increment and Annual Pledged State Increment to pay the annual principal of, premium, if any, and interest on the Bonds. The District used a portion of the proceeds of the Bonds to purchase the Bass Pro Site, which then has been leased by the District to the Corporation. The District shall deposit a portion of the proceeds of the Bonds to the Project Fund held by the Paying Agent/Trustee to pay Project Costs. The Corporation will contract for and monitor construction of the Project and sublease the Bass Pro Site and Facilities to Bass Pro Denham Springs Development Company, LLC. The Corporation will mortgage its leasehold interest in the Bass Pro Site and Facilities in favor of the Paying Agent/Trustee for the benefit of bondholders.

In consideration of the mutual covenants contained, the parties covenant and agree to pledge and dedicate pursuant to the agreement their agreed upon percentages of the sales tax collected within the District as follows:

<u>Entity</u>	<u>Sales and Use Tax Percent</u>	<u>Percent of Sales Tax Pledged to District</u>
City of Denham Springs Livingston Parish	1.50%	71.42857%
Law Enforcement District Livingston Parish	.50%	71.42857%
School Board - General Fund Livingston Parish	1.00%	100.00000%
School Board - 2 nd Sales Tax Livingston Parish School Board - District #1	1.00% .50%	0.00000% 100.00000%

(CONTINUED)

CITY OF DENHAM SPRINGS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011

<u>Entity</u>	<u>Sales and Use Tax Percent</u>	<u>Percent of Sales Tax Pledged to District</u>
Livingston Parish Council	1.00%	71.42857%
Livingston Parish Gravity Drainage District #1	.50%	71.42857%
State of Louisiana	<u>4.00%</u>	50.00000%
	<u>10.00%</u>	

In addition, while each of the local entities pledge their sales tax revenues until the bonds are paid in full, the State of Louisiana pledged their participation for not more than 20 years from date of closing on the bonds and not to exceed \$1,500,000 per year. The bonds issued March 20, 2007 and May 27, 2008, each have a maturity schedule of 30 years. No participating local tax recipient entity shall be required to pledge or pay more than the annual pledged local increment attributable to it during any year of the term of the agreement. The term of this agreement shall be effective upon execution by all parties hereto and shall terminate upon the earlier of (i) payment in full by the District of all principal, interest, premium, if any, and other requirements of the bonds or (ii) the final maturity date of the Bonds, which date shall not be extended beyond that final maturity date initially set forth in the Indenture without the prior written consent of all Participating Tax Recipient Entities.

NONMAJOR GOVERNMENTAL FUNDS

CAPITAL PROJECTS FUND

Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The capital projects fund excludes those type of capital related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations or other governments.

Capital Projects Fund - This fund is used to account for the costs of major repairs and construction of City streets, for the costs of improving major drainage arteries throughout the City, and for the construction costs and/or major renovation costs to various City buildings.

DEBT SERVICE FUND

Debt service funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

1994 Paving Certificates Debt Service Fund - This fund was used to account for the collection of a special assessment on the property owners of the Lakeland Acres Subdivision. The proceeds of such collections to be used to make annual payments on the 1994 Paving Certificates of Indebtedness incurred for the benefit of the property owners of the Lakeland Acres Subdivision. The special assessment debt has been paid and at June 30, 2011, only the balance of excess cash remains in the fund.

PERMANENT FUND

Permanent funds are used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the City's programs – that is, for the benefit of the City or its citizenry.

Cemetery Care Permanent Fund - This fund is used to account for principal trust amounts received and related interest income. The interest portion of the trust can be used to maintain the City's cemetery.

SPECIAL REVENUE FUND

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt services or capital projects.

Witness Fee Fund - This fund is used to account for the cost of court appearances by police officers at the City Court of Denham Springs - Ward II to provide testimony.

CITY OF DENHAM SPRINGS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2011

	Capital Projects Fund	1994 Paving Certificates Debt Service Fund	Cemetery Care Permanent Fund	Witness Fee - Special Revenue Fund	Total Nonmajor Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 147,485	\$ 3,267	\$ 752,140	\$ 84,460	\$ 987,352
Receivables (Net of Allowance for Uncollectibles):					
Other	20	-	-	450	470
Total Assets	<u>\$ 147,505</u>	<u>\$ 3,267</u>	<u>\$ 752,140</u>	<u>\$ 84,910</u>	<u>\$ 987,822</u>
LIABILITIES AND FUND BALANCES					
Accounts Payable	\$ 34,872	\$ -	\$ 120	\$ 850	\$ 35,842
Total Liabilities	34,872	-	120	850	35,842
Fund Balances:					
Nonspendable:					
Permanent Fund Principal	-	-	752,020	-	752,020
Restricted For:					
Witness Fees	-	-	-	84,060	84,060
Other Purposes	-	3,267	-	-	3,267
Assigned To:					
Capital Projects	112,633	-	-	-	112,633
Total Fund Balances	<u>112,633</u>	<u>3,267</u>	<u>752,020</u>	<u>84,060</u>	<u>951,980</u>
Total Liabilities and Fund Balances	<u>\$ 147,505</u>	<u>\$ 3,267</u>	<u>\$ 752,140</u>	<u>\$ 84,910</u>	<u>\$ 987,822</u>

The accompanying notes constitute an integral part of this statement.

CITY OF DENHAM SPRINGS

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2011

	Capital Projects Fund	1994 Paving Certificates Debt Service Fund	Cemetery Care Permanent Fund	Witness Fee - Special Revenue Fund	Total Nonmajor Governmental Funds
Revenues:					
Intergovernmental:					
State Grants	\$ 73,856	\$ -	\$ -	\$ -	\$ 73,856
Federal Grants	359,171	-	-	-	359,171
Fees	-	-	-	29,978	29,978
Interest	46	1	3,357	259	3,663
Miscellaneous	90,486	-	31,850	-	122,336
Total Revenues	523,559	1	35,207	30,237	589,004
Expenditures:					
Current:					
General Government	-	-	1,003	22,217	23,220
Capital Outlay:					
Highways and Streets	628,305	-	-	-	628,305
Culture and Recreation	235,807	-	-	-	235,807
Total Expenditures	864,112	-	1,003	22,217	887,332
Excess (Deficiency) of Revenues over (under) Expenditures	(340,553)	1	34,204	8,020	(298,328)
Other Financing Sources (Uses):					
Transfers In	336,359	-	-	-	336,359
Transfers Out	(799)	-	-	-	(799)
Total Other Financing Sources (Uses)	335,560	-	-	-	335,560
Net Change in Fund Balances	(4,993)	1	34,204	8,020	37,232
Fund Balances at Beginning of Year	117,626	3,266	717,816	76,040	914,748
Fund Balances at End of Year	\$ 112,633	\$ 3,267	\$ 752,020	\$ 84,060	\$ 951,980

The accompanying notes constitute an integral part of this statement.

**CITY OF DENHAM SPRINGS
CAPITAL PROJECTS FUND**

**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL**

FOR THE YEAR ENDED JUNE 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Interest	\$ -	\$ 10	\$ 46	\$ 36
Intergovernmental:				
Federal Grants	-	359,172	359,171	(1)
State Grants	-	73,856	73,856	-
Miscellaneous	-	50,336	90,486	40,150
Total Revenues	-	483,374	523,559	40,185
Expenditures:				
Construction Costs and Related Expenditures	48,000	788,017	864,112	(76,095)
Total Expenditures	48,000	788,017	864,112	(76,095)
Excess (Deficiency) of Revenues Over Expenditures	(48,000)	(304,643)	(340,553)	(35,910)
Other Financing Sources (Uses):				
Transfers In	-	336,359	336,359	-
Transfers Out	-	(799)	(799)	-
Total Other Financing Sources (Uses)	-	335,560	335,560	-
Net Change in Fund Balance	(48,000)	30,917	(4,993)	(35,910)
Fund Balance at Beginning of Year	117,626	117,626	117,626	-
Fund Balance at End of Year	\$ 69,626	\$ 148,543	\$ 112,633	\$ (35,910)

The accompanying notes constitute an integral part of this statement.

**CITY OF DENHAM SPRINGS
WITNESS FEE FUND -
SPECIAL REVENUE FUND**

**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL**

FOR THE YEAR ENDED JUNE 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Fees	\$ 23,600	\$ 29,750	\$ 29,978	\$ 228
Interest	2,200	242	259	17
Total Revenues	25,800	29,992	30,237	245
Expenditures:				
General Government	25,800	25,800	22,217	3,583
Total Expenditures	25,800	25,800	22,217	3,583
Net Change in Fund Balance	-	4,192	8,020	3,828
Fund Balance at Beginning of Year	76,040	76,040	76,040	-
Fund Balance at End of Year	\$ 76,040	\$ 80,232	\$ 84,060	\$ 3,828

The accompanying notes constitute an integral part of this statement.

CITY OF DENHAM SPRINGS

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS¹
SCHEDULE BY SOURCE

JUNE 30, 2011

Governmental Funds Capital Assets:

Land	\$ 1,222,026
Land Improvements	38,565
Buildings	5,081,120
Equipment	6,368,236
Infrastructure	4,756,756
Construction in Progress	52,771
	<hr/>
Total Capital Assets	<u>\$ 17,519,474</u>

Investments in Governmental Funds Capital Assets by Source:

General Fund Revenues	\$ 7,066,356
Federal Revenues and Federal Grants	815,134
Donated Infrastructure	620,558
Capital Improvement Funds:	
City's Share of Cost:	
General Fund	6,090,700
Federal Revenue Sharing	201,482
Federal Grants	614,577
State Grants	2,110,667
	<hr/>
Total Investment in Capital Assets	<u>\$ 17,519,474</u>

¹This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in the internal service fund is excluded from the above amounts. The capital assets of the internal service fund is included as governmental activities in the statement of net assets.

The accompanying notes constitute an integral part of this statement.

CITY OF DENHAM SPRINGS

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY¹

JUNE 30, 2011

Function and Activity:	Improvements		
	Land	Other Than Buildings	Buildings
General Government:			
General Government Buildings	\$ 415,439	\$ 13,950	\$ 1,620,430
Administration	593,355	-	-
Cemetery	2,000	11,002	10,313
Tax	-	-	-
Planning and Development	-	-	-
Public Service Workers	-	-	10,647
Total General Government	1,010,794	24,952	1,641,390
Public Safety:			
Animal Control	1,500	4,660	84,133
Fire	8,250	-	548,842
Police	201,482	8,953	1,475,445
Litter Control	-	-	-
Total Public Safety	211,232	13,613	2,108,420
Highways and Streets:			
Streets	-	-	10,329
Health:			
Council on Aging	-	-	370,890
Culture and Recreation:			
Tourism	-	-	950,091
Parks	-	-	-
Total Culture and Recreation	-	-	950,091
Total Governmental Funds Capital Assets Allocated to Functions	\$ 1,222,026	\$ 38,565	\$ 5,081,120

¹This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in the internal service fund is excluded from the above amounts. The capital assets of the internal service fund is included as governmental activities in the statement of net assets.

The accompanying notes constitute an integral part of this statement.

Machinery and Equipment	Infrastructure	Total
\$ -	\$ -	\$ 2,049,819
409,332	-	1,002,687
33,222	-	56,537
3,307	-	3,307
37,847	-	37,847
-	-	10,647
<u>483,708</u>	-	<u>3,160,844</u>
79,165	-	169,458
2,383,578	-	2,940,670
2,049,945	-	3,735,825
24,330	-	24,330
<u>4,537,018</u>	-	<u>6,870,283</u>
1,340,543	4,391,461	5,742,333
-	-	370,890
-	93,407	1,043,498
6,967	271,888	278,855
<u>6,967</u>	<u>365,295</u>	<u>1,322,353</u>
<u>\$ 6,368,236</u>	<u>\$ 4,756,756</u>	17,466,703
Construction in Progress		<u>52,771</u>
		<u>\$ 17,519,474</u>

CITY OF DENHAM SPRINGS

**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY¹**

FOR THE YEAR ENDED JUNE 30, 2011

Function and Activity:	Governmental	Transfers	Additions	Deductions	Governmental
	Funds Capital Assets 7/1/10				Funds Capital Assets 6/30/11
General Government:					
General Government Buildings	\$ 2,049,819	\$ -	\$ -	\$ -	\$ 2,049,819
Administration	1,000,173	-	8,197	5,683	1,002,687
Cemetery	56,537	-	-	-	56,537
Tax	3,307	-	-	-	3,307
Planning and Development	37,847	-	-	-	37,847
Public Service Workers	10,647	-	-	-	10,647
Total General Government	3,158,330	-	8,197	5,683	3,160,844
Public Safety:					
Animal Control	169,458	-	-	-	169,458
Fire	2,906,552	-	34,118	-	2,940,670
Police	3,659,965	-	107,659	31,799	3,735,825
Litter Control	24,330	-	-	-	24,330
Total Public Safety	6,760,305	-	141,777	31,799	6,870,283
Highways and Streets:					
Streets	5,798,797	-	4,568	61,032	5,742,333
Health:					
Council on Aging	370,890	-	-	-	370,890
Culture and Recreation:					
Tourism	950,091	93,407	-	-	1,043,498
Parks	3,413	271,888	3,554	-	278,855
Total Culture and Recreation	953,504	365,295	3,554	-	1,322,353
Construction in Progress	153,466	(365,295)	264,600	-	52,771
Total Governmental Funds Capital Assets	\$ 17,195,292	\$ -	\$ 422,696	\$ 98,514	\$ 17,519,474

¹This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in the internal service fund are excluded from the above amounts. The capital assets of the internal service fund are included as governmental activities in the statement of net assets.

The accompanying notes constitute an integral part of this statement.

SUPPLEMENTARY SCHEDULE

CITY OF DENHAM SPRINGS

SCHEDULE OF INSURANCE COVERAGE IN FORCE

JUNE 30, 2011

<u>Insurance</u>	<u>Coverage</u>	<u>Amount</u>	<u>Expiration Date</u>
CNA Surety	Public Official Bonds		
	Mayor; James Durbin	\$ 50,000	1/01/12
	Council Members:		
	Arthur Perkins	\$ 10,000	1/12/12
	Christopher Davis	\$ 10,000	1/01/12
	Ann M. Fugler	\$ 10,000	1/01/12
	John B. Wascom	\$ 10,000	1/01/12
	Lori Lamm-Williams	\$ 10,000	1/01/12
	Public Employees Blanket Bond:		
	City Treasurer:		
Clarence Speed	\$ 50,000	12/11/11	
City Clerk:			
Joan LeBlanc	\$ 50,000	2/06/12	
Hanover Insurance Company	Property and Casualty Coverage -		
	90% Co-Insurance:		
	Municipal Building	\$ 1,625,000	
	Contents	\$ 474,000	
	Boiler and Machinery	\$ 1,175,000	7/01/11
	<u>941 Government Street</u>		
	Steel Water Tank and Tower	\$ 258,000	7/01/11
	<u>110 Brignac Street</u>		
	Council on Aging Buildings	\$ 835,000	7/01/11
	<u>949 Government Street</u>		
Fire Station Building	\$ 265,000		
Contents	\$ 11,000	7/01/11	
<u>1100 Hatchell Lane</u>			

(CONTINUED)

CITY OF DENHAM SPRINGS

SCHEDULE OF INSURANCE COVERAGE IN FORCE (CONTINUED)

JUNE 30, 2011

<u>Insurance</u>	<u>Coverage</u>	<u>Amount</u>	<u>Expiration Date</u>
Hanover Insurance Company	Fire Station/Water Dept Office Building	\$ 630,000	
	Contents	\$ 15,000	7/01/11
	<u>27135 La. Hwy. 16</u>		
	Police Station and Jail Facility	\$1,420,000	
	Contents	\$ 155,000	7/01/11
	<u>447 Lamm Street</u>		
	Fire Station Building	\$ 358,000	
	Contents	\$ 13,000	7/01/11
	<u>930 Government Street</u>		
	Sewer Building	\$ 73,660	
	Contents	\$ 15,000	7/01/11
	<u>9150 Forest Delatte Road</u>		
	Street Dept. Maintenance Building	\$ 50,000	
	Contents	\$ 2,000	7/01/11
<u>600-A Bowman St.</u>			
Street Dept. Old Office Building	\$ 50,000		
Contents	\$ 2,000	7/01/11	
<u>600-B Bowman St.</u>			
Animal Control Buildings	\$ 59,000		
Contents	\$ 2,000	7/01/11	
<u>600-C Bowman Street</u>			
Street Dept. Maintenance Equipment Building	\$ 41,930		
<u>600-D Bowman St.</u>			

(CONTINUED)

CITY OF DENHAM SPRINGS

SCHEDULE OF INSURANCE COVERAGE IN FORCE (CONTINUED)

JUNE 30, 2011

<u>Insurance</u>	<u>Coverage</u>	<u>Amount</u>	<u>Expiration Date</u>
Hanover Insurance Company	Street Dept. New Office Building	\$ 59,212	7/01/11
	Contents	\$ 10,000	
	<u>600-E Bowman St.</u>		
	Youth Services Office Building	\$ 290,000	7/01/11
	<u>940 Government Street</u>		
	Utility Warehouse Building	\$ 93,000	
	Contents	\$ 31,000	7/01/11
	<u>112 Brignac Street</u>		
	Motor Pool and Warehouse Building	\$ 265,000	
	Contents	\$ 77,000	7/01/11
	<u>401 N. Railroad Ave.</u>		
	Arts Council/Red Cross Building	\$ 160,000	7/01/11
	<u>133 Hummel St.</u>		
Pine Street Pump Station Building	\$ 13,000	7/01/11	
<u>2635 Pine St.</u>			
Steel Water Tank and Tower	\$ 566,000	7/01/11	
<u>9150 Pete's Highway</u>			
Old City Hall Building	\$ 679,566		
Contents	\$ 20,000	7/01/11	
<u>115 Mattie St.</u>			
Steel Water Tank and Tower	\$ 1,982,700	7/01/11	
<u>23322 Springhill Drive</u>			

(CONTINUED)

CITY OF DENHAM SPRINGS

SCHEDULE OF INSURANCE COVERAGE IN FORCE (CONTINUED)

JUNE 30, 2011

<u>Insurance</u>	<u>Coverage</u>	<u>Amount</u>	<u>Expiration Date</u>
America First Insurance Company	Sewer Treatment Plant Scheduled Buildings Scheduled Equipment <u>9300 Forest Delatte Road</u>	\$ 136,005 \$ 4,023,381	7/01/11 7/01/11
Louisiana Workers' Compensation Corporation	Workmen's Compensation Statutory		7/01/11
Risk Management	General Liability Law Enforcement Professional Liability	\$ 500,000 \$ 500,000	7/01/11 7/01/11
Risk Management	Public Officials and Employees Liability Errors and Omissions	\$ 500,000	7/01/11
Risk Management	Business Auto Liability	\$ 500,000	7/01/11
Essex Insurance	Vehicle Physical Damage - Except Fire	Actual Cash Value	7/01/11
VFIS, Inc.	Vehicle Physical Damage - Fire	Actual Cash Value	7/01/11
National Flood Services	Flood Insurance: Fire Station Building Contents <u>930 Government Street</u> Youth Services Office Building Contents <u>940 Government Street</u> Municipal Building Contents <u>941 Government Street</u>	 \$ 30,800 \$ 21,000 \$ 60,500 \$ 21,000 \$ 236,500 \$ 42,000	 7/01/11 7/01/11 7/01/11

(CONTINUED)

CITY OF DENHAM SPRINGS

SCHEDULE OF INSURANCE COVERAGE IN FORCE (CONTINUED)

JUNE 30, 2011

<u>Insurance</u>	<u>Coverage</u>	<u>Amount</u>	<u>Expiration Date</u>
National Flood Services	Council on Aging Building	\$ 66,000	
	Contents	\$ 42,000	7/01/11
	<u>949 Government Street</u>		
	Fire Station Building	\$ 30,800	
	Contents	\$ 21,000	7/01/11
	<u>1100 Hatchell Lane</u>		
	Police Station and		
	Jail Facility	\$ 275,000	
	Contents	\$ 21,000	7/01/11
	<u>447 Lamm Street</u>		
	Animal Control Center		
	Building	\$ 17,600	7/01/11
	<u>600-C Bowman Street</u>		

See auditor's report.

STATISTICAL SECTION

This part of the City of Denham Springs' comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Contents Page

Financial Trends 109

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Revenue Capacity 119

These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.

Debt Capacity 126

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

Demographic and Economic Information 134

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

Operating Information 136

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

CITY OF DENHAM SPRINGS

NET ASSETS BY COMPONENTS

Last Ten Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year			
	2002	2003	2004	2005
Governmental Activities:				
Invested in Capital Assets -				
Net of Related Debt	\$ 6,560,926	\$ 6,941,960	\$ 6,779,590	\$ 6,490,262
Restricted	490,683	499,056	511,938	584,208
Unrestricted	3,078,174	2,572,627	2,482,491	2,833,417
Total Governmental Activities -				
Net Assets	<u>\$ 10,129,783</u>	<u>\$ 10,013,643</u>	<u>\$ 9,774,019</u>	<u>\$ 9,907,887</u>
Business-Type Activities:				
Invested in Capital Assets -				
Net of Related Debt	\$ 7,225,602	\$ 7,090,127	\$ 15,204,106	\$ 15,123,675
Restricted	-	-	-	-
Unrestricted (Deficit)	10,447,753	9,356,563	502,195	46,759
Total Business-Type Activities -				
Net Assets	<u>\$ 17,673,355</u>	<u>\$ 16,446,690</u>	<u>\$ 15,706,301</u>	<u>\$ 15,170,434</u>
Primary Government:				
Invested in Capital Assets -				
Net of Related Debt	\$ 13,786,528	\$ 14,032,087	\$ 21,983,696	\$ 21,613,937
Restricted	490,683	499,056	511,938	584,208
Unrestricted (Deficit)	13,525,927	11,929,190	2,984,686	2,880,176
Total Primary Government -				
Net Assets	<u>\$ 27,803,138</u>	<u>\$ 26,460,333</u>	<u>\$ 25,480,320</u>	<u>\$ 25,078,321</u>

The City of Denham Springs adopted the provisions of GASB 34 beginning July 1, 2001.

Fiscal Year					
2006	2007	2008	2009	2010	2011
\$ 6,228,263	\$ 6,191,695	\$ 8,417,766	\$ 8,531,386	\$ 8,505,809	\$ 8,303,719
609,473	653,851	710,734	746,414	796,122	839,347
4,283,337	4,922,837	2,873,200	3,204,835	2,886,737	2,328,944
<u>\$ 11,121,073</u>	<u>\$ 11,768,383</u>	<u>\$ 12,001,700</u>	<u>\$ 12,482,635</u>	<u>\$ 12,188,668</u>	<u>\$ 11,472,010</u>
\$ 15,086,106	\$ 15,593,805	\$ 19,700,130	\$ 19,710,756	\$ 15,000,218	\$ 17,939,388
329,607	291,250	(3,642,691)	(1,460,181)	326,220	3,993
<u>\$ 15,415,713</u>	<u>\$ 15,885,055</u>	<u>\$ 16,057,439</u>	<u>\$ 18,250,575</u>	<u>\$ 15,326,438</u>	<u>\$ 17,187,667</u>
\$ 21,314,369	\$ 21,785,500	\$ 28,117,896	\$ 28,242,142	\$ 23,506,027	\$ 26,243,107
609,473	653,851	710,734	746,414	796,122	843,340
4,612,944	5,214,087	(769,491)	1,744,654	3,212,957	1,573,230
<u>\$ 26,536,786</u>	<u>\$ 27,653,438</u>	<u>\$ 28,059,139</u>	<u>\$ 30,733,210</u>	<u>\$ 27,515,106</u>	<u>\$ 28,659,677</u>

CITY OF DENHAM SPRINGS

CHANGE IN NET ASSETS

Last Ten Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year			
	2002	2003	2004	2005
Expenses				
Governmental Activities:				
General Government	\$ 1,477,139	\$ 1,703,420	\$ 1,724,664	\$ 1,633,653
Public Safety	3,672,912	4,025,923	4,697,707	4,647,126
Highways and Streets	1,374,390	1,415,359	1,087,286	1,605,126
Health	29,098	27,768	47,841	79,185
Culture and Recreation	77,645	32,891	28,786	16,129
Interest on Long-Term Indebtedness	1,545	773	4,941	4,831
Total Governmental Activities Expenses	6,632,729	7,206,134	7,591,225	7,986,050
Business-Type Activities:				
Gas	2,336,007	2,574,406	2,900,226	3,115,223
Water	867,579	979,032	1,111,721	1,135,918
Sewer	1,018,507	1,919,226	1,453,480	1,457,006
Sanitation	612,943	599,626	603,848	643,577
Total Business-Type Activities	4,835,036	6,072,290	6,069,275	6,351,724
Total Primary Government Expenses	\$ 11,467,765	\$ 13,278,424	\$ 13,660,500	\$ 14,337,774
Program Revenues				
Governmental Activities:				
Charges for Services:				
Public Safety	\$ 501,648	\$ 585,517	\$ 437,093	\$ 535,046
Highways and Streets	13,364	13,364	13,364	13,364
Culture and Recreation	21,536	-	-	-
Operating Grants and Contributions	296,013	327,247	303,567	301,763
Capital Grants and Contributions	47,907	155,665	389	295,044
Total Governmental Activities Program Revenues	880,468	1,081,793	754,413	1,145,217
Business-Type Activities:				
Charges for Services:				
Natural Gas	2,636,736	2,569,226	2,892,008	3,131,850
Water	1,061,116	1,060,128	1,089,420	1,192,263
Sewer	572,769	543,253	573,976	726,960
Sanitation	552,543	538,834	560,835	583,231
Operating Grants and Contributions	-	-	-	-
Capital Grants and Contributions	32,935	45,666	179,507	32,105
Total Business-Type Activities Program Revenues	4,856,099	4,757,107	5,295,746	5,666,409
Total Primary Government Programs Revenues	\$ 5,736,567	\$ 5,838,900	\$ 6,050,159	\$ 6,811,626
Net Expense/Revenue				
Governmental Activities	\$ (5,752,261)	\$ (6,124,341)	\$ (6,836,812)	\$ (6,840,833)
Business-Type Activities	21,063	(1,315,183)	(773,529)	(685,315)
Total Primary Government Net Expense	\$ (5,731,198)	\$ (7,439,524)	\$ (7,610,341)	\$ (7,526,148)

(CONTINUED)

Fiscal Year					
2006	2007	2008	2009	2010	2011
\$ 1,665,220	\$ 1,771,741	\$ 2,247,954	\$ 2,001,415	\$ 2,067,324	\$ 2,049,444
5,132,885	5,318,674	6,498,239	6,501,384	6,559,364	6,818,702
1,479,561	3,692,535	5,227,848	5,665,185	1,765,577	2,406,333
83,613	86,423	89,043	87,189	78,210	82,048
6,364	5,848	8,097	47,985	95,680	94,656
3,591	5,518	9,364	64,051	38,190	27,237
8,371,234	10,880,739	14,080,545	14,367,209	10,604,345	11,478,420
4,094,315	3,508,527	3,933,171	3,645,980	3,492,599	3,260,737
1,227,451	1,292,457	1,882,160	1,600,633	2,173,325	2,384,053
1,421,191	1,475,803	1,830,952	1,986,382	3,636,328	3,839,131
690,826	746,293	796,411	837,536	848,089	881,472
7,433,783	7,023,080	8,442,694	8,070,531	10,150,341	10,365,393
\$ 15,805,017	\$ 17,903,819	\$ 22,523,239	\$ 22,437,740	\$ 20,754,686	\$ 21,843,813
\$ 582,442	\$ 528,019	\$ 650,153	\$ 619,044	\$ 817,367	\$ 721,118
13,364	13,364	14,660	14,510	14,510	14,510
794,018	306,493	344,400	4,394,359	447,024	853,316
103,925	2,141,638	3,532,821	139,634	203,621	276,453
1,493,749	2,989,514	4,542,034	5,167,547	1,482,522	1,865,397
4,312,500	3,666,729	4,195,400	4,391,189	4,320,370	3,854,570
1,292,098	1,568,829	1,946,603	2,261,158	2,240,377	2,332,431
741,939	1,034,775	1,536,795	2,537,311	2,458,704	2,424,324
594,368	618,554	677,995	733,631	729,993	751,127
183,981	-	-	143,268	-	-
83,576	208,735	194,133	151,022	57,988	2,761,000
7,208,462	7,097,622	8,550,926	10,217,579	9,807,432	12,123,452
\$ 8,702,211	\$ 10,087,136	\$ 13,092,960	\$ 15,385,126	\$ 11,289,954	\$ 13,988,849
\$ (6,877,485)	\$ (7,891,225)	\$ (9,538,511)	\$ (9,199,662)	\$ (9,121,823)	\$ (9,613,023)
(225,321)	74,542	108,232	2,147,048	(342,909)	1,758,059
\$ (7,102,806)	\$ (7,816,683)	\$ (9,430,279)	\$ (7,052,614)	\$ (9,464,732)	\$ (7,854,964)

CITY OF DENHAM SPRINGS

CHANGE IN NET ASSETS - CONTINUED

Last Ten Fiscal Years
(Accrual Basis of Accounting)

General Revenues and Other Changes in Net Assets	Fiscal Year			
	2002	2003	2004	2005
Governmental Activities:				
Taxes:				
Property	\$ 159,204	\$ 163,898	\$ 169,727	\$ 185,288
Sales	4,193,182	4,316,289	4,837,302	5,121,821
Occupational and permits	627,006	681,773	718,200	775,811
Franchise	536,375	600,028	663,061	659,478
Miscellaneous	204,170	122,602	169,313	192,417
Interest Income	87,980	49,432	37,059	42,348
Transfer from Component Unit	-	-	-	42,538
Transfers	-	-	-	(50,000)
Gain on Sale of Asset	5,452	6,163	2,526	-
Increase in Infrastructure Due to Annexation	-	68,016	-	-
Total Governmental Activities	5,813,369	6,008,201	6,597,188	6,974,701
Business-Type Activities:				
Miscellaneous	42,739	38,558	17,399	70,547
Interest Income	96,520	49,960	15,741	28,901
Transfers	-	-	-	50,000
Special Item	-	-	-	-
Total Business-Type Activities	139,259	88,518	33,140	149,448
Total Primary Government	\$ 5,952,628	\$ 6,096,719	\$ 6,630,328	\$ 7,124,149
Change in Net Assets				
Governmental Activities	\$ 61,108	\$ (116,140)	\$ (239,624)	\$ 133,868
Business-Type Activities	160,322	(1,226,665)	(740,389)	(535,867)
Total Primary Government	\$ 221,430	\$ (1,342,805)	\$ (980,013)	\$ (401,999)

Schedule 3
(Continued)

Fiscal Year					
2006	2007	2008	2009	2010	2011
\$ 184,153	\$ 181,812	\$ 187,707	\$ 205,201	\$ 206,395	\$ 215,189
6,271,458	6,557,726	6,856,653	6,921,858	6,310,540	6,343,589
824,833	917,389	984,586	981,531	983,098	959,812
831,587	798,040	860,134	870,836	764,639	797,798
217,156	187,406	756,132	672,517	551,082	571,449
91,202	200,730	126,616	28,654	12,102	8,527
-	-	-	-	-	-
(329,718)	(304,568)	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
8,090,671	8,538,535	9,771,828	9,680,597	8,827,856	8,896,364
81,479	31,914	9,544	15,980	57,330	91,277
59,403	58,318	54,608	30,108	14,149	11,893
329,718	304,568	-	-	-	-
-	-	-	-	(2,652,707)	-
470,600	394,800	64,152	46,088	(2,581,228)	103,170
\$ 8,561,271	\$ 8,933,335	\$ 9,835,980	\$ 9,726,685	\$ 6,246,628	\$ 8,999,534
\$ 1,213,186	\$ 647,310	\$ 233,317	\$ 480,935	\$ (293,967)	\$ (716,659)
245,279	469,342	172,384	2,193,136	(2,924,137)	1,861,229
\$ 1,458,465	\$ 1,116,652	\$ 405,701	\$ 2,674,071	\$ (3,218,104)	\$ 1,144,570

CITY OF DENHAM SPRINGS

FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	Fiscal Year			
	2002	2003	2004	2005
General Fund				
Nonspendable:				
Prepaid Insurance	\$ -	\$ -	\$ -	\$ -
Unassigned	2,556,216	2,144,650	1,976,136	2,522,300
Total General Fund	\$ 2,556,216	\$ 2,144,650	\$ 1,976,136	\$ 2,522,300
All Other Governmental Funds				
Nonspendable:				
Permanent Fund Principal	\$ 476,441	\$ 496,392	\$ 508,826	\$ 536,679
Restricted For:				
Witness Fees	-	-	-	44,415
Other Purposes	14,242	2,664	3,112	3,114
Assigned To:				
Capital Projects	789,062	678,527	769,330	553,876
Total All Other Governmental Funds	\$ 1,279,745	\$ 1,177,583	\$ 1,281,268	\$ 1,138,084

The City of Denham Springs adopted the provisions of GASB 54 beginning July 1, 2010, and applied those provisions retrospectively to each fiscal year that is presented.

Fiscal Year					
2006	2007	2008	2009	2010	2011
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 125,342
<u>3,983,508</u>	<u>4,830,519</u>	<u>2,828,039</u>	<u>3,466,081</u>	<u>3,218,813</u>	<u>2,617,281</u>
<u>\$ 3,983,508</u>	<u>\$ 4,830,519</u>	<u>\$ 2,828,039</u>	<u>\$ 3,466,081</u>	<u>\$ 3,218,813</u>	<u>\$ 2,742,623</u>
\$ 557,781	\$ 599,029	\$ 650,680	\$ 677,899	\$ 717,816	752,020
48,544	51,581	56,799	65,252	76,040	84,060
3,148	3,241	3,255	3,263	3,266	3,267
503,665	369,306	337,678	93,904	117,626	112,633
<u>\$ 1,113,138</u>	<u>\$ 1,023,157</u>	<u>\$ 1,048,412</u>	<u>\$ 840,318</u>	<u>\$ 914,748</u>	<u>\$ 951,980</u>

CITY OF DENHAM SPRINGS

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	Fiscal Year			
	2002	2003	2004	2005
Revenues:				
Taxes	\$ 4,935,933	\$ 5,118,463	\$ 5,711,381	\$ 6,006,744
Licenses and Permits	627,006	681,773	718,200	775,811
Fines and Forfeits	244,035	268,883	308,716	401,421
Interest	86,462	48,775	36,305	46,198
Fees	219,340	227,467	30,237	136,931
Intergovernmental	318,733	352,169	330,805	626,452
Special Assessments	3,907	2,894	389	-
Miscellaneous	250,825	314,599	212,076	132,673
Total Revenues	6,686,241	7,015,023	7,348,109	8,126,230
Expenditures:				
Current:				
General Government	1,428,228	1,685,298	1,678,063	1,553,124
Public Safety	3,684,433	3,863,753	4,449,788	4,493,449
Highways and Streets	1,325,671	1,087,427	1,116,727	1,067,247
Health	29,098	27,768	47,841	79,185
Culture and Recreation	77,645	32,891	28,786	16,129
Capital Outlay				
General Government	-	-	-	-
Public Safety	-	203,158	113,258	-
Highways and Streets	110,699	620,525	123,627	468,423
Culture and Recreation	-	-	-	-
Debt Service:				
Principal Retirement	13,321	13,321	26,918	33,400
Interest	1,545	773	4,941	4,831
Total Expenditures	6,670,640	7,534,914	7,589,949	7,715,788
Excess of Revenues Over (Under)				
Expenditures	15,601	(519,891)	(241,840)	410,442
Other Financing Sources (Uses)				
Capital Leases	-	-	174,485	-
Proceeds From Sale of Fixed Assets	18,116	6,163	2,526	-
Transfers In	485,700	551,755	320,000	42,538
Transfers Out	(485,700)	(551,755)	(320,000)	(50,000)
Total Other Financing Sources (Uses)	18,116	6,163	177,011	(7,462)
Net Change in Fund Balances	\$ 33,717	\$ (513,728)	\$ (64,829)	\$ 402,980
Debt Service as a Percentage of				
Noncapital Expenditures	0.24%	0.21%	0.45%	0.51%

Fiscal Year					
2006	2007	2008	2009	2010	2011
\$ 7,328,233	\$ 7,579,393	\$ 7,978,838	\$ 8,381,213	\$ 7,648,359	\$ 7,705,488
824,833	917,389	984,586	981,531	983,098	959,812
431,280	372,193	442,529	474,065	757,852	658,025
90,170	197,281	125,589	27,825	11,934	8,408
150,263	154,168	160,969	145,556	55,275	57,549
933,814	2,480,463	3,909,975	4,565,078	680,638	1,072,271
-	-	-	-	-	-
151,228	128,189	710,349	270,351	173,054	300,089
9,909,821	11,829,076	14,312,835	14,845,619	10,310,210	10,761,642
1,592,712	1,776,712	2,891,831	1,943,669	1,965,060	1,952,557
5,123,758	5,424,584	6,899,834	7,148,230	6,444,582	6,450,485
1,134,207	1,227,004	1,649,499	5,409,480	1,557,264	1,537,640
83,613	86,423	89,043	87,189	78,210	82,048
6,364	5,848	11,510	29,992	70,903	73,787
-	45,750	653,753	278,400	17,000	-
-	-	-	-	-	-
164,956	2,239,966	4,113,006	173,038	80,115	628,305
-	-	-	-	-	235,807
34,640	61,841	97,646	273,800	228,731	209,594
3,591	5,518	9,364	51,164	41,183	30,378
8,143,841	10,873,646	16,415,486	15,394,962	10,483,048	11,200,601
1,765,980	955,430	(2,102,651)	(549,343)	(172,838)	(438,959)
-	106,168	125,426	979,291	-	-
-	-	-	-	-	-
-	-	1,199,062	-	98,591	337,158
(329,718)	(304,568)	(1,199,062)	-	(98,591)	(337,158)
(329,718)	(198,400)	125,426	979,291	-	-
\$ 1,436,262	\$ 757,030	\$ (1,977,225)	\$ 429,948	\$ (172,838)	\$ (438,959)
0.48%	0.66%	0.79%	2.35%	2.71%	2.23%

CITY OF DENHAM SPRINGS

GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE

Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

Fiscal Year	Property Tax	Sales Tax	Franchise Tax	Occupational Licenses and Permits	Charitable Gaming Tax	Total
2002	\$ 159,204	\$ 4,193,182	\$ 536,375	\$ 627,006	\$ -	\$ 5,515,767
2003	163,898	4,316,289	600,028	681,773	-	5,761,988
2004	169,727	4,837,302	663,061	718,200	-	6,388,290
2005	185,288	5,121,821	659,478	775,811	-	6,742,398
2006	184,153	6,271,458	831,587	824,833	-	8,112,031
2007	181,812	6,557,726	798,040	917,389	-	8,454,967
2008	187,707	6,856,653	860,134	984,586	28,715	8,917,795
2009	205,201	6,921,858	870,836	981,531	332,309	9,311,735
2010	206,395	6,310,540	764,639	983,098	316,320	8,580,992
2011	215,189	6,343,589	797,798	959,812	303,092	8,619,480

CITY OF DENHAM SPRINGS

ASSESSED AND ESTIMATED ACTUAL VALUE
OF TAXABLE PROPERTY

Last Ten Years

Year	Assessed Value	Estimated Actual Value	Ratio of Total Assessed Value to Total Estimated Actual Value*
2002	\$ 47,502,340	\$ 431,839,450	11%
2003	48,325,460	439,322,364	11
2004	53,467,960	486,072,364	11
2005	62,106,950	564,608,636	11
2006	63,370,620	576,096,545	11
2007	64,885,680	589,869,818	11
2008	67,237,330	611,248,455	11
2009	74,931,120	681,192,000	11
2010	77,068,540	700,623,091	11
2011	78,768,530	716,077,545	11

*Actual Valuation (Market Value) as Compared to Assessed Valuation

Residential properties are assessed at 10% of fair market value; commercial and industrial properties, excluding land, are assessed at 15%. The overall assessed value is estimated to be 11% of actual market value.

SOURCE: Livingston Parish Assessor's Grand Recapitulation of the Assessment Roll for the Parish of Livingston.

NOTE: Additional information concerning estimated values by types of property was not currently readily available.

CITY OF DENHAM SPRINGS

PROPERTY TAX RATES AND TAX LEVIES
DIRECT AND OVERLAPPING GOVERNMENTS

Last Ten Years

Fiscal Year	<u>City of Denham Springs</u>			<u>Parish Special Districts</u>				Total Parish Millage
	<u>Operating Millage</u>	<u>Total City Millage</u>	<u>Parishwide¹</u>	<u>Drainage District #1</u>	<u>Recreation District #3</u>	<u>Law Enforcement District</u>	<u>Juvenile Detention Center</u>	
2002	3.44	3.44	39.64	5.00	18.00	12.51	3.00	78.15
2003	3.44	3.44	40.64	5.00	20.00	12.51	3.00	81.15
2004	3.13	3.13	42.09	5.00	20.00	12.51	3.00	82.60
2005	3.00	3.00	40.67	4.60	16.49	12.51	3.00	77.27
2006	2.92	2.92	42.98	4.60	16.49	12.51	3.00	79.58
2007	2.84	2.84	42.88	4.60	20.00	12.51	3.00	82.99
2008	2.83	2.83	49.88	4.60	17.50	12.51	3.00	87.49
2009	2.75	2.75	43.32	3.99	16.00	10.55	3.00	76.86
2010	2.75	2.75	40.88	3.99	17.00	10.55	3.00	75.42
2011	2.75	2.75	42.84	3.99	17.00	10.55	3.00	77.38

¹Parishwide - includes all or some of the following:

Parish/Local, Dixon Sinking, Courthouse Sinking, Road Equipment/Maintenance, Drainage Tax, Council on Aging, Courthouse Maintenance, Health Unit, Library, and Assessor.

SOURCE: Livingston Parish Assessor's Grand Recapitulation of the Assessment Roll for the Parish of Livingston.

Livingston Parish School Board

Operational Millage	Additional Support Millage	Maintenance Millage	Construction Millage	Debt Service Millage	Total School Millages	Total Direct and Overlapping Rates
3.29	7.18	7.00	5.00	19.25	41.72	123.31
3.29	7.18	7.00	5.00	15.54	38.01	122.60
3.29	7.18	7.00	5.00	14.85	37.32	123.05
3.29	7.18	7.00	5.00	10.50	32.97	113.24
3.29	7.18	7.00	5.00	7.10	29.57	112.07
3.29	7.18	7.00	5.00	6.73	29.20	115.03
3.29	7.18	7.00	5.00	32.55	55.02	145.34
3.29	7.18	7.00	5.00	22.55	45.02	124.63
3.29	7.18	7.00	5.00	20.45	42.92	121.09
3.29	7.18	7.00	5.00	18.29	40.76	120.89

CITY OF DENHAM SPRINGS

PRINCIPAL PROPERTY TAXPAYERS

June 30, 2011

Rank	Name of Taxpayer	Type of Business	2011	
			Assessed Valuation	Percentage of Total Taxable Assessed Value
1	Walmart Louisiana, LLC #935	Retail	\$ 2,756,690	3.50 %
2	Bellsouth/AT&T Telecommunications	Public Utility	2,423,180	3.08
3	Bass Pro Outdoor World	Retail	1,859,610	2.36
4	Home Depot #0375	Retail	1,601,930	2.03
5	All Star Dealership Properties	Auto Dealership	1,377,490	1.75
6	Hancock Bank of Louisiana	Bank	1,287,920	1.64
7	Cox Com, Inc.	Telecommunications	1,192,760	1.51
8	Spring Park Property Owner, LLC	Real Estate	826,130	1.05
9	First Guaranty Bank	Bank	666,720	.85
10	Entergy Gulf States, LLC	Public Utility	653,790	.83
			<u>\$ 14,646,220</u>	<u>18.60 %</u>

Source: Livingston Parish Assessor's Office.

The City of Denham Springs did not accumulate this information prior to 2006.

CITY OF DENHAM SPRINGS

PROPERTY TAX LEVIES AND COLLECTIONS

Last Ten Fiscal Years

<u>Fiscal Year Ended June 30</u>	<u>Total Tax Levy For Fiscal Year</u>	<u>Collected Within the Fiscal Year of Levy</u>		<u>Collections in Subsequent Years</u>	<u>Total Collections to Date</u>	
		<u>Amount</u>	<u>Percentage of Levy</u>		<u>Amount</u>	<u>Percentage of Levy</u>
2002	\$ 163,406	\$ 155,316	95.05%	\$ 2,763	\$ 158,079	97.74%
2003	166,238	161,135	96.93	4,246	165,381	99.48
2004	167,353	165,481	98.88	2,596	168,077	100.43
2005	186,321	182,692	98.05	5,963	188,655	101.25
2006	185,040	178,190	96.30	2,226	180,416	97.50
2007	184,470	180,930	98.08	2,586	183,516	99.48
2008	189,945	185,750	97.79	2,626	188,376	99.17
2009	205,911	197,859	96.09	2,597	200,456	97.35
2010	211,784	205,757	97.15	4,610	210,367	99.33
2011	216,457	209,089	96.60	-	209,089	96.60

CITY OF DENHAM SPRINGS

MUNICIPAL TAXABLE SALES BY CATEGORY - GENERAL SALES AND USE TAX
(AMOUNTS EXPRESSED IN THOUSANDS)

LAST TEN FISCAL YEARS

<u>Standard Industrial Classification Code</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Agriculture, Forestry, and Fishing	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Mining	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Construction	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Manufacturing	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Transportation and Public Utilities	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Wholesale Trade	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Other Retail Trade	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Vehicle	21,370	18,808	18,491	18,873	22,733	30,770	26,604	21,469	20,154	21,758
Food Stores	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Finance, Insurance, and Real Estate	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Services	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Public Administration	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Source: Livingston Parish School System's Sales Tax Department which is Collector of City of Denham Springs Municipal 1 1/2 % Sales and Use Taxes currently does not compile sales tax data by standard industrial code.

CITY OF DENHAM SPRINGS

RATIOS OF OUTSTANDING DEBT BY TYPE

Last Ten Fiscal Years

Fiscal Year Ended June 30	Governmental Activities			Business - Type Activities	Total Primary Government
	General Obligation Bonds	Certificates of Indebtedness	Capital Lease	Revenue Bonds	
2002	\$ -	\$ 13,321	\$ -	\$ 842,877	\$ 856,198
2003	-	-	-	614,933	614,933
2004	-	-	147,567	385,623	533,190
2005	-	-	114,167	160,144	274,311
2006	-	-	79,527	-	79,527
2007	-	-	123,854	23,765,000	23,888,854
2008	-	-	151,634	32,415,000	32,566,634
2009	-	-	857,125	31,935,000	32,792,125
2010	-	-	628,394	55,070,000	55,698,394
2011	-	-	418,800	54,435,000	54,853,800

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

Source: ¹ Population of the City of Denham Springs obtained from the State Treasurer's Office.

Schedule 12

<u>Percentage of Personal Income</u>	<u>Population¹</u>	<u>Per Capita</u>
N/A	8,883	\$ 96.39
N/A	8,977	68.50
N/A	9,913	53.79
N/A	10,167	26.98
N/A	10,217	7.78
N/A	10,342	2,309.89
N/A	10,439	3,119.71
N/A	10,480	3,129.02
N/A	10,790	5,162.04
N/A	10,215	5,369.93

CITY OF DENHAM SPRINGS

RATIOS OF GENERAL BONDED DEBT OUTSTANDING

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>General Obligation Bonds</u>	<u>Less: Amounts Available in Debt Service Fund</u>	<u>Total</u>	<u>Percentage of Estimated Actual Taxable Value of Property</u>	<u>Per Capita</u>
2002	-	-	-	N/A	N/A
2003	-	-	-	N/A	N/A
2004	-	-	-	N/A	N/A
2005	-	-	-	N/A	N/A
2006	-	-	-	N/A	N/A
2007	-	-	-	N/A	N/A
2008	-	-	-	N/A	N/A
2009	-	-	-	N/A	N/A
2010	-	-	-	N/A	N/A
2011	-	-	-	N/A	N/A

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

The City has had no outstanding general obligation bonds in the past ten years.

Population data can be found in the Schedule of Demographic and Economic Statistics on Schedule 17.

CITY OF DENHAM SPRINGS

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

JUNE 30, 2011

	Gross Debt Outstanding	Amounts In Debt Service Fund For Principal	Net Debt Outstanding	City of Denham Springs	
				Estimated Percentage Applicable ¹	Share of Debt
<u>GOVERNMENTAL UNIT - Direct Debt</u>					
City of Denham Springs	\$ -	\$ -	\$ -	100%	\$ -
<u>OTHER GOVERNMENTAL AGENCIES - Overlapping Debt</u>					
School District #1	\$ 25,235,000	\$ 2,440,658	\$ 22,794,342	33%	\$ 7,522,133
Library Bonds	7,260,000	1,607,343	5,652,657	13%	734,845
Livingston Parish -					
Recreation District No. 3	8,440,000	866,495	7,573,505	40%	3,029,402
Recreation District No. 3	1,000,000	531,559	468,441	40%	187,376
Total Other Governmental Agencies	<u>\$ 41,935,000</u>	<u>\$ 5,446,055</u>	<u>\$ 36,488,945</u>		<u>\$ 11,473,756</u>
Total Direct and Overlapping Debt	<u>\$ 41,935,000</u>	<u>\$ 5,446,055</u>	<u>\$ 36,488,945</u>		<u>\$ 11,473,756</u>
2011 Population					<u>10,215</u>
Per Capita					<u>\$ 1,123</u>

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Denham Springs. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

Net Overlapping Debt is computed to demonstrate the total property tax burden on the taxpayers within the reporting government's geographic jurisdiction and the total debt that their property taxes will be expected to repay.

¹ The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the Parish's taxable assessed value that is within the City's boundaries and dividing it by the Parish's total taxable assessed value.

CITY OF DENHAM SPRINGS

LEGAL DEBT MARGIN INFORMATION

Last Ten Years

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Debt Limit	\$ 4,750,234	\$ 4,832,546	\$ 5,346,796	\$ 6,210,695
Total Net Debt Applicable to Limit	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Legal Debt Margin	<u>\$ 4,750,234</u>	<u>\$ 4,832,546</u>	<u>\$ 5,346,796</u>	<u>\$ 6,210,695</u>
Total Net Debt Applicable to the Limit as a Percentage of the Debt Limit	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>

Note: Under state finance law, the City of Denham Springs' outstanding general obligation debt should not exceed 10 percent of total assessed property value. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds.

<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 6,337,620	\$ 6,488,568	\$ 6,723,733	\$ 7,493,112	\$ 7,706,854	\$ 7,876,853
-	-	-	-	-	-
<u>\$ 6,337,620</u>	<u>\$ 6,488,568</u>	<u>\$ 6,723,733</u>	<u>\$ 7,493,112</u>	<u>\$ 7,706,854</u>	<u>\$ 7,876,853</u>
<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>

Legal Debt Margin Calculation for Fiscal Year 2011

Total Assessed Value	<u>\$ 78,768,530</u>
Debt Limit (10% of Total Assessed Value)	\$ 7,876,853
Less: Debt Applicable to Limit: General Obligation Bonds	<u>-</u>
Legal Debt Margin	<u>\$ 7,876,853</u>

CITY OF DENHAM SPRINGS

PLEDGED REVENUE COVERAGE

Last Ten Years

Year	Gross Revenue ¹	Other Financial Sources ³	Expenses ²	Utility Revenue Bonds		
				Available for Debt Service	Debt Service	
					Principal	Interest
2002	\$ 4,962,423	\$ -	\$ 4,127,525	\$ 834,898	\$ 226,664	\$ 72,927
2003	4,799,959	-	5,402,563	(602,604)	227,944	56,402
2004	5,149,379	-	5,383,330	(233,951)	229,310	40,329
2005	5,733,752	50,000	5,687,654	96,098	225,479	23,706
2006	7,265,768	329,718	6,764,455	831,031	160,144	8,648
2007	6,979,119	304,568	6,353,047	930,640	-	-
2008	9,021,392	-	7,649,322	1,372,070	450,000	1,051,364 ⁴
2009	10,316,018	-	7,221,571	3,094,447	480,000	1,402,730 ⁴
2010	9,825,063	-	7,351,375	2,473,688	615,000	2,067,006 ⁵
2011	9,563,886	-	7,162,349	2,401,537	635,000	2,471,445 ⁵

¹Total Operating Revenues plus Non-Operating Revenues plus Capitalized Interest Income

²Total Operating Expenses plus Non-Operating Expenses less Depreciation and Debt Service Interest on Revenue Bonds not capitalized

³Transfers In

⁴Interest capitalized during construction

⁵Interest capitalized during construction plus Debt Service Interest on Revenue Bonds not capitalized

Special Assessment Certificates

Total	Coverage	Special	Debt Service		Coverage
		Assessment Collections	Principal	Interest	
\$ 299,591	2.79	\$ 3,907	\$ 13,321	\$ 773	.28
284,346	-	5,944	-	-	N/A
269,639	-	389	-	-	N/A
249,185	.39	-	-	-	N/A
168,792	4.92	-	-	-	N/A
-	N/A	-	-	-	N/A
1,501,364	0.91	-	-	-	N/A
1,882,730	1.64	-	-	-	N/A
2,682,006	0.92	-	-	-	N/A
3,106,445	0.77	-	-	-	N/A

CITY OF DENHAM SPRINGS

DEMOGRAPHIC AND ECONOMIC STATISTICS

Last Ten Years

Year	Population ^{1,5}	Personal Income (amounts expressed in thousands)	Per Capita Income ²	Median Age ⁵	Public School Enrollment ⁴
2002	8,883	\$ 187,973	\$ 21,161	N/A	19,987
2003	8,977	191,533	21,336	N/A	20,496
2004	9,913	219,880	22,181	N/A	20,898
2005	10,167	240,805	23,685	N/A	21,561
2006	10,217	264,814	25,919	N/A	23,141
2007	10,342	293,247	28,355	N/A	23,347
2008	10,439	315,385	30,094	N/A	23,549
2009	10,480	336,659	31,201	N/A	24,311
2010	10,790	N/A	N/A	36.4	24,494
2011	10,215	N/A	N/A	N/A	24,468

¹Population of City of Denham Springs obtained from State Treasurer's Office.

²Parishwide Per Capita Income Per Louisiana Department of Labor.

³Per Louisiana Department of Labor.

⁴Louisiana Department of Education.

⁵United States Census Bureau.

N/A - Not readily available at this time.

Schedule 17

<u>Unemployment Livingston Parish³</u>	<u>Unemployment Labor Market Area³</u>
6.1	5.4
6.7	5.6
7.4	6.2
6.3	6.1
4.5	4.6
4.3	4.6
4.5	5.0
7.3	7.4
8.1	8.3
7.9	8.1

CITY OF DENHAM SPRINGS

FULL-TIME EQUIVALENT CITY OF DENHAM SPRINGS EMPLOYEES BY FUNCTION

Last Ten Fiscal Years

Function	Full-time Equivalent Employees as of June 30				
	2002	2003	2004	2005	2006
General Government:					
General Provisions	10	13	11	10	10
Cemetery	2	2	2	2	2
Business License and Permit	2	2	2	2	2
Ward II Court	1	2	2	2	2
Planning and Zoning	4	3	3	3	3
Landscaping	-	2	2	2	-
Public Safety:					
Animal Control	2	4	3	4	4
Firemen	25	23	25	25	25
Firemen Administrative Staff	-	-	-	-	-
Policemen	27	26	26	26	27
Police Communications	10	12	11	5	5
Police Administrative Staff	3	3	4	4	4
Police Crossing Guards	2	2	2	2	3
Litter Control	-	1	1	1	1
Public Works:					
Street	23	17	14	14	15
Culture and Recreation:					
Main Street Director	1	1	-	-	-
Old City Hall Secretary	-	-	-	-	-
Public Utilities:					
Natural Gas, Water and Sewer	33	37	40	40	37
Motor Pool:					
Mechanics	2	2	2	2	2
Total Full-time Equivalent	147	152	150	144	142
Total Full-time and Part-time Employees	154	159	159	154	153

Note: Information provided by the City of Denham Springs.
The Mayor is an elected full-time position. This position is not included in the above schedule.

Schedule 18

Full-time Equivalent Employees as of June 30

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
12	13	14	14	14
2	2	-	-	-
1	1	1	1	1
2	2	2	2	2
3	4	3	3	3
-	-	-	-	-
6	11	10	10	10
27	27	28	29	29
-	1	-	-	-
30	33	34	37	34
5	5	3	3	3
5	6	5	5	5
3	3	3	3	3
1	1	-	-	-
17	18	18	21	21
-	-	-	-	-
-	-	1	1	1
42	47	43	46	46
1	2	2	2	2
<u>157</u>	<u>176</u>	<u>167</u>	<u>177</u>	<u>174</u>
<u>166</u>	<u>186</u>	<u>179</u>	<u>187</u>	<u>186</u>

CITY OF DENHAM SPRINGS

OPERATING INDICATORS BY FUNCTION

Last Ten Fiscal Years

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
General Government				
Election Data				
Registered Voters	N/A	N/A	5,812	5,886
Voters at polls	N/A	N/A	2,022	907
Absentee ballots	N/A	N/A	87	47
Percent Voting	N/A	N/A	36.30%	16.20%
Ward II Court				
Court Cases				
Civil	1,091	1,074	1,250	1,053
Criminal	4,818	5,215	5,763	6,847
Landlord and tenant (Included in Civil)	-	-	-	-
Small Claims	-	-	-	-
Traffic	6,368	7,699	8,238	8,932
Public Safety				
Police Protection				
Adult arrests	724	681	613	874
Civil infractions	N/A	N/A	N/A	N/A
Group A Offenses	1,496	1,325	1,284	1,378
Group B Offenses	378	441	308	412
Accidents w/injury	275	264	282	134
Juvenile arrest	110	90	74	122
DWI	91	85	71	95
Parking violations	N/A	N/A	N/A	N/A
Criminal damage to property	269	127	151	123
Private property damage	N/A	N/A	N/A	N/A
Total traffic violations	5,780	7,107	9,113	9,945
Fire Protection				
Fire	52	51	64	62
Estimated Loss Due to Fire Incidents Reported	N/A	N/A	N/A	N/A
Overpressure rupture, explosion, overhear (no fire)	1	8	5	5
Rescue & Emergency Medical Service Incident	906	949	948	1,176
Hazardous Condition (No Fire)	48	36	38	65
Service Call	105	101	89	115
Good Intent Call	48	65	87	140
False Alarm & False Call	59	63	76	117
Severe Weather & Natural Disaster	-	-	2	3
Special Incident Type	2	3	2	-

(CONTINUED)

Schedule 19

<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
6,413	6,437	6,390	6,530	N/A	6,453
1,470	1,886	1,519	2,447	N/A	2,042
43	59	88	304	N/A	175
23.60%	30.22%	25.15%	37.48%	N/A	34.36%
858	1,333	1,479	1,703	1,922	1,791
1,689	1,794	2,422	1,750	2,078	1,894
N/A	N/A	N/A	N/A	N/A	N/A
-	-	-	-	-	-
10,028	11,281	14,281	12,256	17,084	15,798
833	908	910	946	904	984
N/A	N/A	N/A	N/A	N/A	N/A
1,450	1,493	1,528	1,169	1,279	1,229
463	483	513	603	1,061	772
124	148	176	111	263	152
97	131	93	98	106	87
90	78	122	118	138	143
N/A	N/A	N/A	N/A	N/A	N/A
166	196	232	397	179	199
N/A	N/A	N/A	N/A	N/A	N/A
10,013	9,199	11,262	9,043	9,081	9,365
64	96	107	88	61	47
N/A	N/A	N/A	142,175	1,228,225	1,140,450
2	-	4	6	4	3
910	1,119	1,187	1,026	977	939
21	34	36	63	40	41
72	104	102	137	89	82
131	146	117	103	18	46
75	143	122	78	108	76
2	8	3	5	-	1
-	-	7	7	3	0

CITY OF DENHAM SPRINGS

OPERATING INDICATORS BY FUNCTION (CONTINUED)

Last Ten Fiscal Years

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Natural Gas Services				
Customers	4,591	4,675	4,838	5,024
Inside - Residential	N/A	N/A	2,307	2,295
Inside - Commercial/Industrial	N/A	N/A	227	230
Outside - Residential	N/A	N/A	2,248	2,438
Outside - Commercial/Industrial	N/A	N/A	56	61
Natural Gas (in million cubic feet (MCF))				
Purchased from LA Municipal Gas Authority (LMGA)	271,184	272,337	253,568	239,969
Sold to customers	265,569	258,536	242,846	234,656
Rates				
Residential Customers inside the city				
First 500 cubic feet or less	\$ 5.63	\$ 5.63	\$ 5.63	RATES
Next 3,500 cubic feet at \$ per MCF	\$ 6.36	\$ 6.36	\$ 6.36	
Next 8,000 cubic feet at \$ per MCF	\$ 6.26	\$ 6.26	\$ 6.26	
Next 12,000 cubic feet at \$ per MCF	\$ 6.16	\$ 6.16	\$ 6.16	SEE
Residential Customers outside the city and all commercial customers inside and outside the city				
First 500 cubic feet or less	\$ 6.03	\$ 6.03	\$ 6.03	RATES
Next 3,500 cubic feet at \$ per MCF	\$ 6.76	\$ 6.76	\$ 6.76	
Next 8,000 cubic feet at \$ per MCF	\$ 6.66	\$ 6.66	\$ 6.66	
Next 12,000 cubic feet at \$ per MCF	\$ 6.56	\$ 6.56	\$ 6.56	SEE
All customers inside and outside the city				
Minimum monthly charge			\$ 5.63	\$ 5.63
Monthly gas rate - cost of gas plus .50 cents per CCF (hundred cubic feet)			eff. 11-9-04	eff. 11-9-04
Water Services				
Customers	6,356	6,459	6,684	6,945
Inside - Residential	N/A	N/A	3,397	3,412
Inside - Commercial/Industrial	N/A	N/A	539	561
Outside - Residential	N/A	N/A	2,697	2,911
Outside - Commercial/Industrial	N/A	N/A	51	61
Contracted Service - Shadow Springs Utility System, Inc.	N/A	N/A	N/A	N/A
Water (per hundred gallons)				
Sold to customers	7,881,300	8,123,446	8,128,421	8,182,310

(CONTINUED)

Schedule 19
(Continued)

<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
5,274	5,607	6,114	6,394	6,483	6,189
2,257	2,265	2,435	2,458	2,430	2,175
227	243	332	355	357	265
2,732	3,036	3,313	3,504	3,616	3,676
58	63	34	77	80	73
253,568	290,515	276,000	270,765	340,280	302,402
239,077	282,351	259,041	263,564	322,042	319,225
CHANGED	CHANGED	CHANGED	CHANGED	CHANGED	CHANGED
BELOW	BELOW	BELOW	BELOW	BELOW	BELOW
CHANGED	CHANGED	CHANGED	CHANGED	CHANGED	CHANGED
BELOW	BELOW	BELOW	BELOW	BELOW	BELOW
\$ 5.63	\$ 5.63	\$ 8.25	\$ 8.25	\$ 8.25	\$ 8.25
eff. 11-9-04	eff. 11-9-04	eff. 3-1-08	eff. 3-1-08	eff. 3-1-08	eff. 3-1-08
7,073	7,367	7,448	7,584	7,574	7,977
3,393	3,438	3,351	3,351	3,327	3,865
565	583	680	692	686	217
3,052	3,280	3,342	3,463	3,483	3,476
63	66	75	78	78	178
N/A	N/A	N/A	N/A	N/A	241
8,291,497	8,475,923	8,660,348	7,880,994	7,840,105	8,280,542

CITY OF DENHAM SPRINGS

OPERATING INDICATORS BY FUNCTION (CONTINUED)

Last Ten Fiscal Years

	2002	2003	2004	2005
Rates (amount billed customers)				
Inside the corporate limits				
For the first 2,500 gallons monthly minimum charge based on meter size - Refer to meter chart (A)				
For every 1,000 gallons or part thereof next 5,500 gallons	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00
For every 1,000 gallons or part thereof next 17,000 gallons	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75
For every 1,000 gallons or part thereof all over 25,000 gallons	\$ 0.65	\$ 0.65	\$ 0.65	\$ 0.65
Flat fee for filling of swimming pool or tank truck from fire hydrant by authorized personnel	\$ 40.00	\$ 40.00	\$ 40.00	\$ 40.00
Chart (A) - Monthly minimum charge				
5/8 inch	\$ 5.50	\$ 5.50	\$ 5.50	\$ 5.50
3/4 inch	\$ 8.20	\$ 8.20	\$ 8.20	\$ 8.20
1 inch	\$ 13.70	\$ 13.70	\$ 13.70	\$ 13.70
1 1/2 inch	\$ 27.30	\$ 27.30	\$ 27.30	\$ 27.30
2 inch	\$ 43.70	\$ 43.70	\$ 43.70	\$ 43.70
3 inch	\$ 82.60	\$ 82.60	\$ 82.60	\$ 82.60
4 inch	\$ 137.80	\$ 137.80	\$ 137.80	\$ 137.80
6 inch	\$ 275.15	\$ 275.15	\$ 275.15	\$ 275.15
8 inch	\$ 550.00	\$ 550.00	\$ 550.00	\$ 550.00
Outside the corporate limits				
For the first 2,500 gallons monthly minimum charge based on meter size - Refer to meter chart (B)				
For every 1,000 gallons or part thereof next 5,500 gallons	\$ 1.20	\$ 1.20	\$ 1.20	\$ 1.20
For every 1,000 gallons or part thereof next 17,000 gallons	\$ 0.90	\$ 0.90	\$ 0.90	\$ 0.90
For every 1,000 gallons or part thereof all over 25,000 gallons	\$ 0.78	\$ 0.78	\$ 0.78	\$ 0.78
Flat fee for filling of swimming pool or tank truck from fire hydrant by authorized personnel	\$ 48.00	\$ 48.00	\$ 48.00	\$ 48.00

(CONTINUED)

Schedule 19
(Continued)

<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 1.00	\$ 2.00	\$ 2.25	\$ 2.25	\$ 2.25	\$ 2.25
\$ 0.75	\$ 1.85	\$ 2.10	\$ 2.10	\$ 2.10	\$ 2.10
\$ 0.65	\$ 1.70	\$ 1.95	\$ 1.95	\$ 1.95	\$ 1.95
\$ 40.00	\$ 70.00	\$ 75.00	\$ 75.00	\$ 75.00	\$ 75.00
\$ 5.50	\$ 6.75	\$ 6.75	\$ 6.75	\$ 6.75	\$ 11.75
\$ 8.20	\$ 9.10	\$ 9.10	\$ 9.10	\$ 9.10	\$ 14.10
\$ 13.70	\$ 15.15	\$ 15.15	\$ 15.15	\$ 15.15	\$ 20.15
\$ 27.30	\$ 30.15	\$ 30.15	\$ 30.15	\$ 30.15	\$ 35.15
\$ 43.70	\$ 48.30	\$ 48.30	\$ 48.30	\$ 48.30	\$ 53.30
\$ 82.60	\$ 91.25	\$ 91.25	\$ 91.25	\$ 91.25	\$ 96.25
\$ 137.80	\$ 152.20	\$ 152.20	\$ 152.20	\$ 152.20	\$ 157.20
\$ 275.15	\$ 303.80	\$ 303.80	\$ 303.80	\$ 303.80	\$ 308.80
\$ 550.00	\$ 607.25	\$ 607.25	\$ 607.25	\$ 607.25	\$ 612.25
\$ 1.20	\$ 2.25	\$ 2.25	\$ 2.25	\$ 2.25	\$ 2.25
\$ 0.90	\$ 2.10	\$ 2.10	\$ 2.10	\$ 2.10	\$ 2.10
\$ 0.78	\$ 1.95	\$ 1.95	\$ 1.95	\$ 1.95	\$ 1.95
\$ 48.00	\$ 75.00	\$ 75.00	\$ 75.00	\$ 75.00	\$ 75.00

CITY OF DENHAM SPRINGS

OPERATING INDICATORS BY FUNCTION (CONTINUED)

Last Ten Fiscal Years

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Chart (B) - Monthly minimum charge				
5/8 inch	\$ 6.61	\$ 6.61	\$ 6.61	\$ 6.61
3/4 inch	\$ 9.84	\$ 9.84	\$ 9.84	\$ 9.84
1 inch	\$ 16.44	\$ 16.44	\$ 16.44	\$ 16.44
1 1/2 inch	\$ 32.76	\$ 32.76	\$ 32.76	\$ 32.76
2 inch	\$ 52.44	\$ 52.44	\$ 52.44	\$ 52.44
3 inch	\$ 99.12	\$ 99.12	\$ 99.12	\$ 99.12
4 inch	\$ 165.36	\$ 165.36	\$ 165.36	\$ 165.36
6 inch	\$ 330.18	\$ 330.18	\$ 330.18	\$ 330.18
8 inch	\$ 660.00	\$ 660.00	\$ 660.00	\$ 660.00
Sewer Services				
Customers	5,289	5,294	5,348	5,420
Inside - Residential	N/A	N/A	3,232	3,253
Inside - Commercial/Industrial	N/A	N/A	514	514
Outside - Residential	N/A	N/A	1,571	1,622
Outside - Commercial/Industrial	N/A	N/A	31	31
Denham Springs Sewerage District #1	N/A	N/A	N/A	N/A
Rates (amount billed customers)				
Residential customers inside the city				
Monthly flat fee and	\$ 6.00	\$ 6.00	\$ 6.00	\$ 6.00
% of water consumption per 100 gallons	3%	3%	3%	3%
Residential customers outside the city				
Monthly flat fee and	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00
% of water consumption per 100 gallons	3%	3%	3%	3%
Commercial customers inside the city				
Monthly flat fee and	\$ 6.00	\$ 6.00	RATES	CHANGED
% of water consumption per 100 gallons	3%	3%	SEE	BELOW
Commercial customers outside the city				
Monthly flat fee and	\$ 7.00	\$ 7.00	RATES	CHANGED
% of water consumption per 100 gallons	5%	5%	SEE	BELOW

(CONTINUED)

Schedule 19
(Continued)

2006	2007	2008	2009	2010	2011
\$ 6.61	\$ 7.25	\$ 7.25	\$ 7.25	\$ 7.25	\$ 12.25
\$ 9.84	\$ 10.90	\$ 10.90	\$ 10.90	\$ 10.90	\$ 15.90
\$ 16.44	\$ 18.15	\$ 18.15	\$ 18.15	\$ 18.15	\$ 23.15
\$ 32.76	\$ 36.20	\$ 36.20	\$ 36.20	\$ 36.20	\$ 41.20
\$ 52.44	\$ 57.95	\$ 57.95	\$ 57.95	\$ 57.95	\$ 62.95
\$ 99.12	\$ 109.50	\$ 109.50	\$ 109.50	\$ 109.50	\$ 114.50
\$ 165.36	\$ 182.60	\$ 182.60	\$ 182.60	\$ 182.60	\$ 187.60
\$ 330.18	\$ 364.55	\$ 364.55	\$ 364.55	\$ 364.55	\$ 369.55
\$ 660.00	\$ 728.70	\$ 728.70	\$ 728.70	\$ 728.70	\$ 733.70
5,424	5,489	5,485	5,601	5,547	5,600
3,236	3,275	3,208	3,210	3,184	3,256
514	527	619	636	633	632
1,640	1,654	1,623	1,715	1,691	1,219
34	33	35	40	39	20
N/A	N/A	N/A	N/A	N/A	1,269
\$ 6.00 3%	\$ 6.00 10%	\$ 10.00 25%	\$ 10.00 25%	\$ 10.00 25%	\$ 10.00 25%
\$ 7.00 3%	\$ 7.00 10%	\$ 12.00 25%	\$ 12.00 25%	\$ 12.00 25%	\$ 12.00 25%
RATES SEE	CHANGED BELOW	CHANGED BELOW	CHANGED BELOW	CHANGED BELOW	CHANGED BELOW
RATES SEE	CHANGED BELOW	CHANGED BELOW	CHANGED BELOW	CHANGED BELOW	CHANGED BELOW

CITY OF DENHAM SPRINGS

OPERATING INDICATORS BY FUNCTION (CONTINUED)

Last Ten Fiscal Years

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Commercial customers inside the city				
Hotels/Motels				
Monthly flat fee of \$6.00 based on number of rooms and % of water consumption per 100 gal.	N/A	N/A	217 Rooms 3%	217 Rooms 3%
All other commercial customers inside the city				
Monthly flat fee based on commercial business zone and				
Zone C-1 \$20.00	N/A	N/A	12	12
Zone C-2 \$25.00	N/A	N/A	25	25
Zone C-3 \$30.00	N/A	N/A	436	436
Zone C-4 \$35.00	N/A	N/A	20	20
Zone I-1 and I-2 \$40.00	N/A	N/A	21	21
25% of water consumption per 100 gallons (Month Avg. 26,409)			3%	3%
RIRZ	N/A	N/A	N/A	N/A
Commercial customers outside the city				
Hotels/Motels				
Monthly flat fee of \$7.00 based on number of rooms and % of water consumption per 100 gal.	N/A	N/A	None 3%	None 3%
All other commercial customers outside the city				
Monthly flat fee and % of water consumption per 100 gallons	N/A	N/A	\$ 28.00 5%	\$ 31.00 5%
Sanitation Services				
Customers	3,275	3,390	3,407	3,426
Inside - Residential	3,155	3,267	3,279	3,293
Inside - Commercial/Industrial	120	123	128	133
Sanitation Service Contracted Rates - Monthly per Customer				
Twice Weekly Pickup and Weekly Pickup of Recycling	\$ 13.76	\$ 12.51	\$ 13.58	\$ 14.35
Rates (amount billed customers)				
Inside - Residential	\$ 14.49	\$ 13.55	\$ 14.30	\$ 14.30
Inside - Commercial/Industrial	\$ 12.19	\$ 11.80	\$ 12.55	\$ 12.55
Inside - Senior Citizens	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00

Schedule 19
(Continued)

<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
217 Rooms 3%	314 Rooms 10%	314 Rooms 25%	341 Rooms 25%	444 Rooms 25%	444 Rooms 25%
12	12	23	23	23	27
25	25	40	40	40	35
436	503	510	510	529	391
20	20	34	34	34	41
21	21	23	23	23	31
3%	10%	25%	25%	25%	25%
N/A	N/A	23	23	23	27
None 3%	None 12%	None 25%	None 25%	None 25%	None 25%
\$ 34.00 5%	\$ 36.00 12%	Included w/ inside City	Included w/ inside City	Included w/ inside City	Included w/ inside City
3,415	3,366	3,470	3,485	3,460	3,504
3,282	3,231	3,318	3,323	3,297	3,355
133	135	152	162	163	149
\$ 14.86	\$ 14.86	\$ 16.43	\$ 17.44	\$ 17.44	\$ 18.00
\$ 14.81	\$ 14.81	\$ 16.43	\$ 17.44	\$ 17.44	\$ 18.00
\$ 13.06	\$ 13.06	\$ 14.68	\$ 15.69	\$ 15.69	\$ 18.00
\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00

CITY OF DENHAM SPRINGS
CAPITAL ASSET STATISTICS BY FUNCTION

Last Ten Fiscal Years

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
General Government				
Buildings				
Municipal (City Hall, Ward II Court and Ward II Marshall)	1	1	1	1
Public Safety				
Police Protection				
Stations	1	1	1	1
Vehicles - Marked	28	28	28	28
Vehicles - Unmarked	6	6	6	6
Motorcycles - Marked	2	2	2	3
Fire Protection				
Administrative Office	N/A	N/A	N/A	N/A
Stations	2	2	3	3
Vehicles - Extinguishment	4	4	4	4
Vehicles - Emergency Medical	1	1	1	1
Public Works				
Streets and Sidewalks				
Miles of City:				
Primary streets (State and Federal)	N/A	N/A	N/A	N/A
Secondary streets (City)	42.7	45.3	45.3	45.3
Sidewalks	N/A	N/A	N/A	N/A
Bridges	N/A	N/A	N/A	N/A
Buildings	2	2	2	2
Street Lights:				
Residential	638	638	638	638
Street and Highway	284	284	284	284
Security Light	2	2	2	2
Vehicles	15	15	16	16
Natural Gas, Water and Sewer Services				
Fire Hydrants	N/A	N/A	N/A	N/A
Miles of natural gas mains	149	151	159	163
Miles of water mains	N/A	N/A	N/A	N/A
Miles of sanitary sewer	N/A	N/A	N/A	N/A
Number of sewer pumping stations:				
City of Denham Springs	32	32	36	36
Denham Springs Sewerage District #1	N/A	N/A	N/A	N/A
Type of sewer treatment system	Rock Reed	Rock Reed	Rock Reed	Rock Reed
Recreation and Culture				
Parks and Recreation				
Acres	1	1	3	3
Developed parks (Spring, Train Station, Willow & Old City Hall)	1	1	2	2
Buildings (Spring, Train Station, and Old City Hall)	1	1	2	2

Schedule 20

<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
1	1	1	1	1	1
1	1	1	1	1	1
28	30	30	33	31	36
6	7	7	7	7	7
3	3	4	4	4	4
N/A	1	1	1	1	1
3	3	3	3	3	3
4	4	6	6	6	6
1	1	1	1	1	1
N/A	N/A	N/A	N/A	N/A	N/A
45.3	45.3	45.3	45.3	45.3	45.3
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
2	2	2	2	2	2
652	652	652	652	652	652
284	284	284	284	284	284
2	2	2	2	2	2
17	17	17	17	17	17
N/A	568	568	1,099	1,099	1,099
N/A	180	180	180	180	180
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
37	37	37	37	37	37
N/A	N/A	N/A	N/A	N/A	30
Rock Reed	Rock Reed	Oxidation Ponds	Oxidation Ponds	Mechanical System	Mechanical System
3	3	3	3	3	3
2	2	2	2	3	4
2	2	2	3	3	3

CITY OF DENHAM SPRINGS, LOUISIANA

**REPORTS ON COMPLIANCE
AND INTERNAL CONTROL**

JUNE 30, 2011

CITY OF DENHAM SPRINGS, LOUISIANA

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**INDEPENDENT AUDITOR'S 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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December 20, 2011

The Mayor and Members of
the City Council
City of Denham Springs
Denham Springs, Louisiana

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, the budgetary comparison statement of the general fund, and the aggregate remaining fund information of the City of Denham Springs, Louisiana, as of and for the year ended June 30, 2011, which collectively comprise the City of Denham Springs, Louisiana's basic financial statements and have issued our report thereon dated December 20, 2011. We have also audited the financial statements of each of the City's nonmajor governmental funds and internal service fund presented in the combining and individual fund financial statements and schedules as of and for the year ended June 30, 2011. 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 City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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 misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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 one instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as items 2011-1.

The City of Denham Springs' response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City's response and, accordingly, we express no opinion on it.

We noted certain matters that we reported to management of the City of Denham Springs in a separate letter dated December 20, 2011.

This report is intended solely for the information and use of management and the Office of the Legislative Auditor, State of Louisiana, and federal awarding agencies and pass-through entities and is not intended to be used and should not be used by anyone other than these specified parties. However, under the provisions of Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document and its distribution is not limited.

Respectfully submitted,

Hannu J. Bourgeois, CPA

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH REQUIREMENTS THAT COULD HAVE A
DIRECT AND MATERIAL EFFECT ON EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133**

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December 20, 2011

The Mayor and Members of
the City Council
City of Denham Springs
Denham Springs, Louisiana

Compliance

We have audited the City of Denham Springs' compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the City's major federal program for the year ended June 30, 2011. The City's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the City's management. Our responsibility is to express an opinion on the City'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 City'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 City's compliance with those requirements.

In our opinion, the City of Denham Springs complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2011.

Internal Control Over Compliance

Management of the City of Denham Springs is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal

control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund, the budgetary comparison statement of the general fund and the aggregate remaining fund information of the City of Denham Springs, Louisiana, as of and for the year ended June 30, 2011, and have issued our report thereon dated December 20, 2011, which contained unqualified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements as a whole. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by US Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

This report is intended solely for the information and use of management, the Office of the Legislative Auditor, State of Louisiana, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specific parties. However, under the provisions of Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document and its distribution is not limited.

Respectfully submitted,

Hannou J. Bourgeois, CPA

CITY OF DENHAM SPRINGS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2011

<u>Federal Grantor/ Pass-Through Grantor/ Program Name</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass-Through Number</u>	<u>Federal Expenditures</u>
<u>United States Department of Homeland Security</u>			
Passed through State of Louisiana, Military Office of Homeland Security and Preparedness			
Homeland Security Grant Program	97.067	2008GET80013	\$ 67,749
State Homeland Security Program (SHSP)	97.073	SHSP to LE2008	<u>8,174</u>
Total U.S. Department of Homeland Security			75,923
 <u>United States Department of Justice</u>			
Byrne Justice Assistance Grant	16.738	2010-DJ-BX-1418	17,244
Byrne Justice Assistance Grant	16.804	2009-SB-B9-1715	20,188
Office of Community Oriented Policing Services	16.710	2008UMWX0042	<u>48,833</u>
Total U.S. Department of Justice			86,265
 <u>United States Environmental Protection Agency</u>			
Passed through University of New Orleans Research and Technology Foundation			
Congressionally Mandated Projects	66.202	58544-510	93,500
 <u>United States Department of Transportation</u>			
Passed through State of Louisiana Department Of Transportation and Development			
Highway Planning and Construction-ARRA	20.205	ARR-3207(500)	<u>359,171</u>
Total Expenditures of Federal Awards			<u><u>\$614,859</u></u>

CITY OF DENHAM SPRINGS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

JUNE 30, 2011

Note 1 – Significant Accounting Policies-

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Denham Springs, Louisiana, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audit of States, Local Governments, and Non-Profit Organizations*. The City's reporting entity is defined in Note 1 to the financial statements for the year ended June 30, 2011. .

Note 2 - Relationship to Financial Statements -

Amounts reported in the schedule of expenditures of federal awards agree with the amounts reported in the related financial reports.

CITY OF DENHAM SPRINGS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2011

A. As required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, the following is a summary of the results of our audit:

- Type of report issued on financial statements - unqualified.
- Type of report issued on compliance for major programs - unqualified.
- The results of audit procedures disclosed no material noncompliance in major programs.
- The results of audit procedures disclosed no questioned costs.
- Our audit disclosed no findings which are required to be reported under Section 510(a).
- The following program was tested as a Type "A" major program:

<u>Federal Grantor/ Pass - Through Grantor/ Program Name</u>	<u>CFDA Number</u>
<u>United States Department of Transportation</u> Passed Through State of Louisiana Department of Transportation and Development Highway Planning and Construction	20.205

- The threshold for distinguishing Types A and B programs was \$300,000.
- The City was not determined to be a low-risk auditee.

CITY OF DENHAM SPRINGS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2011

B. Findings - Internal Control Over Financial Reporting

None.

C. Findings - Compliance and Other Matters

Finding 2011-1 Public Bid Law (LSA – R.S. 38:2212.1):

Finding:

During fiscal year 2011, the City purchased Kel-Ar Energy utility billing software for a cost of \$28,000. Prior to the purchase of Kel-Ar Energy utility billing software, the City was using the utility billing module of New World software which is the City's primary accounting software. Through discussions with the City, it was noted that the utility department had been having issues with the utility billing module of New World since its purchase and installation in 2008. The utility department researched utility billing softwares and determined that Kel-Ar Energy software would fit their needs.

When the City purchased the Kel-Ar Energy software, they did not obtain at least 3 telephone or facsimile quotes as required by state law. The City considers the purchase of the Kel-Ar Energy utility billing software a software upgrade versus considering it a new purchase that would require following state requirements. We consider the purchase of the Kel-Ar Energy software a new purchase of software. It is not an upgrade to their existing New World software.

Recommendation:

We recommend the City comply with public bid law requirements. As required by Louisiana state law, public entities that have purchases of materials and supplies for a value of less than \$30,000 but greater than or equal to \$10,000 must obtain at least 3 telephone or facsimile quotes and obtain written confirmation of the accepted offer.

Management's Response:

Management purchased a software upgrade of its utility software program through Kel AR Consulting, LLC. Management's software purchase decision was based on the Louisiana Legislative Auditor legal division public bid law summary revised date of 9/21/2009 - page 40, Section VIII. Procurement of Computers and Computer Software, paragraph D. "software upgrades, that do not require purchase of a substantially new version of the software, would likely not require bid as they likely fall under routine maintenance". This statement of fact does not clarify, nor refute that it must or shall be from the same vendor.

CITY OF DENHAM SPRINGS

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2011

A. Findings - Internal Control Over Financial Reporting

None.

B. Findings - Compliance and Other Matters

None.

CITY OF DENHAM SPRINGS, LOUISIANA

MANAGEMENT LETTER

JUNE 30, 2011

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December 20, 2011

The Mayor and Members of
the City Council
City of Denham Springs
Denham Springs, Louisiana

In planning and performing our audit of the basic financial statements of the City of Denham Springs, Louisiana, as of and for the year ended June 30, 2011, in accordance with auditing standards generally accepted in the United States of America, we considered its internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control. During our prior year audit, we became aware of matters that were opportunities for strengthening internal controls and operating efficiency. The following updates our comments and suggestions regarding those matters. During our current year audit, we did not become aware of any additional matters. This letter does not affect our report dated December 20, 2011, on the basic financial statements of the City of Denham Springs, Louisiana.

CURRENT YEAR FINDINGS:

None.

PRIOR YEAR FINDINGS:

Finding 00-1:

Completion and Implementation of an Accounting Policies and Procedures Manual

It was noted in the prior years that although the majority of the accounting cycles had been documented, there was a lack of written policies and procedures in the various cycles comprising the City's accounting/finance function. Written policies and procedures are essential to a strong internal control system and accounting department.

Recommendation:

We recommended the City complete the task of evaluating the various cycles and develop written policies and procedures for each cycle.

Management's Response:

All accounting cycles except for Personnel had been documented. The Personnel Department had started documenting its accounting cycles. The next step was to combine all the documented accounting cycles into one policy and procedures manual. The completed policy and procedures manual will be reviewed and updated periodically as needed.

Corrective Action Taken:

Management completed the process of documenting the accounting cycles and combined the documents into a policy and procedures manual.

Finding 10-1

Implementation of Governmental Accounting Standards Board Statement No. 54 – "Fund Balance Reporting and Governmental Fund Type Definitions"

Finding:

In the prior year, it was noted that GASB Statement No. 54 would need to be implemented by the City for fiscal year 6/30/11. The Governmental Accounting Standards Board issued GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions." The objective of this Statement is to improve usefulness, including the understandability, of governmental fund balance information. This Statement provides more clearly defined categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. It also clarifies the existing governmental fund type definitions to improve the comparability of governmental fund financial statements and help financial statement users to better understand the purposes for which governments have chosen to use particular funds for financial reporting. This Statement was required to be adopted by the City of Denham Springs for the fiscal year ending June 30, 2011.

Recommendation:

We recommended for the City to review the requirements of GASB Statement 54 and make any necessary modifications to the accounting system to implement the requirements of Statement 54.

Management Response:

Management will review the requirements of GASB Statement 54 and implement the requirements that affect the City of Denham Springs.

Corrective Action Taken:

For fiscal year end June 30, 2011, the City adopted the provisions of GASB Statement 54.

The Mayor and Members of
the City Council
City of Denham Springs
December 20, 2011
Page 3

This report is intended for the use of management, and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report, which, upon acceptance by the City of Denham Springs, Louisiana, is a matter of public record.

Respectfully submitted,

Harold J. Bourgeois, M.P.