

TOWN OF INDEPENDENCE  
WATER AND SEWER ENTERPRISE FUND

EXHIBIT I-1

STATEMENT OF REVENUES, EXPENSES, AND CHANGES  
IN RETAINED EARNINGS - BUDGET (GAAP BASIS) AND ACTUAL

For the Year Ended June 30, 1996  
With Comparative Actual Amounts for the Year Ended June 30, 1995

	1996		VARIANCE - FAVORABLE (UNFAVORABLE)	1995 ACTUAL
	BUDGET	ACTUAL		
Operating Revenues:				
Water and Sewer Services	\$103,765	\$129,199	\$ 25,434	\$ 105,819
Delinquent Charges	2,000	8,004	6,004	3,236
Connection Fees	500	1,425	925	675
Total Operating Revenues	\$106,265	\$138,628	\$ 32,363	\$ 109,730
Operating Expenses:				
Salaries	\$ 42,013	\$ 32,832	\$ 9,181	\$ 27,335
Retirement and Medicare	4,779	1,687	3,092	1,439
Office Expense	2,500	2,746	( 246)	3,801
Repairs and Maintenance	31,650	25,162	6,488	10,813
Fuel	5,000	3,984	1,016	2,813
Operating Supplies	7,000	11,112	( 4,112)	10,257
Utilities	21,450	23,210	( 1,760)	20,286
Insurance	9,880	16,787	( 6,907)	11,492
Professional Fees	7,500	9,747	( 2,247)	5,941
Miscellaneous	700	1,337	( 637)	422
Sewer Plant Expense	10,350	15,012	( 4,662)	7,918
Depreciation	-	45,686	(45,686)	45,398
Sales Tax Collection Fee Expense	-	350	( 350)	349
Total Operating Expenses	\$142,822	\$189,652	\$(46,830)	\$ 148,264
Operating Loss	\$(36,557)	\$(51,024)	\$(14,467)	\$ (38,534)
Non-Operating Income (Expense):				
Interest Earned	5,100	6,496	1,396	5,927
Dedicated Sales Tax	53,800	54,062	262	53,642
Interest Paid	(10,150)	(10,503)	( 353)	(12,691)
State Grant	-	-	-	-
Income (Loss) Before Operating Transfers	\$ 12,193	\$( 969)	\$(13,162)	\$ 8,344
Operating Transfers In	29,500	29,501	1	9,500
Operating Transfers Out	-	(25,541)	(25,541)	-
Net Income (Loss)	\$ 41,693	\$ 2,991	\$(38,702)	\$ 17,844
Retained Earnings (Deficits):				
Beginning of Year	(77,800)	(77,800)	-	(95,644)
End of Year	\$(36,107)	\$(74,809)	\$(38,702)	\$ (77,800)

See auditor's report.

TOWN OF INDEPENDENCE  
WATER AND SEWER ENTERPRISE FUND

EXHIBIT I-2

COMPARATIVE STATEMENTS OF CASH FLOWS  
For the Years Ended June 30, 1996 and 1995

	<u>1996</u>	<u>1995</u>
Cash Flows From Operating Activities:		
Operating Loss	\$(51,024)	\$ (38,534)
Adjustments to Reconcile Operating		
Loss to Net Cash Used in Operating Activities:		
Depreciation	\$ 45,686	\$ 45,398
Changes in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	2,790	( 3,525)
(Increase) Decrease in Sales Tax Receivable	( 185)	22
(Increase) Decrease in Accrued Interest Receivable	-	438
Increase (Decrease) in Accounts Payable	17,737	( 1,159)
Increase (Decrease) in Customer Deposits Payable	2,185	3,955
Increase (Decrease) in Accrued Expenses	( 172)	-
Total Adjustments	<u>\$ 68,041</u>	<u>\$ 45,129</u>
Net Cash Used in Operating Activities	\$ 17,017	\$ 6,595
Cash Flows From Noncapital Financing Activities:		
Increase (Decrease) in Due to Other Funds	\$ 14,408	\$ (23,944)
(Increase) Decrease in Due from Other Funds	10,180	-
(Increase) Decrease in Due from Other Governments	(16,620)	-
Operating Transfers In	29,501	9,500
Operating Transfers Out	<u>(25,541)</u>	<u>-</u>
Net Cash Provided by Noncapital Financing Activities	\$ 11,928	\$ (14,444)
Cash Flows From Capital and Related Financing Activities:		
Construction of Capital Assets	\$(36,773)	\$ (37,434)
Operating Grants Received	-	-
Purchase of Equipment	(10,960)	( 1,504)
Capital Lease Obligation Principal Paid	( 6,008)	( 5,547)
Dedicated Sales Tax Revenue (1/2% 1980 Tax)	54,062	53,642
Revenue Bond Principal Paid	(18,000)	(17,000)
Interest Paid	(10,503)	(12,854)
Purchase of Land	-	-
Capital Grants Received	<u>16,620</u>	<u>5,254</u>
Net Cash Provided by Capital and Related Financing Activities	\$(11,562)	\$ (15,443)
Cash Flows From Investing Activities:		
Interest Earned on Investments	\$ 6,496	\$ 5,927
Purchase of Investments	(80,000)	(80,000)
Proceeds from Maturities of Investments	<u>80,000</u>	<u>80,000</u>
Net Cash Provided by Investing Activities	\$ 6,496	\$ 5,927
Increase in Cash	\$ 23,879	\$ (17,365)
Cash at Beginning of Year	<u>129,765</u>	<u>147,130</u>
Cash at End of Year	<u>\$153,644</u>	<u>\$ 129,765</u>
Reconciliation of Cash Accounts:		
Unrestricted Cash	\$ 71,943	\$ 56,057
Restricted Cash	<u>81,701</u>	<u>73,708</u>
	<u>\$153,644</u>	<u>\$ 129,765</u>
See auditor's report.		

GENERAL FIXED ASSETS ACCOUNT GROUP

To account for fixed assets not used in proprietary fund operations.

## TOWN OF INDEPENDENCE

EXHIBIT J

COMPARATIVE STATEMENTS OF GENERAL FIXED ASSETS - BY SOURCES

June 30, 1996 and 1995

	<u>1996</u>	<u>1995</u>
General Fixed Assets, at Cost:		
Land	\$ 64,500	\$ 64,500
Buildings	313,580	313,580
Machinery and Equipment	<u>145,785</u>	<u>150,738</u>
Total General Fixed Assets	<u>\$ 523,865</u>	<u>\$ 528,818</u>
Investment in General Fixed Assets:		
Donations	\$ 12,426	\$ 12,426
Municipal Funds	406,947	411,900
Federal Grants	10,272	10,272
State Grants	<u>94,220</u>	<u>94,220</u>
Total Investment in General Fixed Assets	<u>\$ 523,865</u>	<u>\$ 528,818</u>

See auditor's report.

## TOWN OF INDEPENDENCE

EXHIBIT J-1

STATEMENT OF CHANGES IN GENERAL FIXED ASSETS

For the Year Ended June 30, 1996

	<u>TOTAL</u>	<u>LAND</u>	<u>BUILDINGS</u>	<u>MACHINERY AND EQUIPMENT</u>
General Fixed Assets, Beginning of Year	\$528,818	\$ 64,500	\$313,580	\$150,738
Additions: Municipal Funds	11,425	-	-	11,425
Reductions: Municipal Funds	<u>(16,378)</u>	<u>-</u>	<u>-</u>	<u>(16,378)</u>
General Fixed Assets, End of Year	<u>\$523,865</u>	<u>\$ 64,500</u>	<u>\$313,580</u>	<u>\$145,785</u>

See auditor's report.

GENERAL LONG-TERM DEBT  
ACCOUNT GROUP

To account for unmatured principal amounts on general long-term debt expected to be financed from governmental type funds. Payments of maturing obligations, including interest, are accounted for in the debt service funds.

COMPARATIVE STATEMENTS OF GENERAL LONG-TERM DEBT

June 30, 1996 and 1995

	<u>TOTALS</u>	
	<u>1996</u>	<u>1995</u>
<b>AMOUNT AVAILABLE AND TO BE PROVIDED FOR THE PAYMENT OF GENERAL LONG-TERM DEBT</b>		
Amount Available in Debt Service Funds for Debt Retirement	\$ 54,742	\$ 50,272
Amount to be Provided from Repayment of Note Receivable	178,696	190,123
Amount to be Provided in Future Years from General Fund Revenues	42,611	59,105
Amount to be Provided in Future Years from 1% Sales Tax	<u>164,258</u>	<u>181,728</u>
Total Available and to be Provided	<u>\$440,307</u>	<u>\$481,228</u>
<b>GENERAL LONG-TERM DEBT PAYABLE</b>		
Obligation Under Grant Agreement	\$168,864	\$175,859
Certificate of Obligation, Final Maturity 9/15/1998	42,611	59,105
Note Payable, Final Maturity 10/27/1997	9,832	14,264
Sales Tax Refunding Bonds, Series 1994, Final Maturity 6/1/2008	<u>219,000</u>	<u>232,000</u>
	<u>\$440,307</u>	<u>\$481,228</u>

See auditor's report.

OTHER SUPPLEMENTARY INFORMATION SCHEDULES



SCHEDULE OF CHANGES IN ASSETS  
RESTRICTED FOR REVENUE BOND DEBT SERVICE

TOWN OF INDEPENDENCE

SCHEDULE 1

SCHEDULE OF CHANGES IN ASSETS RESTRICTED FOR REVENUE BOND DEBT SERVICE

For the Year Ended June 30, 1996  
With Comparative Totals for the Year Ended June 30, 1995

	\$102,000 REVENUE BONDS, APRIL 21, 1980			\$290,000 REVENUE BONDS, APRIL 21, 1980			TOTAL	
	CURRENT DEBT SERVICE	FUTURE DEBT SERVICE	CONTINGENCY	CURRENT DEBT SERVICE	FUTURE DEBT SERVICE	CONTINGENCY	1996	1995
Balance at Beginning of Year:								
Cash	\$ 3,600	\$ 5,073	\$ 14,641	\$ 23,314	\$ 19,074	\$ 16,245	\$ 35,319	\$ 58,633
Investments	-	-	10,000	10,000	-	-	-	10,000
Total	\$ 3,600	\$ 5,073	\$ 24,641	\$ 33,314	\$ 19,074	\$ 16,245	\$ 35,319	\$ 68,633
Receipts:								
Transfer from Operating Account	\$ 6,900	\$ 345	\$ 1,152	\$ 8,397	\$ 21,275	\$ 1,064	\$ 22,339	\$ 30,736
Interest	-	-	1,604	1,604	809	-	1,618	3,222
Total Receipts	\$ 6,900	\$ 345	\$ 2,756	\$ 10,001	\$ 22,084	\$ 1,873	\$ 23,957	\$ 33,958
Total Available	\$ 10,500	\$ 5,418	\$ 27,397	\$ 43,315	\$ 41,158	\$ 18,118	\$ 59,276	\$ 102,591
Disbursements:								
Principal Payments	\$ 4,000	\$ -	\$ -	\$ 4,000	\$ 14,000	\$ -	\$ 14,000	\$ 18,000
Interest Payments	2,700	-	-	2,700	7,450	-	7,450	10,150
Total Disbursements	\$ 6,700	\$ -	\$ -	\$ 6,700	\$ 21,450	\$ -	\$ 21,450	\$ 28,150
Balance at End of Year:								
Cash	\$ 3,800	\$ 5,418	\$ 17,397	\$ 26,615	\$ 19,708	\$ 18,118	\$ 37,826	\$ 64,441
Investments	-	-	10,000	10,000	-	-	-	10,000
Total	\$ 3,800	\$ 5,418	\$ 27,397	\$ 36,615	\$ 19,708	\$ 18,118	\$ 37,826	\$ 74,441
								\$ 68,633

See auditor's report.

SCHEDULE OF INSURANCE COVERAGE IN FORCE (UNAUDITED)

## Town of Independence

SCHEDULE 2

SCHEDULE OF INSURANCE COVERAGE IN FORCE (UNAUDITED)

June 30, 1996

<u>INSURANCE COMPANY</u>	<u>COVERAGE</u>	<u>AMOUNT</u>	<u>EXPIRATION DATE</u>
Hanover Insurance Co.	Standard Fire Insurance		
	Town Hall Highway 51 North Building Contents	\$107,000 \$ 10,000	02-16-97 02-16-97
Hanover Insurance Co.	Standard Fire Insurance Fire Station #2 Calhoun Street Building	\$ 83,000	02-16-97
Progressive Insurance Co.	Commercial Auto Policy Comprehensive and Collision 1992 Chevrolet Pickup 1991 Ford Police Car	ACV	05-14-97
The Risk Exchange	Standard Fire Insurance Depot and Police Station Highway 51 North Building	\$ 80,000	08-30-96
Hanover Insurance Co.	Utility Building and Controls Building Water Pumping Equipment	\$ 27,000	08-30-96
		\$ 15,000	08-30-96
Hanover Insurance Co.	Water Tower & Equipment Tower Pumping Equipment	\$ 53,000	02-16-97
		\$ 5,000	02-16-97
LA Municipal Risk Management Agency	Commercial Auto Policy	\$500,000	05-01-97
LA Municipal Risk Management Agency	Commercial General Liability Bodily Injury Property Damage Personal Injury	\$500,000	05-01-97
		\$500,000	05-01-97
		\$500,000	05-01-97
LA Municipal Risk Management Agency	Law Enforcement Officers Comprehensive Liability Personal Injury	\$500,000	05-01-97
LA Municipal Risk Management Agency	Public Officials Liability Errors and Omissions	\$500,000	05-01-97
LA Municipal Risk Management Agency	Workmen's Compensation	\$ -	01-01-97
Western Surety	Fidelity Bond Donna King, Town Clerk	\$ 50,000	11-01-97
Western Surety	Fidelity Bond Shirley Alexander, Asst. Town Clerk	\$ 50,000	12-15-96
Western Surety	Public Official Bonds Mayor Phillip Domiano Town Clerk Donna King	\$100,000	11-01-97
		\$100,000	11-01-97
Hanover Insurance Co.	Commercial Fire Policy Head Start Building	\$127,000	07-18-96
Audubon Insurance Co.	Commercial Coverage Backhoe	\$ 26,729	11-20-96

See auditor's report.

SCHEDULE OF COMPENSATION PAID ELECTED OFFICIALS

## Town of Independence

SCHEDULE 3

SCHEDULE OF COMPENSATION PAID ELECTED OFFICIALS

June 30, 1996

Term of Office - July 1, 1992 - June 30, 1996

<u>NAME</u>	<u>TITLE</u>	<u>COMPENSATION PAID</u>
Phillip F. Domiano, Mayor P. O. Box 812 Independence, Louisiana 70443 (504) 878-2930	Mayor Street Commissioner	\$ 7,200 \$ 18,490
John J. Polito, Sr. P. O. Box 763 Independence, Louisiana 70443 (504) 878-2702	Fire Chief *Alderman	\$ 18,547 \$ 1,500
Louis L. Joseph P. O. Box 621 Independence, Louisiana 70443 (504) 878-4711	Alderman	\$ 1,500
Joseph Guzzardo P. O. Box 545 Independence, Louisiana 70443 (504) 878-4664	Alderman	\$ 1,500
Luke Pingno P. O. Box 191 Independence, Louisiana 70443 (504) 878-6600	Alderman	\$ 1,500
Mike Muscarello P. O. Box 1021 Independence, Louisiana 70443 (504) 878-4760	Alderman	\$ 1,500
George Guzzardo P. O. Box 295 Independence, Louisiana 70443	Alderman	\$ -
Jessie C. Pingno P. O. Box 191 Independence, Louisiana 70443	Police Chief	\$ 18,547

\*Effective April 1, 1995.

See auditor's report.

REPORT ON SUPPLEMENTARY INFORMATION

INDEPENDENT AUDITOR'S REPORT ON  
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE



# Durnin & James

•CERTIFIED PUBLIC ACCOUNTANTS•

John N. Durnin, CPA\*  
Dennis E. James, CPA\*

Member  
American Institute of  
Certified Public Accountants

\*A Professional  
Corporation

Member  
Society of Louisiana  
Certified Public Accountants

October 15, 1996

## Independent Auditor's Report on Schedule of Federal Financial Assistance

The Honorable Phillip F. Domiano, Mayor  
and the Members of the Board of Aldermen  
Town of Independence, Louisiana

We have audited the general purpose financial statements of the Town of Independence, Louisiana, for the year ended June 30, 1996, and have issued our report thereon dated October 15, 1996. These general purpose financial statements are the responsibility of the Town of Independence, Louisiana's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We have conducted our audit in accordance with generally accepted auditing standards; Government Auditing Standards, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Circular A-128, "Audits of State and Local Governments". Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit in accordance with these standards 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 opinion.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements of the Town of Independence, Louisiana, taken as a whole. The accompanying schedule of federal financial assistance is presented for purpose of additional analysis and is not a required part of the general purpose financial statements. The information in that schedule has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

Respectfully submitted,

*Durnin & James*  
DURNIN & JAMES, CPA'S

SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE

Town of Independence

SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE

For the Year Ended June 30, 1996

FEDERAL GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PROGRAM OR AWARD AMOUNT	CASH/INVESTMENTS/ NOTES RECEIVABLE/ ACCRUED REVENUE AT JULY 1, 1995	RECEIPTS OR PROGRAM INCOME PRINCIPAL FEDERAL FROM LOAN INTEREST GRANT REPAYMENTS INCOME	RECEIPTS NOT RECOGNIZED AS REVENUE	DISBURSEMENTS/ ACCRUED REVENUE EXPENDITURES AT June 30, 1996	CASH/INVESTMENTS/ NOTES RECEIVABLE/ ACCRUED REVENUE AT June 30, 1996
<b>U.S. Department of Housing and Urban Development</b>							
<b>Passed through the Louisiana Division of Administration:</b>							
Community Development Block Grant - Small Cities Program FY 1983 LCDBG Contract #501-4240	*14.219	\$ 600,000	\$ 542,826	\$ 22,289	\$ 13,569	\$ 1,497	\$ 554,898
Community Development Block Grant - Small Cities Program FY 1986 LCDBG (ED) Contract #101-8016	**14.219	649,000	500,188	13,991	19,627	15,571	504,244
Community Development Block Grant- Small Cities Program FY 1992 LCDBG Contract #101-3077	14.219	750,000	-	-	-	16,620	-
<b>Passed through Louisiana Housing Finance Authority:</b>							
Home Program	14.239	129,100	7	-	-	11,300	7
Total U.S. Department of Housing and Urban Development		\$2,128,100	\$1,043,021	\$36,280	\$33,196	\$ 44,988	\$1,059,149
Total Federal Assistance			\$1,043,021	\$36,280	\$33,196	\$ 44,988	\$1,059,149

\*Indicates a Community Development Block Grant low interest loan and grant program for repairs and improvements to benefit historical district property owners. The contract with the State Division of Administration has expired but we continue to maintain and service these low interest loans.

\*\*Indicates a Community Development Block Grant low interest loan for Economic Development. This grant is more fully discussed in Notes 14 and 17 of the general purpose financial statements of the Town of Independence.

See auditor's report.

OTHER REPORTS REQUIRED BY GOVERNMENT  
AUDITING STANDARDS AND OMB CIRCULAR A-128

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
STRUCTURE BASED ON AN AUDIT OF GENERAL PURPOSE  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

# Durnin & James

•CERTIFIED PUBLIC ACCOUNTANTS•

John N. Durnin, CPA\*  
Dennis E. James, CPA\*

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October 15, 1996

Independent Auditor's Report on Internal Control  
Structure Based on an Audit of General Purpose  
Financial Statements Performed in Accordance with  
Government Auditing Standards

The Honorable Phillip F. Domiano, Mayor  
and the Members of the Board of Aldermen  
Town of Independence, Louisiana

We have audited the general purpose financial statements of the Town of Independence, Louisiana, for the year ended June 30, 1996, and have issued our report thereon dated October 15, 1996.

We have conducted our audit in accordance with generally accepted auditing standards; Government Auditing Standards, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Circular A-128, "Audits of State and Local Governments". Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement.

The management of the Town of Independence, Louisiana, is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the financial statements of the Town of Independence, Louisiana, for the year ended June 30, 1996, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure. Accordingly, we do not express such an opinion.

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general purpose financial statements.

TOWN OF INDEPENDENCE

**Accounting Applications:**

In applying our testing procedures to your accounting applications, we noted the following areas which need to be strengthened in an effort to increase internal control over your resources:

1. Occupational License Tax Revenue
2. Ad Valorem Tax Revenue

**OCCUPATIONAL LICENSE TAX REVENUE:**

**Late Fee Not Charged:**

**Condition:** During our audit and testing of occupational license tax revenue, in a sample of twenty-three licenses issued we noted two instances in which an application omitted gross sales. We also noted nine instances in which a late penalty fee and interest were not charged resulting in a loss of revenue for those nine items totaling \$259.02. Improvement is needed in the processing of occupational licenses to make sure the Town is collecting all revenue to which it is entitled. The condition appears to have been the oversight of the Town Clerk. As a result, occupational licenses were issued without adequate documentation supporting the fee charged and late charges and interest were not collected.

**Recommendation:** We recommend an occupational license not be issued until a properly completed application signed by the taxpayer is provided to the Town. In addition, we recommend the Town collect all late fees and accrued interest for those occupational license tax returns received after the due date.

**Management's Response:** In a letter dated December 6, 1996, the Town stated that in accordance with the recommendation, the Town will collect all late fees and accrued interest for those occupational license tax returns received after the due date.

**Separate Sewer and Water Funds:**

**Condition:** During our audit and review of the sewer and water fund, we noted the Town has not accounted for this fund in two separate and distinct funds as required by a letter from Farmers Home Administration dated April 12, 1994. Improvement is needed in this area to satisfy the requirements imposed by Farmers Home Administration. This condition occurred because the former town clerk did not separately account for the water fund and the sewer fund as required. The effect of this condition is the Town is not in compliance with the requirements imposed by Farmers Home Administration.

**Recommendation:** The Town should immediately separate the sewer fund from the water fund as required by Farmer's Home Administration.

**Management's Response:** In a letter dated December 6, 1996, the Town stated that effective July 1, 1996, the sewer and water funds have been separated as required.

A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe none of the reportable conditions described above is a material weakness.

**Prior Year Audit Finding:**

In our prior audit for the year ended June 30, 1995, we reported certain other findings

TOWN OF INDEPENDENCE

relating to the system of internal accounting control. We commend the Town's efforts during the past year which have resolved those prior findings except for the matters relating to those items addressed previously in this report.

This report is intended for the information of management, the Louisiana Legislative Auditor, and the Census Bureau. This restriction is not intended to limit the distribution of this report which, upon acceptance by the Mayor and Board of Aldermen of the Town of Independence, Louisiana, is a matter of public record.

Respectfully submitted,

*Durnin & James*  
DURNIN & JAMES CPA'S



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE BASED  
ON AN AUDIT OF GENERAL PURPOSE FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

# Durnin & James

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October 15, 1996

Independent Auditor's Report on Compliance  
Based on an Audit of General Purpose  
Financial Statements Performed in Accordance with  
Government Auditing Standards

The Honorable Phillip F. Domiano, Mayor  
and the Members of the Board of Aldermen  
Town of Independence, Louisiana

We have audited the general purpose financial statements of the Town of Independence, Louisiana, for the year ended June 30, 1996, and have issued our report thereon dated October 15, 1996.

We have conducted our audit in accordance with generally accepted auditing standards; Government Auditing Standards, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Circular A-128, "Audits of State and Local Governments". Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to the Town of Independence, Louisiana, is the responsibility of the Town of Independence, Louisiana's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Town of Independence, Louisiana's compliance with certain provisions of laws, regulations, contracts, and grants. However, it should be noted that our objective was not to provide an opinion on overall compliance with such provisions.

Material instances of noncompliance are failures to follow requirements, or violations of prohibitions, contained in laws, regulations, contracts, or grants, that cause us to conclude that the aggregation of misstatements resulting from those failures or violations is material to the general purpose financial statements. The results of our tests of compliance disclosed the following material instances of noncompliance.

## COMPLIANCE WITH STATE LAW

### Dual Office Holding

The Town of Independence did not comply with certain requirements prohibiting dual office holding state law. Requirements prohibiting dual office holding are specified in state law, Louisiana Revised Statutes (LSA-R.S.) 42:63(D). The pertinent parts of the law and manner in which the Town failed to comply with the law are as follows:

State law, LSA-R.S. 42:63(D) states that no person holding an elective office in a political subdivision of this state shall at the same time hold another elective office or full-time appointive office in the government of this state or in the government of a political subdivision of the state.

TOWN OF INDEPENDENCE

A finding contained in a specified procedures examination report dated January 21, 1994, performed by the Louisiana Legislative Auditor cited the Fire Chief for the Town is also a member of the Town's Board of Aldermen. The Fire Chief was on the Town payroll as fire chief for four years before his decision to run for the position of Town Alderman. The Legislative Auditor concluded that this violates state law since the position of fire chief is a full-time appointive office, and the individual filling this office is also an elected town alderman. The Fire Chief initially agreed with the recommendation of the Louisiana Legislative Auditor and resigned effective June 14, 1994. A new alderman was appointed to fill the vacancy until an election could be held.

**Finding:** On April 1, 1995, the fire chief was elected alderman to fill the position he previously resigned. The fire chief continues to be a full-time paid employee of the Town as fire chief while serving in an elective position as alderman for the town. This violates the dual office holding prohibition of LSA-R.S. 42:63(D).

**Recommendation:** We concur with the recommendation contained in the Louisiana Legislative Auditor's report that the alderman resign one of his positions. Otherwise, the alderman must seek a formal written opinion from the Louisiana Attorney General's office stating that his position as alderman and paid fire chief is not in violation of LSA-R.S. 42:63(D).

**Management's Response:** In a letter dated December 6, 1996, the Town stated that the fire chief/alderman has challenged the violation and is currently awaiting a court decision as to whether he can hold both positions.

This report is intended for the information of management, the Louisiana Legislative Auditor, and the Census Bureau. This restriction is not intended to limit the distribution of this report which, upon acceptance by the Mayor and Board of Aldermen of the Town of Independence, Louisiana, is a matter of public record.

Respectfully submitted,

*Durnin + James*  
DURNIN & JAMES, CPA'S

INDEPENDENT AUDITOR'S REPORT ON THE INTERNAL  
CONTROL STRUCTURE USED IN ADMINISTERING  
FEDERAL FINANCIAL ASSISTANCE PROGRAMS

# Durnin & James

•CERTIFIED PUBLIC ACCOUNTANTS•

John N. Durnin, CPA\*  
Dennis E. James, CPA\*

Member  
American Institute of  
Certified Public Accountants

October 15, 1996

\*A Professional  
Corporation

Member  
Society of Louisiana  
Certified Public Accountants

## Independent Auditor's Report on the Internal Control Structure Used in Administering Federal Financial Assistance Programs

The Honorable Phillip F. Domiano, Mayor  
and the Members of the Board of Aldermen  
Town of Independence, Louisiana

We have audited the general purpose financial statements of the Town of Independence, Louisiana, for the year ended June 30, 1996, and have issued our report thereon dated October 15, 1996.

We have conducted our audit in accordance with generally accepted auditing standards; Government Auditing Standards, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Circular A-128, "Audits of State and Local Governments". Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement.

In planning and performing our audit for the year ended June 30, 1996, we considered the Town's internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the Town's general purpose financial statements and not to provide assurance on the internal control structure. This report addresses our consideration of internal control structure policies and procedures relevant to compliance with requirements applicable to federal financial assistance programs. We have addressed policies and procedures relevant to our audit of the general purpose financial statements in a separate report dated October 15, 1996.

The management of Town of Independence, Louisiana, is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with generally accepted accounting principles, and that federal financial assistance programs are managed in compliance with applicable laws and regulations. Because of inherent limitations in any internal control structure, errors, irregularities, or instances of noncompliance may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures used in administering federal financial assistance programs in the following categories:

TOWN OF INDEPENDENCE

Accounting Controls:

- Cash
- Revenues, Receivables, and Receipts - Governmental Funds
- Expenditures for Goods and Services and Accounts Payable
- Grant and Similar Programs
- Payroll and Related Liabilities

General Requirements:

- Political Activity
- Civil Rights
- Cash Management
- Federal Financial Reports
- Allowable Costs/Cost Principles
- Drug-Free Workplace Act
- Administrative Requirements

Specific Requirements:

- Types of Services
- Eligibility
- Reporting

For all of the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and determined whether they have been placed in operation, and we assessed control risk.

During the year ended June 30, 1996, Town of Independence, Louisiana, had no major federal financial assistance programs and expended 75 percent of its total federal financial assistance under the following nonmajor federal financial assistance programs:

U.S. Department of Housing and Urban Development -  
Small Cities Programs

We performed tests of controls, as required by OMB Circular A-128, to evaluate the effectiveness of the design and operation of internal control structure policies and procedures that we have considered relevant to preventing or detecting material noncompliance with specific requirements, general requirements, and requirements governing claims for advances and reimbursements and amounts claimed or used for matching that are applicable to the aforementioned nonmajor programs. Our procedures were less in scope than would be necessary to render an opinion on these internal control structure policies and procedures. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a reportable condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above.

TOWN OF INDEPENDENCE

This report is intended solely for the use of management, the Louisiana Legislative Auditor, and the Census Bureau. This restriction is not intended to limit the distribution of this report, which, upon acceptance by the Town of Independence, Louisiana, is a matter of public record.

Respectfully submitted,

*Durnin & James*  
DURNIN & JAMES, CPA'S

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
WITH THE GENERAL REQUIREMENTS APPLICABLE TO  
FEDERAL FINANCIAL ASSISTANCE PROGRAMS



# Durnin & James

•CERTIFIED PUBLIC ACCOUNTANTS•

John N. Durnin, CPA\*  
Dennis E. James, CPA\*

Member  
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\*A Professional  
Corporation

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Society of Louisiana  
Certified Public Accountants

October 15, 1996

Independent Auditor's Report on Compliance  
with the General Requirements Applicable to  
Federal Financial Assistance Programs

The Honorable Phillip F. Domiano, Mayor  
and the Members of the Board of Aldermen  
Town of Independence, Louisiana

We have audited the general purpose financial statements of the Town of Independence, Louisiana, as of and for the year ended June 30, 1996, and have issued our report thereon dated October 15, 1996.

We have applied procedures to test Town of Independence, Louisiana, compliance with the following requirements applicable to each of its federal financial assistance programs for the year ended June 30, 1996:

- Political Activity
- Civil Rights
- Cash Management
- Federal Financial Reports
- Allowable Costs/Cost Principles
- Drug-Free Workplace
- Administrative Requirements

Our procedures were limited to the applicable procedures described in the Office of Management and Budget's "Compliance Supplement for Single Audits of State and Local Governments". Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on Town of Independence, Louisiana, compliance with the requirements listed in the preceding paragraph. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures disclosed no material instances of noncompliance with the requirements listed in the second paragraph of this report. With respect to items not tested, nothing came to our attention that caused us to believe that Town of Independence, Louisiana, had not complied, in all material respects, with those requirements.

This report is intended for the information of management, the Louisiana Legislative Auditor, and the Census Bureau. This restriction is not intended to limit the distribution of this report, which, upon acceptance by the Town of Independence, Louisiana, is a matter of public record.

Respectfully submitted,



DURNIN & JAMES, CPA'S

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
WITH SPECIFIC REQUIREMENTS APPLICABLE TO NONMAJOR  
FEDERAL FINANCIAL ASSISTANCE PROGRAM TRANSACTIONS

Town of Independence  
WATER AND SEWER ENTERPRISE FUND

EXHIBIT I  
(CONTINUED)

COMPARATIVE BALANCE SHEET (CONTINUED)

June 30, 1996 and 1995

LIABILITIES AND FUND EQUITY

	<u>1996</u>	<u>1995</u>
<b>Liabilities:</b>		
Current Liabilities (Payable from Current Assets):		
Accounts Payable	\$ 22,313	\$ 4,576
Due to Other Funds	22,762	8,354
Construction Contracts Payable	-	-
Construction Retainage Payable	-	-
Capital Lease Obligation	2,374	5,122
Sales Tax Collection Fee Payable	28	27
Total Current Liabilities (Payable from Current Assets)	\$ 47,477	\$ 18,079
Current Liabilities (Payable from Restricted Assets):		
Revenue Bonds Payable	\$ 19,000	\$ 18,000
Accrued Bond Interest Payable	1,774	1,947
Utility Customer Deposits	17,260	15,075
Total Current Liabilities (Payable from Restricted Assets)	\$ 38,034	\$ 35,022
Long-Term Liabilities:		
Revenue Bonds Payable	\$ 166,000	\$ 185,000
Capital Lease Obligation	-	3,260
Total Liabilities	\$ 251,511	\$ 241,361
<b>Fund Equity:</b>		
Contributed Capital:		
Municipality	\$ 215,676	\$ 215,676
Federal Grants	291,157	274,537
State Grants	427,805	427,805
	\$ 934,638	\$ 918,018
Retained Earnings:		
Reserved for Revenue Bond Retirement	\$ 53,667	\$ 48,686
Unreserved - Undesignated (Deficit)	(128,476)	(126,486)
Total Retained Earnings (Deficit)	\$ ( 74,809)	\$ ( 77,800)
Total Fund Equity	859,829	840,218
Total Liabilities and Fund Equity	\$1,111,340	\$1,081,579

See auditor's report.

ENTERPRISE FUND

Water and Sewer Enterprise Fund - To account for the provision of water, sewer, and other services to residents of the Town. 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 collection.

TOWN OF INDEPENDENCE  
DEBT SERVICE FUNDS

EXHIBIT H-1

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES

For the Year Ended June 30, 1996  
With Comparative Totals for the Year Ended June 30, 1995

	PUBLIC IMPROVEMENT <u>12/29/83</u>	SALES TAX REFUNDING BONDS SERIES 1994	<u>TOTALS</u>	
			1996	1995
Revenues:				
Interest	\$ --	\$ 3,114	\$ 3,114	\$ 2,128
Total Revenues	\$ --	\$ 3,114	\$ 3,114	\$ 2,128
Expenditures:				
Principal Retirement	\$ --	\$ 13,000	\$ 13,000	\$ 53,559
Interest	--	14,152	14,152	9,137
Refunding Bond Issuance Cost	--	-	-	3,884
Paying Agents' Fee	--	-	-	-
Other	--	19	19	97
Total Expenditures	\$ --	\$ 27,171	\$ 27,171	\$ 66,677
Deficiency of Revenues Over Expenditures	\$ --	\$(24,057)	\$(24,057)	\$(64,549)
Other Financing Sources (Uses):				
Operating Transfers In(Out)	--	28,527	28,527	30,134
Proceeds from Refunding Bonds	--	-	-	244,000
Payment to Refund Bonds	--	-	-	(240,116)
Excess of Revenues and Other Sources Over Expenditures and Other Uses	\$ --	\$ 4,470	\$ 4,470	\$(30,531)
Fund Balances at Beginning of Year	--	50,272	50,272	80,803
Fund Balances at End of Year	\$ --	\$ 54,742	\$ 54,742	\$ 50,272

See auditor's report.

TOWN OF INDEPENDENCE  
DEBT SERVICE FUNDS

EXHIBIT H

COMBINING BALANCE SHEET

June 30, 1996  
With Comparative Totals for June 30, 1995

ASSETS

	PUBLIC IMPROVEMENT 12/29/83	SALES TAX REFUNDING BONDS SERIES 1994	TOTALS	
			1996	1995
Cash	\$ -	\$ 9,742	\$ 9,742	\$ 5,272
Investments	-	45,000	45,000	45,000
Due from Other Funds	-	-	-	-
Accrued Interest Receivable	-	-	-	-
Total Assets	\$ -	\$ 54,742	\$ 54,742	\$ 50,272

FUND BALANCES

Fund Balances: Reserved for Debt Service	\$ -	\$ 54,742	\$ 54,742	\$ 50,272
Total Fund Balances	\$ -	\$ 54,742	\$ 54,742	\$ 50,272

See auditor's report.

#### DEBT SERVICE FUNDS

Public Improvements 12/29/83 - To accumulate monies for payment of the 1983 \$344,000 Public Improvement Bond, Series ST-1983 due in annual installments, plus interest, through maturity in 2008. Debt service is financed from proceeds of a special 1% sales tax which was authorized at a special election held on November 28, 1981. These bonds were prepaid in full on October 20, 1994, through the issuance of Sales Tax Refunding Bonds, Series 1994.

Sales Tax Refunding Bonds, Series 1994 - To accumulate monies for payment of the Sales Tax Refunding Bonds, Series 1994 due in annual installments, plus interest, through maturity in 2008. Debt service is financed from proceeds of a special 1% sales tax which was authorized at a special election held on November 28, 1981.

Town of Independence  
WATER AND SEWER ENTERPRISE FUND

EXHIBIT I

COMPARATIVE BALANCE SHEET

June 30, 1996 and 1995

ASSETS

	<u>1996</u>	<u>1995</u>
<b>Current Assets:</b>		
Cash	\$ 71,943	\$ 56,057
Investments	30,000	30,000
<b>Receivables:</b>		
Accounts Receivable (Net of Allowance for Uncollectible Accounts of \$2,679 in 1996 and \$3,408 in 1995)	17,386	20,176
Accrued Interest Receivable	759	759
Sales Tax Receivable	4,300	4,115
Due from Other Funds	-	10,180
Due from Other Governments	<u>16,620</u>	<u>-</u>
<b>Total Current Assets</b>	<b>\$ 141,008</b>	<b>\$ 121,287</b>
<b>Restricted Assets:</b>		
Cash - \$290,000 Revenue Bond Debt Service Account	\$ 37,826	\$ 35,319
Cash - \$102,000 Revenue Bond Debt Service and Contingency Account	26,615	23,314
Investments - \$102,000 Revenue Bond Debt Service and Contingency	10,000	10,000
Cash - Utility Customer Deposit Account	<u>17,260</u>	<u>15,075</u>
<b>Total Restricted Assets</b>	<b>\$ 91,701</b>	<b>\$ 83,708</b>
<b>Plant and Equipment, at Cost</b> (Net of Accumulated Depreciation of \$970,269 in 1996 and \$924,582 in 1995)	<u>\$ 878,631</u>	<u>\$ 876,584</u>
<b>Total Assets</b>	<b><u>\$1,111,340</u></b>	<b><u>\$1,081,579</u></b>

(Continued)



TOWN OF INDEPENDENCE  
SPECIAL REVENUE FUNDS  
INNOVATIVE HOUSING FUND

EXHIBIT G-5

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

For the Year Ended June 30, 1996  
With Comparative Actual Amounts for the Year Ended June 30, 1995

	1996		VARIANCE - FAVORABLE (UNFAVORABLE)	1995 ACTUAL
	ORIGINAL BUDGET	ACTUAL		
Revenues:				
Interest Income	\$ 12,750	\$ 13,569	\$ 819	\$ 10,388
Bad Debt Recovery	-	-	-	44,202
Total Revenues	\$ 12,750	\$ 13,569	\$ 819	\$ 54,590
Expenditures:				
Administration	\$ 1,500	( 3)	1,503	1,829
Audit and Accounting	1,500	1,500	-	-
Total Expenditures	\$ 3,000	\$ 1,497	\$ 1,503	\$ 1,829
Excess (Deficiency) of Revenues Over Expenditures	\$ 9,750	\$ 12,072	\$ 2,322	\$ 52,761
Other Financing Sources (Uses):				
Operating Transfers In(Out):				
General Fund	(24,530)	-	24,530	( 148)
Health and Safety Rehab Fund	-	-	-	(12,750)
Excess (Deficiency) of Revenues over Expenditures and Other Uses	\$(14,780)	\$ 12,072	\$ 26,852	\$ 39,863
Fund Balance at Beginning of Year	513,913	542,826	28,913	502,963
Fund Balance at End of Year	\$499,133	\$554,898	\$ 55,765	\$542,826

See auditor's report.

TOWN OF INDEPENDENCE  
SPECIAL REVENUE FUNDS  
LCDBG - ECONOMIC DEVELOPMENT - 87 FUND

EXHIBIT G-4

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

For the Year Ended June 30, 1996  
With Comparative Actual Amounts for the Year Ended June 30, 1995

	1996		VARIANCE - FAVORABLE (UNFAVORABLE)	1995 ACTUAL
	ORIGINAL BUDGET	ACTUAL		
<b>Revenues:</b>				
Grant Funds Recognized	\$ 27,618	\$ -	\$(27,618)	\$ 29,910
Interest Revenue	<u>32,039</u>	<u>19,626</u>	<u>(12,413)</u>	<u>21,416</u>
Total Revenues	<u>\$ 59,657</u>	<u>\$ 19,626</u>	<u>\$(40,031)</u>	<u>\$ 51,326</u>
<b>Expenditures:</b>				
Administrative Fees	\$ 1,500	\$ 1,657	\$( 157)	\$ 1,500
Other	2,400	-	2,400	-
Obligation to Division of Administration	27,828	13,914	13,914	18,552
Capital Outlay	<u>20,000</u>	<u>-</u>	<u>20,000</u>	<u>-</u>
Total Expenditures	<u>\$ 51,728</u>	<u>\$ 15,571</u>	<u>\$ 36,157</u>	<u>\$ 20,052</u>
Excess of Revenues Over Expenditures	\$ 7,929	\$ 4,055	\$( 3,874)	\$ 31,274
Fund Balance at Beginning of Year	<u>191,422</u>	<u>194,757</u>	<u>3,335</u>	<u>163,483</u>
Fund Balance at End of Year	<u>\$199,351</u>	<u>\$198,812</u>	<u>\$( 539)</u>	<u>\$194,757</u>

See auditor's report.

TOWN OF INDEPENDENCE  
SPECIAL REVENUE FUNDS  
1% SALES TAX FUND (1982)

EXHIBIT G-3

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

For the Year Ended June 30, 1996  
With Comparative Actual Amounts for the Year Ended June 30, 1995

	1996		VARIANCE - FAVORABLE (UNFAVORABLE)	1995 ACTUAL
	AMENDED BUDGET	ACTUAL		
Revenues:				
Taxes:				
Sales Taxes	\$ 107,000	\$107,833	\$ 833	\$107,283
Miscellaneous:				
Interest Revenue	<u>2,200</u>	<u>5,434</u>	<u>3,234</u>	<u>2,731</u>
Total Revenues	\$ 109,200	\$113,267	\$ 4,067	\$110,014
Expenditures:				
General Government	\$ <u>1,000</u>	\$ <u>2,201</u>	\$ <u>(1,201)</u>	\$ <u>697</u>
Total Expenditures	\$ <u>1,000</u>	\$ <u>2,201</u>	\$ <u>(1,201)</u>	\$ <u>697</u>
Excess of Revenues Over Expenditures	\$ 108,200	\$111,066	\$ 2,866	\$109,317
Other Financing Sources (Uses):				
Operating Transfers Out:				
General Fund	\$( 49,000)	\$(39,000)	\$ 10,000	\$(49,000)
Debt Service Fund	( 27,152)	(28,527)	(1,375)	(30,134)
Waterworks Fund	<u>( 29,500)</u>	<u>(29,500)</u>	<u>-</u>	<u>( 9,500)</u>
Total Other Uses	\$(105,652)	\$(97,027)	\$ 8,625	\$(88,634)
Excess (Deficiency) of Revenues Over Expenditures and Other Uses	\$ 2,548	\$ 14,039	\$ 11,491	\$ 20,683
Fund Balance at Beginning of Year	<u>70,792</u>	<u>91,335</u>	<u>20,543</u>	<u>70,652</u>
Fund Balance at End of Year	<u>\$ 73,340</u>	<u>\$105,374</u>	<u>\$ 32,034</u>	<u>\$ 91,335</u>

See auditor's report.

TOWN OF INDEPENDENCE  
SPECIAL REVENUE FUNDS  
1% SALES TAX FUND (1966)

EXHIBIT G-2

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

For the Year Ended June 30, 1996  
With Comparative Actual Amounts for the Year Ended June 30, 1995

	1996		VARIANCE - FAVORABLE (UNFAVORABLE)	1995 ACTUAL
	ORIGINAL BUDGET	ACTUAL		
Revenues:				
Taxes:				
Sales Taxes	\$ 107,000	\$ 107,833	\$ 833	\$107,283
Miscellaneous:				
Interest Revenue	<u>1,950</u>	<u>3,547</u>	<u>1,597</u>	<u>2,531</u>
Total Revenues	\$ 108,950	\$ 111,380	\$ 2,430	\$109,814
Expenditures:				
General Government	\$ <u>1,000</u>	\$ <u>1,701</u>	\$ ( 701)	\$ <u>697</u>
Total Expenditures	\$ <u>1,000</u>	\$ <u>1,701</u>	\$ ( 701)	\$ <u>697</u>
Excess of Revenues Over Expenditures	\$ 107,950	\$ 109,679	\$ 1,729	\$109,117
Other Financing Sources (Uses):				
Operating Transfers Out:				
General Fund	\$(105,000)	\$(105,000)	\$ -	\$(90,000)
Total Other Uses	\$(105,000)	\$(105,000)	\$ -	\$(90,000)
Excess (Deficiency) of Revenues Over Expenditures and Other Uses	\$ 2,950	\$ 4,679	\$ 1,729	\$ 19,117
Fund Balance at Beginning of Year	<u>113,632</u>	<u>114,137</u>	<u>505</u>	<u>95,020</u>
Fund Balance at End of Year	<u>\$ 116,582</u>	<u>\$ 118,816</u>	<u>\$ 2,234</u>	<u>\$114,137</u>

See auditor's report.

TOWN OF INDEPENDENCE  
SPECIAL REVENUE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES

For the Year Ended June 30, 1996  
With Comparative Totals for the Year June 30, 1995

	1% SALES TAX (1966)	1% SALES TAX (1982)	LCDBG ECONOMIC DEVELOPMENT (1987)	INNOVATIVE HOUSING	HEALTH AND SAFETY REHABILITATION FUND	TOTALS
	1996	1995	1996	1995	1996	1995
Revenues:						
Taxes	\$ 107,833	\$ 107,833	\$ -	\$ -	\$ -	\$ 215,666
Intergovernmental	-	-	-	-	11,300	11,300
Interest	3,547	5,434	19,626	13,569	-	42,176
Bad Debt Recovery	-	-	-	-	-	-
Total Revenues	\$ 111,380	\$ 113,267	\$ 19,626	\$ 13,569	\$ 11,300	\$ 269,142
Expenditures:						
General Government	\$ 1,701	\$ 2,201	\$ 1,657	\$ 1,497	\$ -	\$ 7,056
Other	-	-	13,914	-	11,300	25,214
Total Expenditures	\$ 1,701	\$ 2,201	\$ 15,571	\$ 1,497	\$ 11,300	\$ 32,270
Excess (Deficiency) of Revenues Over Expenditures	\$ 109,679	\$ 111,066	\$ 4,055	\$ 12,072	\$ -	\$ 236,872
Other Sources (Uses):						
Operating Transfers	(105,000)	(97,027)	-	-	-	(202,027)
Excess (Deficiency) of Revenues Over Expenditures and Other Uses	\$ 4,679	\$ 14,039	\$ 4,055	\$ 12,072	\$ -	\$ 34,845
Fund Balances at Beginning of Year	114,137	91,335	194,757	542,826	7	943,062
Fund Balances at End of Year	\$ 118,816	\$ 105,374	\$ 198,812	\$ 554,898	\$ 7	\$ 977,907

See auditor's report.

TOWN OF INDEPENDENCE  
SPECIAL REVENUE FUNDS

COMBINING BALANCE SHEET

June 30, 1996  
With Comparative Totals for the Year June 30, 1995

ASSETS

	1% SALES TAX (1966)	1% SALES TAX (1982)	LCDBG ECONOMIC DEVELOPMENT (1987)	INNOVATIVE HOUSING	HEALTH AND SAFETY REHABILITATION FUND	TOTALS
						1996 1995
Cash	\$ 89,791	\$ 76,349	\$ 126,115	\$ 109,923	\$ 8	\$ 402,186 \$ 356,246
Investments	20,000	20,000	40,000	-	-	80,000 80,000
Notes Receivable, Net of Allowance for Doubtful Accounts	-	-	337,728	399,791	-	737,519 773,799
Accrued Interest Receivable	482	482	557	395	-	1,916 1,916
Sales Taxes Receivable	8,599	8,599	-	-	-	17,198 16,462
Due From General Fund	-	-	-	45,789	-	45,789 24,459
Due From Sewer Fund	-	-	-	-	-	- 5,900
Due From Innovative Housing Fund	-	-	-	-	1,000	1,000 -
Total Assets	\$ 118,872	\$ 105,430	\$ 504,400	\$ 555,898	\$ 1,008	\$ 1,285,608 \$ 1,258,782

LIABILITIES AND FUND BALANCES

Liabilities:	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts Payable	-	-	305,431	-	1,000	306,431 305,431
Deferred Revenues	-	-	157	1,000	1	1,158 10,181
Due to Other Funds	-	-	-	-	-	112 108
Sales Tax Collection Fee Payable	56	56	-	-	-	- -
Total Liabilities	\$ 56	\$ 56	\$ 305,588	\$ 1,000	\$ 1,001	\$ 307,701 \$ 315,720
Fund Balances:						
Unreserved:						
Designated	\$ -	\$ -	\$ 198,812	\$ 554,898	\$ -	\$ 753,710 \$ 737,583
Undesignated	118,816	105,374	-	-	7	224,197 205,479
Total Fund Balances	\$ 118,816	\$ 105,374	\$ 198,812	\$ 554,898	\$ 7	\$ 977,907 \$ 943,062
Total Liabilities and Fund Balances	\$ 118,872	\$ 105,430	\$ 504,400	\$ 555,898	\$ 1,008	\$ 1,285,608 \$ 1,258,782

See auditor's report.

TOWN OF INDEPENDENCE  
GENERAL FUND

EXHIBIT F-2  
(CONTINUED)

STATEMENT OF EXPENDITURES COMPARED TO BUDGET (GAAP BASIS) (CONTINUED)

For the Year Ended June 30, 1996  
With Comparative Actual Amounts for the Year Ended June 30, 1995

	1996		VARIANCE - FAVORABLE (UNFAVORABLE)	1995 ACTUAL
	BUDGET	ACTUAL		
Streets and Parks:				
Salaries	\$ 39,473	\$ 30,144	\$ 9,329	\$ 29,622
Retirement	2,664	766	1,898	950
Fuel	2,675	2,216	459	2,208
Supplies and Repairs	5,260	7,571	(2,311)	3,694
Street Lights	25,970	27,842	(1,872)	24,553
Sidewalk Improvements	24,530	24,530	-	-
	<u>\$ 100,572</u>	<u>\$ 93,069</u>	<u>\$ 7,503</u>	<u>\$ 61,027</u>
Solid Waste	40,635	37,837	2,798	40,855
Other:				
Depot	6,245	7,533	(1,288)	7,701
	<u>\$ 6,245</u>	<u>\$ 7,533</u>	<u>\$ (1,288)</u>	<u>\$ 7,701</u>
Debt Service:				
Head Start Building	\$ 21,238	\$ 21,238	\$ -	\$ 23,007
Innovative Housing	1,200	-	1,200	-
Police Car	10,862	10,825	37	5,312
	<u>\$ 33,300</u>	<u>\$ 32,063</u>	<u>\$ 1,237</u>	<u>\$ 28,319</u>
Capital Outlay:				
Public Safety-Police	3,601	10,386	(6,785)	16,377
General Government	3,400	39	3,361	5,129
Public Safety-Fire	3,000	770	2,230	1,575
Streets and Parks	2,000	230	1,770	27
	<u>\$ 12,001</u>	<u>\$ 11,425</u>	<u>\$ 576</u>	<u>\$ 23,108</u>
Total Expenditures	<u>\$ 507,754</u>	<u>\$ 499,830</u>	<u>\$ 7,924</u>	<u>\$ 503,108</u>

See auditor's report.

TOWN OF INDEPENDENCE  
GENERAL FUND

EXHIBIT F-2

STATEMENT OF EXPENDITURES COMPARED TO BUDGET (GAAP BASIS)

For the Year Ended June 30, 1996  
With Comparative Actual Amounts for the Year Ended June 30, 1995

	1996		VARIANCE -	1995
	AMENDED BUDGET	ACTUAL	FAVORABLE (UNFAVORABLE)	ACTUAL
<b>General Government:</b>				
Mayor's Salary	\$ 7,200	\$ 7,200	\$ -	\$ 7,200
Aldermen's Salary	7,500	7,500	-	7,500
Town Clerk	19,240	19,388	( 148)	21,106
Retirement and Payroll Tax	3,921	5,976	(2,055)	1,345
Audit and Accounting	15,000	14,015	985	20,130
Legal Fees	25,000	15,923	9,077	20,059
Insurance	57,250	55,673	1,577	58,127
Dues and Advertisement	1,670	2,655	( 985)	2,714
Office Supplies and Expense	5,230	5,757	( 527)	7,062
Utilities	5,830	6,407	( 577)	5,542
Telephone	3,725	2,420	1,305	3,600
Tax Collector Fees	-	-	-	-
Tax Roll Preparation	1,460	1,088	372	1,797
Meetings and Conventions	3,000	4,136	(1,136)	2,898
Repairs and Maintenance	1,475	1,775	( 300)	730
Lease	720	953	( 233)	250
Miscellaneous	-	( 80)	80	12,328
Coroner Fees	2,500	1,958	542	1,750
La. Comm. Law Enforcement	200	405	( 205)	195
Election Expenditures	-	1,564	(1,564)	3,934
Employee Grievance Settlement	-	-	-	-
Survey Fees	-	2,832	(2,832)	-
	<u>\$ 160,921</u>	<u>\$157,545</u>	<u>\$ 3,376</u>	<u>\$178,267</u>
<b>Public Safety - Police:</b>				
Police Salaries	\$ 75,261	\$ 72,925	\$ 2,336	\$ 76,110
Police Retirement/Tax	8,163	8,402	( 239)	8,336
Auto Fuel	6,000	7,069	(1,069)	9,000
Supplies, Repairs and Maintenance	4,000	4,488	( 488)	4,997
Telephone	2,480	4,643	(2,163)	5,065
Utilities	5,750	4,925	825	4,104
Office Expense	500	1,009	( 509)	1,676
Uniforms	820	1,709	( 889)	2,313
Prisoner Meals	670	1,445	( 775)	3,411
Miscellaneous	-	-	-	-
Training	-	-	-	285
Meetings and Conventions	300	205	95	252
	<u>\$ 103,944</u>	<u>\$106,820</u>	<u>\$ (2,876)</u>	<u>\$115,549</u>
<b>Public Safety - Fire:</b>				
Salaries	\$ 39,892	\$ 39,960	\$ ( 68)	\$ 39,843
Retirement	3,193	3,128	65	1,938
Fuel	1,350	585	765	1,427
Utilities and Telephone	3,000	2,741	259	2,491
Supplies and Repairs	800	2,195	(1,395)	987
Miscellaneous	801	925	( 124)	293
Uniforms	300	303	( 3)	305
Volunteer Fire Department	800	3,701	(2,901)	998
	<u>\$ 50,136</u>	<u>\$ 53,538</u>	<u>\$ (3,402)</u>	<u>\$ 48,282</u>
<b>Total Public Safety</b>	<b>\$ 154,080</b>	<b>\$160,358</b>	<b>\$ (6,278)</b>	<b>\$163,831</b>

(CONTINUED)



TOWN OF INDEPENDENCE  
GENERAL FUND

EXHIBIT F-1  
(CONTINUED)

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

For the Year Ended June 30, 1996  
With Comparative Actual Amounts for the Year Ended June 30, 1995

	1996		VARIANCE - FAVORABLE (UNFAVORABLE)	1995 ACTUAL
	AMENDED BUDGET	ACTUAL		
Deficiency of Revenues Over Expenditures	\$ (183,694)	\$ (114,512)	\$ 69,182	\$ (144,748)
Other Financing Sources (Uses):				
Loan Proceeds	24,530	-	(24,530)	14,289
Operating Transfers				
In (Out):				
Sales Tax Fund (1966)	105,000	105,000	-	90,000
Sales Tax Fund (1982)	49,000	39,000	(10,000)	49,000
Water and Sewer Fund	-	25,541	25,541	-
Innovative Housing Fund	-	-	-	148
LCDBG 1993 Sewer Improvements	-	(- 1)	(- 1)	-
Total Other Financing Sources	\$ 178,530	\$ 169,540	\$ ( 8,990)	\$153,437
Deficiency of Revenues and Other Sources Over Expenditures and Other Uses	\$ ( 5,164)	\$ 55,028	\$ 60,192	\$ 8,689
Fund Balance at Beginning of Year	8,011	10,217	2,206	1,528
Fund Balance at End of Year	\$ 2,847	\$ 65,245	\$ 62,398	\$ 10,217

See auditor's report.

TOWN OF INDEPENDENCE  
GENERAL FUND

EXHIBIT F-1

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

For the Year Ended June 30, 1996  
With Comparative Actual Amounts for the Year Ended June 30, 1995

	1996		VARIANCE - FAVORABLE (UNFAVORABLE)	1995 ACTUAL
	AMENDED BUDGET	ACTUAL		
<b>Revenues:</b>				
Taxes - Ad Valorem:				
General Millage	\$ 31,000	\$ 26,632	\$ ( 4,368)	\$ 26,942
Fire Department Millage	21,500	21,005	( 495)	20,160
Police Department Millage	21,500	21,005	( 495)	20,160
Licenses and Permits:				
Occupational	65,000	82,109	17,109	79,473
Public Utility Franchise Fees	30,000	40,709	10,709	37,744
Other Permits	2,100	623	( 1,477)	1,691
Intergovernmental:				
Tobacco Taxes	8,650	8,490	( 160)	8,499
Beer Taxes	4,050	3,577	( 473)	3,133
Video Poker Taxes	9,000	22,248	13,248	16,696
Fire Insurance Rebate	3,100	3,000	( 100)	3,109
Revenue Equalization - Pilot	-	4,565	4,565	3,408
1995 Rural Development Grant	-	25,000	25,000	-
Louisiana Commission on Law Enforcement	-	998	998	-
Fines and Forfeits	10,000	12,001	2,001	17,606
Other:				
Notices	1,210	1,287	77	1,248
Rental Income	24,000	25,200	1,200	25,470
Fire Protection Fees	29,000	13,579	(15,421)	28,448
Police Protection Fees	20,750	9,725	(11,025)	20,328
Insurance Proceeds	-	17,775	17,775	-
Solid Waste	42,700	43,898	1,198	43,372
Interest	-	1,602	1,602	863
Miscellaneous	500	290	( 210)	10
Total Revenues	\$324,060	\$385,318	\$ 61,258	\$358,360
<b>Expenditures:</b>				
Current:				
General Government	\$160,921	\$157,545	\$ 3,376	\$178,267
Public Safety -				
Police	103,944	106,820	( 2,876)	115,549
Fire	50,136	53,538	( 3,402)	48,282
Streets and Parks	100,572	93,069	7,503	61,027
Solid Waste	40,635	37,837	2,798	40,855
Other	6,245	7,533	( 1,288)	7,701
Debt Service	33,300	32,063	1,237	28,319
Capital Outlay	12,001	11,425	576	23,108
Total Expenditures	\$507,754	\$499,830	\$ 7,924	\$503,108

(CONTINUED)

TOWN OF INDEPENDENCE  
GENERAL FUND

EXHIBIT F

COMPARATIVE BALANCE SHEET

June 30, 1996 and 1995

ASSETS

	<u>1996</u>	<u>1995</u>
Cash	\$ 68,138	\$ 33,462
Investments	40,000	15,000
Ad Valorem Taxes Receivable, Net of Allowance	923	923
Public Utility Franchise Tax Receivable	10,644	9,565
Due from Other Governmental Units	8,207	7,597
Other Receivables	4,565	3,505
Due from Other Funds	<u>22,920</u>	<u>2,455</u>
 Total Assets	 <u>\$155,397</u>	 <u>\$ 72,507</u>

LIABILITIES AND FUND BALANCE

<b>Liabilities:</b>		
Accounts Payable	\$ 29,419	\$ 26,606
Payroll Taxes Payable	8,339	7,261
Accrued Payroll	1,268	-
Accrued Employee Leave	5,337	3,964
Due to Other Funds	<u>45,789</u>	<u>24,459</u>
Total Liabilities	\$ 90,152	\$ 62,290
 Fund Balance (Deficits):		
Unreserved - Undesignated	<u>65,245</u>	<u>10,217</u>
 Total Liabilities and Fund Balance	 <u>\$155,397</u>	 <u>\$ 72,507</u>

See auditor's report.

GENERAL FUND

To account for resources traditionally associated with governments  
which are not required to be accounted for in another fund.

FINANCIAL STATEMENTS OF INDIVIDUAL FUNDS  
AND ACCOUNT GROUPS

SUPPLEMENTARY INFORMATION AND SCHEDULES

TOWN OF INDEPENDENCE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

\*This statement (Exhibit C) includes only the following Special Revenue Funds:

- (1) 1965 Sales Tax Fund
- (2) 1982 Sales Tax Fund
- (3) L.C.D.B.G. Economic Development Fund
- (4) Innovative Housing Fund

TOWN OF INDEPENDENCE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

18. SUBSEQUENT EVENTS

On December 14, 1993, the Mayor and Board of Aldermen of the Town of Independence adopted a resolution declaring its intention to issue \$975,000 of Sewer Revenue Bonds. The proceeds of these Sewer Revenue Bonds will be used to acquire and construct improvements to the sewerage system of the Town. As of June 30, 1996, no bonds have been issued. The bonds are expected to be sold to finance improvements to the wastewater treatment plant during the fiscal year ending June 30, 1997.

19. OPERATING BUDGETS

The Town did not adopt an operating budget for the Health and Safety Rehabilitation Fund. Total fund balances at June 30, 1996, for this fund totaled \$7. Total revenues for this fund for the fiscal year ended June 30, 1996, totaled \$11,300. Total expenditures for this fund for the year ended June 30, 1996, totaled \$11,300. Inclusion of this fund with all other special revenue funds in a combined statement of revenues, expenditures and changes in fund balance- budget (GAAP Basis) and actual, appearing on Page 6 (Exhibit C), would make the financial statement misleading. Accordingly, these amounts have been omitted from that financial statement.

Reconciliation of the beginning fund balances and actual revenues and expenditures of all special revenue funds, including the Solid Waste Collection Fund, Mausoleum Trust Fund, Emergency Housing Rehabilitation Fund, Fire Millage Fund, Police Millage Fund, Equipment Millage Fund, and the Health and Safety Rehabilitation Fund, to the amounts reports in Exhibit C is as follows:

	ACTUAL PER *GAAP STATEMENT (EXHIBIT C)	ACTUAL PER EXCLUDED FUNDS	ACTUAL - ALL SPECIAL REVENUE FUND TYPES (EXHIBIT B)
Revenues:			
Taxes	\$ 215,666	\$ -	\$ 215,666
Intergovernmental	-	11,300	11,300
Interest and Miscellaneous	42,176	-	42,176
Garbage Escrow Funds	-	-	-
Total Revenues	<u>\$ 257,842</u>	<u>\$ 11,300</u>	<u>\$ 269,142</u>
Expenditures:			
General Government	\$ 7,056	\$ -	\$ 7,056
Public Health	-	11,300	11,300
Miscellaneous Programs	13,914	-	13,914
Total Expenditures	<u>\$ 20,970</u>	<u>\$ 11,300</u>	<u>\$ 32,270</u>
Excess of Revenues Over Expenditures	\$ 236,872	\$ -	\$ 236,872
Other Financing (Uses):			
Operating Transfers In	\$ -	\$ -	\$ -
Operating Transfers Out	<u>(202,027)</u>	<u>-</u>	<u>(202,027)</u>
Excess of Revenues and Other Sources Over Expenditures and Other Uses	\$ 34,845	\$ -	\$ 34,845
Fund Balance - Beginning of Year	<u>943,055</u>	<u>7</u>	<u>943,062</u>
Fund Balance - End of Year	<u>\$ 977,900</u>	<u>\$ 7</u>	<u>\$ 977,907</u>



TOWN OF INDEPENDENCE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

At June 30, 1996, the total loan payments received from Marco Polo Imports, Inc. was as follows:

<u>NUMBER OF PAYMENTS</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>	<u>TOTAL</u>
69	<u>\$185,032</u>	<u>\$126,771</u>	<u>\$311,803</u>

Of these amounts, \$155,902 has been remitted to the State of Louisiana - Division of Administration under the 50% matching requirement of this agreement.

Based on the foregoing information, the deferred revenues at June 30, 1996, are \$305,431, the long-term debt created by this agreement on June 30, 1996 is \$168,864, and the outstanding note receivable from Marco Polo Imports, Inc. on June 30, 1996 is \$337,728.

**15. ENTERPRISE FUND DEFICIT**

At June 30, 1996, the Enterprise Fund had a deficit in retained earnings - unreserved - undesignated of \$128,476, but due to contributed capital, total fund equity was \$859,829 at June 30, 1996.

**16. FUTURE CAPITAL IMPROVEMENT COMMITMENTS AND CONTINGENCIES**

The following is a summary of the significant capital improvement commitments of the Town as of June 30, 1996.

Sewer System and Oxidation Pond Renovations

Prior to this fiscal year, the Town was notified by the Louisiana Division of Environmental Quality that the discharge from the Town's sewer system did not meet state environmental standards. As a result, the Town is required to make extensive improvements to the sewer system and oxidation pond. Preliminary estimates from the Town's engineer put the cost of this renovation project at approximately \$1,725,000. As of the date of this report, the Town was under a compliance order issued by the Department of Environmental Quality. On January 14, 1993, the Town was notified that it was selected as a recipient of FY 1992 Louisiana Community Development Block funds in the amount of \$750,000 for improvements to the sewer system. The Town plans to issue sewer revenue bonds to fund the remaining \$975,000 in estimated project costs. Costs incurred on this sewer system renovation project at June 30, 1996, totaled \$61,976. As of June 30, 1996, the Town or its consulting engineer are not aware of any present loss contingencies as a result of the compliance order issued by the Louisiana Department of Environmental Quality. As a result, no provision has been recorded in these financial statements for any contingencies as a result of this compliance order.

**17. EXPENDITURES AND OPERATING TRANSFERS OUT OVER APPROPRIATIONS**

Expenditures and operating transfers out in individual funds exceeded amounts appropriated as follows:

	<u>ACTUAL EXPENDITURES/ TRANSFERS OUT</u>	<u>BUDGETED</u>	<u>EXCESS</u>
LCDBG - Economic Development - 87 Fund	<u>\$11,803</u>	<u>\$ 7,929</u>	<u>\$ 3,874</u>

TOWN OF INDEPENDENCE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Ten-year historical trend information showing the System's progress in accumulating sufficient assets to pay benefits when due is presented in the System's June 30, 1995 comprehensive annual financial report.

**13. EMPLOYEES PENSION PLAN (POLICE OFFICERS)**

Full-time police employees of the Town of Independence participate in the Municipal Police Employees Retirement System ("Police System"), a multiple-employer public employee retirement system. The payroll for employees covered by the Police System for the year ended June 30, 1996, was \$77,815; the Town's total payroll was \$212,619.

All Town police employees who participate in the plan shall be eligible for retirement if he has 20 years or more of creditable service and is at least age 50, or 12 years or more of creditable service and is at least age 55. Retirement benefits are equal to 3 1/3 percent of average final compensation multiplied by the number of years of creditable service and is payable monthly for life. Average final compensation is the average annual earned compensation of an employee for any period of thirty-six successive or joined months of service during which the earned compensation was the highest. Benefits are not considered fully vested until the employee has attained both the age and years of service requirements which entitle them to regular retirement benefits. The Police System also provides death and disability benefits. Benefits are established by state statute.

Covered employees are required by State Statute to contribute 7.5% of their salary to the plan. The Town is required by the same statute to contribute the remaining amounts necessary to pay benefits when due. The contribution requirement for the year ended June 30, 1996 was \$12,839, which consisted of \$7,003 from the Town and \$5,836 from employees; these contributions represented 9% and 7.5% of covered payroll, respectively.

The pension benefit obligation at June 30, 1996 as a whole, determined through an actuarial valuation performed as of that date, was \$777.7 million. The Police System's net assets available for benefits on that date (valued at market) were \$839.2 million, resulting in an over-funded pension benefit obligation of \$61.5 million. The Town's 1996 covered payroll represented .07 percent of total covered payroll for all participating entities.

Ten-year historical trend information showing the Police System's progress in accumulating sufficient assets to pay benefits when due is presented in the System's June 30, 1995 comprehensive annual financial report.

**14. DEFERRED REVENUES AND OBLIGATION UNDER GRANT AGREEMENT**

On September 21, 1987, the Town of Independence entered into a contract with the State of Louisiana - Division of Administration for a Louisiana Community Development Block Grant funded by the Federal Government in the amount of \$649,000. The grant was used to provide a long-term permanent financing loan to Marco Polo Imports, Inc. (an import wholesale furniture distributor) for the purpose of purchasing land, building, equipment, and inventory and for relocating their corporate headquarters in the Town of Independence. The original loan is in the amount of \$464,501 at 8.0% interest, and is to be repaid by Marco Polo Imports, Inc. in 180 monthly installments of \$4,439.02. On September 11, 1990, the original mortgage note was amended to provide a moratorium and forbearance on the payment of principal and interest until April 3, 1991. The amount of each monthly installment increased to \$4,638.05 with the final installment due on September 3, 2003. Upon receipt of the monthly installments, the Town of Independence is required to divide each monthly payment equally between the State of Louisiana and the Town.

At June 30, 1996, the total LCDBG funds drawn by the Town of Independence was \$485,702 of which \$464,501 had been loaned to Marco Polo Imports, Inc.

TOWN OF INDEPENDENCE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

All of the revenues received in any fiscal year and not required to be paid in such fiscal year into any of the above noted funds shall be regarded as surplus and may be used for any lawful corporate purpose.

Balances in the Sewer Revenue Sinking Fund, Sewer Reserve Fund, and Sewer Depreciation Fund were in accordance with the bond covenants.

**12. EMPLOYEES PENSION PLAN (OTHER THAN POLICE OFFICERS)**

All Town of Independence full-time employees, with the exception of police officers, participate in the Louisiana Municipal Retirement System - Plan A ("System"), a multiple-employer public employee retirement system. The payroll for employees covered by the System for the year ended June 30, 1996 was \$111,153; the Town's total payroll was \$212,619.

All Town full-time employees, with the exception of police officers, are eligible to participate in the System. Members are entitled to a retirement benefit, payable monthly for life, equal to 3 percent of their final compensation multiplied by years of creditable service providing he meets one of the following criteria:

1. Any age with thirty (30) or more years of creditable service.
2. Employee is age 55 and has twenty-five (25) years or more of creditable service.
3. Employee is age 60 with a minimum of ten (10) or more years of creditable service. However, benefits are reduced by three (3%) percent for each year below age 62.
4. Employee is under age 60 with five (5) years of creditable service and is eligible for disability benefits.
5. Entitlement to survivor's benefits require five (5) years of creditable service at the time of the death of a member.

Final compensation means the average monthly earnings during the highest thirty-six months (36) or joined months of service if interrupted. Benefits are established by state statute.

Covered employees are required by state statute to contribute 9.25% of their salary to the plan. The Town is required by the same statute to contribute the remaining amounts necessary to pay benefits when due. The contribution requirement for the year ended June 30, 1996 was \$17,785 which consisted of \$7,503 from the Town and \$10,282 from employees; these contributions represented 6.75% and 9.25% of covered payroll, respectively.

The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the System's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among PERS and employers. The System does not make separate measurements of assets and pension benefit obligation for individual employers. The pension benefit obligation at June 30, 1995 for the System as a whole, determined through an actuarial valuation performed as of that date, was \$321.9 million. The System's net assets available for benefits on that date were \$276.4 million, leaving an unfunded pension benefit obligation of \$45.5 million.

The Town's 1996 covered payroll represented .01 percent of total covered payroll of all participating entities.

TOWN OF INDEPENDENCE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

to pay the principal and interest installments currently and will continue monthly until June, 2008, unless bonds are called in advance of their maturity dates, in which event it is possible to reduce the required payment into the sinking fund. The required monthly payments into the Reserve Fund are five percent (5%) of the amount required to be deposited into the Sinking Fund and will cease after the amount of \$24,400 has been accumulated therein. No payments into the Reserve Fund will be due after accumulation of \$24,400, unless there is a default in connection with the payment of the bonds which requires withdrawal from this fund for the purpose of paying maturing principal and interest on the bonds. Any monies remaining in the Sales Tax 1982 Fund on the 20th day of each month after making the required payments into the Sales Tax Bond Sinking Fund - 1994 and the Sales Tax Bond Reserve Fund - 1994 for the current month and for prior months during which the required payments may not have been made, is considered as surplus. Such surplus may be used by the Town for any of the purposes for which the imposition of the tax is authorized or for the purpose of retiring bonds herein authorized in advance of their maturities.

Balances in the Sales Tax Sinking Fund - 1994 and the Sales Tax Reserve Fund - 1994 were in accordance with the bond covenants.

**11. FLOW OF FUNDS: RESTRICTIONS ON USE - SEWER REVENUES**

The Town, through its governing authority, adopted a resolution on February 25, 1980, authorizing the issuance of \$102,000 of Revenue Bonds and entering into certain covenants in connection with the security and payment of said bonds. The proceeds of these bonds are to be used to extend the Town's sewer system. In that resolution the additional revenues resulting from the extension of water and sewer service to additional customers were irrevocably and irrevocably pledged and dedicated in an amount sufficient for payment of the bonds authorized and interest as they become due and for other purposes.

The bond resolution requires that revenues earned from the operation of the Sewer System be deposited with the Town's fiscal agent bank in a Sewer Revenue Fund. After the payment of all reasonable and necessary costs and expenses of operating and maintaining the system, certain monthly payments must be made from the Sewer Revenue Fund as follows:

Each month, there will be set aside into a fund called the "Sewer Revenue Bond and Interest Sinking Fund" an amount constituting 1/12 of the next maturing installment of principal and interest on the outstanding bonds. The payments will continue monthly until March 2005, unless bonds are called in advance of their maturity dates, in which event it is possible to reduce the required payments into the sinking fund.

There shall also be set aside into a "Sewer Reserve Fund" an amount equal to 5% of the principal and interest payments required during the current fiscal year until such fund reaches an amount equal to the maximum principal and interest requirements (\$8,100) in any one maturity year. Such amounts may be used only for the payment of maturing bonds and interest coupons for which sufficient funds are not on deposit in the Bond and Interest Redemption Fund and as to which there would otherwise be default.

Funds will also be set aside into a Sewer Depreciation and Contingency Fund at the rate of \$96 per month. Money in this Fund may be used for the making of repairs or replacements to the system which are necessary to keep it in operating condition.

Money in this fund may also be used to pay principal or interest on the bonds falling due at any time there is not sufficient money for payment in other bond funds.

## SPECIAL REVENUE FUNDS

1966 Sales Tax Fund - To account for the receipt and use of proceeds of the Town's original 1% sales and use tax effective August 1, 1966. The proceeds of the tax are to be dedicated and used for the purpose of constructing, acquiring, extending, improving and/or maintaining drainage facilities, streets, street lighting facilities, bridges, sidewalks, waterworks, sewers and sewerage disposal works, recreational facilities, public parks, public buildings and fire department stations and equipment, including fire engines and payment of salaries for fire department personnel; and maintaining and operating the municipal police department and garbage collection and disposal facilities including the purchase of equipment therefor; acquiring industrial plant sites and purchasing or constructing within the municipality or adjoining areas or areas outside of the corporate limits of the municipality, but within the Parish of Tangipahoa, industrial plant buildings and other necessary property, appurtenances or equipment, therefor, or for any one or more of said purposes.

1982 Sales Tax Fund - To account for the receipt and use of proceeds of the Town's additional 1% sales and use tax adopted on January 19, 1982. The proceeds of the tax are to be dedicated and used for the purpose of constructing, acquiring, extending, improving, operating and/or maintaining sewers and sewerage disposal works for the Town; constructing, paving, widening and improving streets in and for the Town; and constructing, acquiring, extending, improving, operating and/or maintaining waterworks facilities.

The proceeds from this sales tax have been pledged and dedicated to the retirement of the \$244,000 Sales Tax Refunding Bonds, Series 1994, issued on October 20, 1994. Final payment on this bond issue is due June 1, 2008.

LCDBG - Economic Development - 87 Fund - To account for the receipt of Grant proceeds and subsequent expenditure of an economic development loan to Marco Polo Imports, Inc. The source of the funding is a FY 1986 LCDBG Economic Development Contract in the amount of \$649,000 between the Town of Independence and the Division of Administration of the State of Louisiana. The proceeds from the repayment of the loan are dedicated 50% repayment to the grantor and 50% to be used for economic development within the Town.

Innovative Housing Fund - To account for the receipt and subsequent expenditure in the form of loans to property owners for the Historical District renovation. The proceeds are dedicated to the renovation of property, when adequate funds are available to disburse to property owners.

Health and Safety Rehabilitation Fund - To account for the receipt and use of grant proceeds in the amount of \$129,100 awarded to the Town by the Louisiana Housing Finance Agency. These Health and Safety Rehabilitation Grants are awarded to qualifying elderly, disabled and low income individuals to rehabilitate substandard housing in the Town.

TOWN OF INDEPENDENCE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

although cumulative, do not vest.

**I. PENSION PLANS**

The Town has two pension plans which cover all of the Town's employees. Both pension plans are joint contributory defined contribution plans administered by the statewide Louisiana Municipal Employees' Retirement System and the statewide Louisiana Municipal Police Employees Retirement System. Both pension plans are funded by contributions from employees through payroll withholding deductions and matching contributions from the Town (Notes 12 and 13).

**J. RESERVES AND DEDICATIONS OF FUND EQUITY**

The Town records reserves and dedications to indicate that a portion of the fund equity is legally segregated for a specific future use. The following details the description and amount of all reserves and dedications used by the Town.

	BALANCE AT <u>June 30, 1996</u>
Reserves of Fund Balance/Fund Equity:	
a. Debt Service Funds	
(1) Reserved for General Obligation Bond Debt Service	\$ <u>54,742</u>
b. Water and Sewer Enterprise Fund	
(1) Reserved for Revenue Bond Debt Service	\$ <u>53,667</u>
Dedications of Fund Balance:	
a. Special Revenue Funds	
(1) Dedicated for Economic Development	\$198,812
(2) Dedicated for Historical District Renovations	<u>554,898</u>
	<u>\$753,710</u>

**K. PAYABLE FROM RESTRICTED ASSETS**

Certain assets of the Independence Water and Sewer System have been restricted for payment of the following:

	BALANCE AT <u>June 30, 1996</u>
Utility Customer Deposits	\$ 17,260
Revenue Bonds Payable	19,000
Accrued Bond Interest Payable	<u>1,774</u>
	<u>\$ 38,034</u>

**L. ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS**

Uncollectible amounts due for ad valorem taxes, customers' utility receivables and innovative housing program notes receivables are recognized as bad debts through the establishment of an allowance account at the time information becomes available which would indicate the uncollectibility of the particular receivable. The following details the description and amount of the allowance for uncollectible accounts at June 30, 1996.

	BALANCE AT <u>June 30, 1996</u>
a. General Fund	

TOWN OF INDEPENDENCE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Under state law, the Town may invest in United States bonds, treasury notes, or certificates. These are classified as investments if their original maturities exceed 90 days; however, if the original maturities are 90 days or less, they are classified as cash equivalents. Investments are stated at cost.

As reflected on Exhibit A, the Town of Independence has cash totaling \$633,710 and investments totaling \$205,000 at June 30, 1996. 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 in the name of the fiscal agent bank but pledged to the Town. The following is a summary of cash and investments (bank balances) at June 30, 1996, with the related federal deposit insurance and pledged securities:

	CONFIRMED BANK BALANCES <u>June 30, 1996</u>	FDIC INSURANCE	BALANCE UNINSURED
Cash:			
Demand Deposits	\$ 9	\$ -	\$ 9
Interest Bearing			
Demand Deposits	435,919	100,000	335,919
Time Deposits	<u>236,039</u>	<u>-</u>	<u>236,039</u>
Total Cash	\$ <u>671,967</u>	\$ <u>100,000</u>	\$ <u>571,967</u>
Investments:			
Certificates of Deposit	<u>205,000</u>	<u>100,000</u>	<u>105,000</u>
Total	\$ <u>876,967</u>	\$ <u>200,000</u>	\$ <u>676,967</u>
Uncollateralized -			
Securities in the Name of and Held by the Fiscal Agent Pledged to the Town			<u>798,667</u>
Excess of FDIC Insurance and Pledged Securities over Cash and Investment Bank Balances			\$ <u>121,700</u>

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 on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the Town that the fiscal agent has failed to pay deposited funds upon demand.

**G. INVENTORY**

The Town utilizes the "purchase method" of accounting for supplies in governmental funds whereby expendable operating supplies are recognized as expenditures when purchased. The Town did not record any inventory at June 30, 1996, as the amount is not material.

**H. ACCUMULATED COMPENSATED ABSENCES**

The Town's policy is to allow employees' vacation pay based on employee classification and length of service. Vacation pay is non-cumulative with any unpaid amounts paid to employees upon separation from Town's service. In governmental funds, the cost of vacation pay is recognized when payments are made to employees. No liability has been recorded in the Water and Sewer Enterprise Fund for unused vacation pay at June 30, 1996, as the amount is not material.

The Town's employees earn sick pay benefits based on length of service. Employees may accumulate sick leave benefits up to a maximum of 360 days. Sick pay benefits have not been accrued as the employee's right to sick pay benefits,

TOWN OF INDEPENDENCE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

10. DEDICATION OF PROCEEDS OF FLOW OF FUNDS - SALES AND USE TAX

A. 1966 1% SALES AND USE TAX (SPECIAL REVENUE FUND)

The proceeds of the 1966 1% sales and use tax levied by the Town of Independence (current collections were \$107,833 for the year ended June 30, 1996) are dedicated as follows:

The Town, through its governing authority, adopted a resolution on March 14, 1967, authorizing the issuance of \$260,000 of Public Improvement Bonds and entering into certain covenants in connection with the security and payment of said bonds. In that resolution the proceeds of the sales and use tax were irrevocably and irrevocable pledged and dedicated in an amount sufficient for payment of the bonds authorized and interest as they become due and for other purposes.

The bond resolution requires that the proceeds of the special one percent (1%) sales and use tax now being levied and collected by the Town is to be deposited with the Town's fiscal agent bank in a Sales Tax Fund. After the payment of all reasonable and necessary costs and expenses of collecting the tax (\$1,000.00 is to be retained in the Sales Tax Fund for operating expenses) certain monthly payments must be made from the Sales Tax Fund to the Sales Tax Bond Sinking Fund and the Sales Tax Bond Reserve Fund, which must be established with the Town's fiscal agent bank. The payments into the sinking fund are made in amounts sufficient to pay the principal and interest installments currently and will continue monthly until March 1992, unless bonds are called in advance of their maturity dates, in which event it is possible to reduce the required payments into the sinking fund. Payments into the Reserve Fund will cease after the amount of \$18,655 has been accumulated therein. No payments into the Reserve Fund will be due if the bonds would require withdrawals from this Fund for the purpose of paying maturing principal and interest on the bonds.

Any monies remaining in the Sales Tax Fund on the 20th day of each month in excess of \$1,000 retained for operating expenses and after making the required payments into the Bond Sinking Fund and the Bond Reserve Fund for the current month and for prior months during which the required payments may not have been made, is considered as surplus.

Such surplus may be used by the Town for any of the purposes for which the imposition of the tax is authorized or for the purpose of retiring bonds herein authorized in advance of their maturities.

As of April 1, 1992, these March 14, 1967 Public Improvement Bonds were paid in full and the sales tax is no longer dedicated for payment of these bonds. Balances in the Sales Tax 1966 Debt Service Fund were transferred to the 1966 Sales Tax Fund by a residual equity transfer.

B. 1980 1/2% SALES AND USE TAX (ENTERPRISE FUND)

The proceeds of the 1980 1/2% sales and use tax levied by the Town of Independence (current collections were \$54,062, for the year ended June 30, 1996) are dedicated to the following purposes:

Constructing, acquiring, extending, improving, operating and/or maintaining sewers and sewerage disposal works for the Town.

The Town, through its governing authority, adopted a resolution on February 25, 1980, authorizing the issuance of \$290,000 Public Improvement Bonds and entering into certain covenants in connection with the security and payment of said bonds. In that resolution the proceeds of the 1/2% sales and use tax



TOWN OF INDEPENDENCE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

accounting when the related fund liability is incurred. Exceptions to this general rule include: (1) accumulated unpaid vacation, sick pay, and other employee amounts which are not accrued (Note (1)H); (2) principal and interest on long-term debt which is recognized when due; and (3) expendable operating supplies which are recorded as expenditures at the time of purchase under the "purchase method" (Note (1)G).

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred. Unbilled utility services receivable for the Water and Sewer Enterprise Fund are not recorded at year end as the amount is not material.

**E. BUDGETS AND BUDGETARY ACCOUNTING**

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

1. The Town Clerk prepares a proposed budget and submits same to the Mayor and Board of Aldermen no later than fifteen days prior to the beginning of each fiscal year. The proposed budget for the year ended June 30, 1996, was submitted to the Board of Aldermen on May 9, 1995.
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. The proposed budget for the year ended June 30, 1996, was published in the official journal on May 25, 1995.
3. A public hearing is held on the proposed budget at least ten days after publication of the call for the hearing. A public hearing on the proposed budget for the year ended June 30, 1996, was held on June 13, 1995.
4. After holding the public hearing and completion of all action necessary to finalize and implement the budget, the budget is adopted through passage of an ordinance. The proposed budget for the year ended June 30, 1996, was adopted by ordinance on June 13, 1995.
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 Board of Aldermen. The budget for the year ended June 30, 1996, was amended on April 9, 1996.
6. All budgetary appropriations lapse at the end of each fiscal year.
7. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). A budget was also adopted for the Water and Sewer Enterprise Fund. Formal budgetary integration is not employed for Debt Service Funds because effective budgetary control is alternatively achieved through general obligation bond indenture provisions.

**F. CASH AND INVESTMENTS**

Cash includes amounts in demand deposits, interest bearing demand deposits, and money market accounts. Under state law, the Town may deposit funds in demand deposits, interest bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

TOWN OF INDEPENDENCE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

were irrevocably and irrevocable pledged and dedicated in an amount sufficient for payment of the bonds authorized and interest as they become due and for other purposes.

The ½% sales and use tax levied and collected by the Town is to be deposited in a separate Sales Tax 1980 Fund. After the payment of all reasonable and necessary costs and expenses of collecting the tax, certain monthly payments must be made from the Sales Tax 1980 Fund to the Sales Tax 1980 Bond Sinking Fund and the Sales Tax 1980 Bond Reserve Fund, which have been established with the Town's fiscal agent bank. The payments into the sinking fund are made in amounts sufficient to pay the principal and interest installments currently and will continue monthly until March 2004, unless bonds are called in advance of their maturity dates, in which event it is possible to reduce the required payments into the sinking fund.

Payments in the Reserve Fund will cease after the amount of \$21,950 has been accumulated therein. No payments into the Reserve Fund will be due after accumulation of \$21,950, unless there is a default in connection with the payment of the bonds which requires withdrawal from this Fund for the purpose of paying maturing principal and interest on the bonds. Any monies remaining in the Sales Tax 1980 Fund on the 20th day of each month after making the required payments into the Bond Sinking Fund 1980 and the Bond Reserve Fund 1980 for the current month and for prior months during which the required payments may not have been made, is considered as surplus. Such surplus may be used by the Town for any of the purposes for which the imposition of the tax is authorized or for the purpose of retiring bonds herein authorized in advance of their maturities.

Balances in the Sales Tax 1980 Sinking Fund and Sales Tax 1980 Reserve Fund were in accordance with the bond covenants.

**C. 1982 1% SALES AND USE TAX (SPECIAL REVENUE FUND)**

The proceeds of the 1982 1% sales and use tax levied by the Town of Independence (current collections were \$107,833 for the year ended June 30, 1996) are dedicated as follows:

Constructing, acquiring, extending, improving, operating and/or maintaining sewers and sewerage disposal works for the Town, constructing, paving, widening, and improving streets in the Town and for construction, acquiring, extending, improving, operating and/or maintaining waterworks facilities.

The Town, through its governing authority, adopted a resolution on September 13, 1994, authorizing the issuance of \$244,000 Sales Tax Refunding Bonds, Series 1994, and entering into certain covenants in connection with the security and payment of said bonds. In that resolution the proceeds of the 1982 1% sales and use tax were irrevocably pledged and dedicated in an amount sufficient for payment of the bonds authorized and interest as they become due and for other purposes.

The 1% sales and use tax authorized at a special election held on November 28, 1981, must be deposited as collected into a separate Sales Tax Fund - 1982. Monies in the Sales Tax Fund - 1982 shall be first used for the payment of all reasonable and necessary costs and expenses of collecting said tax. After payment of all reasonable and necessary costs of collection of the tax, certain monthly payments must be made from the Sales Tax Fund - 1982 to the Sales Tax Bond Sinking Fund - 1994, and the Sales Tax Bond Reserve Fund - 1994, which have been established with the Town's fiscal agent bank.

These funds are maintained in two separate interest-bearing accounts. The required monthly payments into the sinking fund are made in amounts sufficient

TOWN OF INDEPENDENCE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

year ending June 30, 1997.

9. CHANGES IN LONG-TERM DEBT

The following is a summary of debt transactions of the Town of Independence for the year ended June 30, 1996:

	DEBT PAYABLE JULY 1, 1995	INCREASE IN DEBT	DEBT RETIRED	DEBT PAYABLE June 30, 1996
Certificate of Obligation	\$ 59,105	\$ -	\$ 16,494	\$ 42,611
Note Payable, 1992	-	-	-	-
Note Payable, 1995	14,264	-	4,432	9,832
General Obligation Bonds	-	-	-	-
Sales Tax Refunding Bonds	232,000	-	13,000	219,000
Revenue Bonds	203,000	-	18,000	185,000
Capital Lease Obligation	8,382	-	6,008	2,374
Total	<u>\$516,751</u>	<u>\$ -</u>	<u>\$ 57,934</u>	<u>\$458,817</u>

Long-term debt payable at June 30, 1996, is comprised of the following:

Certificate of Obligation:

\$110,000 Note Payable to Community  
State Bank, Independence, Louisiana,  
Dated September 23, 1991 Payable in  
Eighty-Four (84) Monthly Installments  
of \$1,769.80 with Interest at 9.00%.  
(Secured by a pledge and dedication of  
excess revenues of the Town above statutory,  
necessary and usual changes) \$ 42,611

A schedule of the outstanding certificate of obligation and the principal and interest requirements are as follows:

YEAR ENDED JUNE 30,	1994 CERTIFICATE OF OBLIGATION		
	PRINCIPAL	INTEREST	TOTAL
1997	\$ 18,139	\$ 3,146	\$ 21,285
1998	19,789	1,449	21,238
1999	<u>4,683</u>	<u>121</u>	<u>4,804</u>
	<u>\$ 42,611</u>	<u>\$ 4,716</u>	<u>\$ 47,327</u>

Certificate of Obligation:

\$14,264 Note Payable to Community State  
Bank, Independence, Louisiana, dated October  
27, 1994, payable in three annual  
installments of \$5,445 with interest at  
7.102%. (Secured by a pledge and dedication  
of excess revenues of the Town above  
statutory necessary and usual charges) \$ 9,833

A schedule of the outstanding notes payable and the principal and interest requirements are as follows:

TOWN OF INDEPENDENCE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

LCDBG Sewer Improvement Grant from the State of Louisiana	16,620	-
TOTAL	<u>\$16,620</u>	<u>\$ 8,207</u>

6. RESTRICTED ASSETS -- PROPRIETARY FUND TYPE

Restricted assets were applicable to the following at June 30, 1996:

\$290,000 Revenue Bond Debt Service - Cash	\$37,826
\$102,000 Revenue Bond Debt Service - Cash	26,615
\$102,000 Revenue Bond Debt Service - Investments	10,000
Customers' Deposits - Cash	<u>17,260</u>
Total Restricted Assets	<u>\$91,701</u>

7. GENERAL FIXED ASSETS ACCOUNT GROUP

A summary of changes in general fixed assets follows:

	BALANCE	CURRENT YEAR		BALANCE
	JULY 1, 1995	ADDITIONS	DELETIONS	JUNE 30, 1996
Land	\$ 64,500	\$ -	\$ -	\$ 64,500
Buildings	313,580	-	-	313,580
Machinery, Equipment and Vehicles	<u>150,738</u>	<u>11,425</u>	<u>16,378</u>	<u>145,785</u>
Total General Fixed Assets	<u>\$528,818</u>	<u>\$ 11,425</u>	<u>\$16,378</u>	<u>\$523,865</u>

8. PROPRIETARY FUND PROPERTY, PLANT AND EQUIPMENT

A summary of proprietary fund type property, plant and equipment at June 30, 1996, follows:

Wells	\$ 138,603
Pumping Stations and Equipment	50,000
Storage Tank	50,000
Sewerage Lift Stations	100,000
Water and Sewer Lines, etc.	1,368,705
Vehicles and Equipment	<u>50,517</u>
Total Fixed Assets	\$1,757,825
Less: Accumulated Depreciation	<u>970,269</u>
	\$ 787,556
Land	62,887
Construction in Progress	<u>28,188</u>
Net Fixed Assets	<u>\$ 878,631</u>

All items of plant and equipment acquired prior to 1967, except land, have been stated at estimated historical cost. The depreciation accumulated to 1967 has also been estimated. Acquisitions after 1967 are stated at historical cost. Depreciation expense on the proprietary fund type property, plant and equipment for the year ended June 30, 1996, totaled \$45,686.

Construction in progress includes costs incurred to date on the wastewater treatment plant improvement project. Total costs are estimated at \$1,725,000. Funding for this project is provided by proceeds from a FY 1992 Louisiana Community Development Block Grant in the amount of \$750,000 and proceeds from Series 1994 Sewer Revenue Bonds in the amount of \$975,000. The scheduled completion date is during the fiscal

TOWN OF INDEPENDENCE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

	<u>DUE FROM</u>	<u>DUE TO</u>
General Fund:		
Special Revenue Funds	\$ 158	\$ 45,789
Enterprise Fund	<u>22,762</u>	<u>-</u>
Total General Fund	<u>\$ 22,920</u>	<u>\$ 45,789</u>
Special Revenue Funds:		
General Fund	\$ 45,789	\$ 158
Enterprise Fund	<u>-</u>	<u>-</u>
Total Special Revenue Funds	<u>\$ 45,789</u>	<u>\$ 158</u>
Enterprise Fund:		
Special Revenue Funds	\$ -	\$ -
General Fund	<u>-</u>	<u>22,762</u>
Total Enterprise Fund	<u>\$ -</u>	<u>\$ 22,762</u>
Total All Funds	<u>\$ 68,709</u>	<u>\$ 68,709</u>

4. INTERFUND TRANSFERS

The following is a summary of the operating transfers between funds during the fiscal year ended June 30, 1996:

	<u>TRANSFERS IN FROM</u>	<u>TRANSFERS OUT TO</u>
General Fund:		
1966 Sales Tax Fund	\$ 105,000	\$ -
1982 Sales Tax Fund	39,000	-
Enterprise Fund	<u>25,541</u>	<u>1</u>
Total General Fund	<u>\$ 169,541</u>	<u>\$ 1</u>
Special Revenue Funds:		
General Fund	\$ -	\$ 144,000
Debt Service Funds	-	28,527
Enterprise Fund	<u>-</u>	<u>29,500</u>
Total Special Revenue Funds	<u>\$ -</u>	<u>\$ 202,027</u>
Debt Service Funds:		
Special Revenue Funds	\$ 28,527	\$ -
Total Debt Service Funds	<u>\$ 28,527</u>	<u>\$ -</u>
Enterprise Fund:		
General Fund	\$ 1	\$ 25,541
Special Revenue Funds	<u>29,500</u>	<u>-</u>
Total Enterprise Fund	<u>\$ 29,501</u>	<u>\$ 25,541</u>
Total All Funds	<u>\$ 227,569</u>	<u>\$ 227,569</u>

5. DUE FROM OTHER GOVERNMENTAL UNITS

Amounts due from other governmental units at June 30, 1996, consisted of the following:

	<u>Enterprise Fund</u>	<u>General Fund</u>
Beer Tax Due from the State of Louisiana	\$ -	\$ 971
Tobacco Tax Due from the State of Louisiana	-	2,122
Video Draw Poker Tax Due from the State of Louisiana	-	5,114

TOWN OF INDEPENDENCE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(1) Allowance for Uncollectible Ad Valorem Tax Receivable	\$ <u>6,524</u>
b. Special Revenue Funds	
(1) Allowance for Uncollectible Innovative Housing Program Notes Receivable	\$ <u>11,406</u>
c. Water and Sewer Enterprise Fund	
(1) Allowance for Uncollectible Water and Sewer Fees	\$ <u>2,679</u>

**M. COMPARATIVE DATA**

Comparative total data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the Town's financial position and operations.

**N. TOTAL COLUMNS ON COMBINED STATEMENTS - OVERVIEW**

Total columns on the combined statements - overview are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**O. STATEMENT OF CASH FLOWS**

In accordance with Governmental Accounting Standards Board Statement No. 9, the Town is presenting a statement of cash flows. For purposes of the statement of cash flows, the Water and Sewer Enterprise Fund considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

**2. 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 Town 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 Town bills and collects its own property taxes using the assessed values determined by the Tax Assessor of Tangipahoa Parish.

For the year ended June 30, 1996, taxes of 16.23 mills were levied on property with taxable assessed valuations totaling \$72,389 and were dedicated to the following purposes:

General Corporate Purposes	6.23 Mills
Police Department	5.00 Mills
Fire Department	<u>5.00 Mills</u>
	<u>16.23 Mills</u>

Total taxes levied were \$72,389. Taxes receivable were \$7,447 at June 30, 1996. The allowance for uncollectible ad valorem taxes totaled \$6,524 at June 30, 1996.

**3. INTERFUND RECEIVABLES AND PAYABLES**

The following is a summary of amounts due from and due to other funds at June 30, 1996:

TOWN OF INDEPENDENCE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30,	1996 NOTE PAYABLE		TOTAL
	PRINCIPAL	INTEREST	
1996	\$ 4,747	\$ 698	\$ 5,445
1997	5,085	361	5,446
	<u>\$ 9,832</u>	<u>\$ 1,059</u>	<u>\$ 10,891</u>

General Obligation Bonds:

\$244,000 Sales Tax Refunding Bonds Dated 10/20/94; Due in Bi-annual Installments of \$12,000 - \$25,000 Through 6/1/2008; Interest at 6.1% (Payable from a Pledge of the Town's 1982 1% Sales and Use Tax) \$219,000

A schedule of the outstanding General Obligation Bonds and the principal and interest requirements are as follows:

DUE DATES	1994 PUBLIC IMPROVEMENT BONDS		
	PRINCIPAL	INTEREST	TOTAL
1997	\$ 14,000	\$ 13,359	\$ 27,359
1998	15,000	12,505	27,505
1999	15,000	11,590	26,590
2000	16,000	10,675	26,675
2001	17,000	9,699	26,699
2002	17,000	8,662	25,662
2003	18,000	7,625	25,625
2004	19,000	6,527	25,527
2005	19,000	5,368	24,368
2006	21,000	4,209	25,209
2007	23,000	2,928	25,928
2008	25,000	1,525	26,525
	<u>\$219,000</u>	<u>\$ 94,672</u>	<u>\$313,672</u>

Revenue Bonds:

\$102,000 Revenue Bonds Dated 4/21/80; Due in Annual Installments of \$3,000 - \$7,000 Through 4/21/2005; Interest at 5% \$ 19,000

\$290,000 Public Improvement Bonds Dated 4/21/80; Due in Annual Installments of \$6,000 - \$20,000 Through 4/21/2004; Interest at 5% (Payable From a Pledge of the Town's Special 1/2% Sales and Use Tax) 166,000

\$185,000

A schedule of the outstanding Enterprise Fund Revenue Bonds and the principal and interest requirements are as follows:

TOWN OF INDEPENDENCE  
NOTES TO FINANCIAL STATEMENTS

June 30, 1996

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## TOWN OF INDEPENDENCE

EXHIBIT E

## STATEMENT OF CASH FLOWS - PROPRIETARY FUND TYPE

For the Years Ended June 30, 1996 and 1995

	<u>1996</u>	<u>1995</u>
Cash Flows From Operating Activities:		
Operating Loss	\$(51,024)	\$ (38,534)
Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities:		
Depreciation	45,686	45,398
Changes in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	2,790	( 3,525)
(Increase) Decrease in Accrued Interest Receivable	-	438
(Increase) Decrease in Sales Tax Receivable	( 185)	22
Increase (Decrease) in Accounts Payable	17,737	( 1,159)
Increase (Decrease) in Customer Deposits Payable	2,185	3,955
Increase (Decrease) in Accrued Expenses	( 172)	-
Total Adjustments	<u>\$ 68,041</u>	<u>\$ 45,129</u>
Net Cash Used in Operating Activities	\$ 17,017	\$ 6,595
Cash Flows From Noncapital Financing Activities:		
(Increase) Decrease in Due from Other Funds	\$ 10,180	\$ -
Increase (Decrease) in Due to Other Funds	14,408	(23,944)
(Increase) Decrease in Due from Other Governments	(16,620)	-
Operating Transfer In	29,501	9,500
Operating Transfers Out	<u>(25,541)</u>	<u>-</u>
Net Cash Provided by (Used in) Noncapital Financing Activities	\$ 11,928	\$ (14,444)
Cash Flows From Capital and Related Financing Activities:		
Construction of Capital Assets	(36,773)	(37,434)
Operating Grants Received	-	-
Purchase of Equipment	(10,960)	( 1,504)
Capital Lease Obligation Principal Paid	( 6,008)	( 5,547)
Dedicated Sales Tax Revenue (1/2% 1980 Tax)	54,062	53,642
Revenue Bond Principal Paid	(18,000)	(17,000)
Interest Paid	(10,503)	(12,854)
Purchase of Land	-	-
Capital Grants Received	<u>16,620</u>	<u>5,254</u>
Net Cash Provided by Capital and Related Financing Activities	\$(11,562)	\$ (15,443)
Cash Flows From Investing Activities:		
Interest Earned on Investments	\$ 6,496	\$ 5,927
Purchase of Investments	(80,000)	(80,000)
Proceeds From Maturities of Investments	<u>80,000</u>	<u>80,000</u>
Net Cash Provided by Investing Activities	\$ 6,496	\$ 5,927
Increase (Decrease) in Cash	\$ 23,879	\$ (17,365)
Cash at Beginning of Year	129,765	147,130
Cash at End of Year	<u>\$153,644</u>	<u>\$ 129,765</u>
Reconciliation of Cash Accounts:		
Unrestricted Cash	\$ 71,943	\$ 56,057
Restricted Cash	<u>81,701</u>	<u>73,708</u>
Total Cash	<u>\$153,644</u>	<u>\$ 129,765</u>

The accompanying notes are an integral part of this statement.

## TOWN OF INDEPENDENCE

EXHIBIT D

STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN RETAINED EARNINGS - PROPRIETARY FUND TYPE

For the Years Ended June 30, 1996 and 1995

	<u>1996</u>	<u>1995</u>
Operating Revenues:		
Charges for Services:		
Water and Other Services	\$129,199	\$ 105,819
Delinquent Charges	8,004	3,236
Connection Fees	1,425	675
Miscellaneous	-	-
Total Operating Revenues	<u>\$138,628</u>	<u>\$ 109,730</u>
Operating Expenses:		
Salaries	\$ 32,832	\$ 27,335
Employee Retirement and Medicare	1,687	1,439
Office Expense	2,746	3,801
Repairs and Maintenance	25,162	10,813
Fuel for Equipment	3,984	2,813
Operating Supplies	11,112	10,257
Utilities	23,210	20,286
Insurance	16,787	11,492
Professional Fees	9,747	5,941
Miscellaneous Expenses	1,337	422
Sales Tax Collector Fee Expense	350	349
Sewer Plant Expense	15,012	7,918
Depreciation	<u>45,686</u>	<u>45,398</u>
Total Operating Expenses	<u>\$189,652</u>	<u>\$ 148,264</u>
Operating Loss	\$ (51,024)	\$ (38,534)
Nonoperating Income (Expense):		
Interest Earned	6,496	5,927
Dedicated Sales Tax Revenue (1/2% 1980 Tax)	54,062	53,642
Interest Paid	(10,503)	(12,691)
State Grant	-	-
Income (Loss) Before Operating Transfers	\$ ( 969)	\$ 8,344
Operating Transfers In	29,501	9,500
Operating Transfers Out	<u>(25,541)</u>	<u>-</u>
Net Income (Loss)	\$ 2,991	\$ 17,844
Retained Earnings (Deficit) at Beginning of Year	<u>(77,800)</u>	<u>(95,644)</u>
Retained Earnings (Deficit) at End of Year	<u>\$ (74,809)</u>	<u>\$ (77,800)</u>

The accompanying notes are an integral part of this statement.

# Durnin & James

•CERTIFIED PUBLIC ACCOUNTANTS•

John N. Durnin, CPA\*  
Dennis E. James, CPA\*

Member  
American Institute of  
Certified Public Accountants

\*A Professional  
Corporation

Member  
Society of Louisiana  
Certified Public Accountants

October 15, 1996

## Independent Auditor's Report

Honorable Phillip F. Domiano, Mayor  
and the Members of the Board of Aldermen  
Town of Independence, Louisiana

We have audited the accompanying general purpose financial statements of the Town of Independence, Louisiana, as of June 30, 1996, and for the year then ended, as listed in the table of contents. These general purpose financial statements are the responsibility of the Town of Independence, Louisiana's management. Our responsibility is to express an opinion on these financial statements based on our audit.

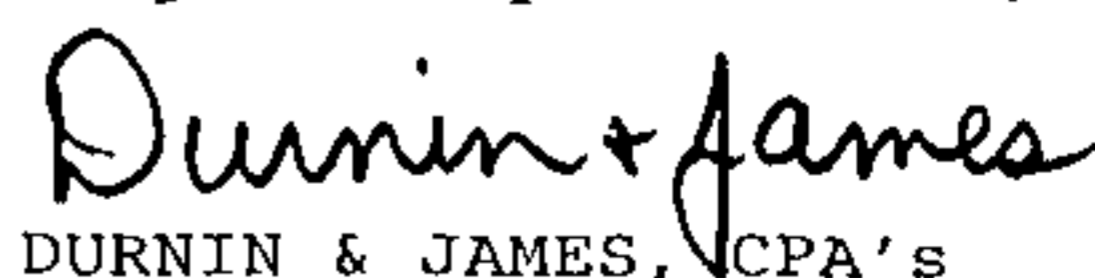
We have conducted our audit in accordance with generally accepted auditing standards; Government Auditing Standards, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Circular A-128, "Audits of State and Local Governments". Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose 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 opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Town of Independence, Louisiana, as of June 30, 1996, and the results of its operations and the cash flows of its proprietary fund type for the year then ended, in conformity with generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining, individual fund, and individual account group financial statements and schedules listed in the table of contents as supplementary information, are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the Town of Independence, Louisiana. Such information, except for that portion marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the general purpose financial statements, and, in our opinion, is fairly presented in all material respects in relation to the respective general purpose financial statements taken as a whole.

The financial information for the preceding year which is included for comparative purposes was taken from the financial report for that year in which we expressed an unqualified opinion on the general purpose financial statements of the Town of Independence, Louisiana.

Respectfully submitted,

  
DURNIN & JAMES, CPA's

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TOWN OF INDEPENDENCE, LOUISIANA  
REPORT ON AUDIT  
OF GENERAL PURPOSE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 1996

This report was prepared by the Auditor of the Town of Independence, Louisiana, and is intended to provide information to the public regarding the financial statements of the Town. A copy of this report is available for public inspection at the Town of Independence, Louisiana, at the office of the Auditor, 100 North Main Street, Independence, Louisiana. For more information, contact the Auditor at the office of the Auditor, 100 North Main Street, Independence, Louisiana. Release Date **FEB 12 1997**

GENERAL PURPOSE FINANCIAL STATEMENTS  
(COMBINED STATEMENTS - OVERVIEW)

TOWN OF INDEPENDENCE, LOUISIANA

YEAR ENDED JUNE 30, 1996

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EXHIBIT A

TOWN OF INDEPENDENCE

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS

June 30, 1996

ASSETS	GOVERNMENTAL FUND TYPES		PROPRIETARY FUND TYPE		ACCOUNT GROUPS		TOTALS	
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	ENTERPRISE	GENERAL FIXED ASSETS	LONG-TERM DEBT	(MEMORANDUM ONLY)	
							1996	1995
Cash	\$ 68,138	\$ 402,186	\$ 9,742	\$ 71,943	\$ -	\$ -	\$ 552,009	\$ 451,037
Investments	40,000	80,000	45,000	30,000	-	-	195,000	170,000
Receivables (Net, Where Applicable, of Allowances for Uncollectibles):								
Taxes	11,567	17,198	-	4,300	-	-	33,065	31,065
Accounts	-	-	-	17,386	-	-	17,386	20,176
Notes	-	737,519	-	-	-	-	737,519	773,799
Accrued Interest	-	1,916	-	759	-	-	2,675	2,675
Other	4,565	-	-	-	-	-	4,565	3,505
Due from Other Governments	8,207	-	-	16,620	-	-	24,827	7,597
Due from Other Funds	22,920	46,789	-	-	-	-	69,709	42,994
Restricted Funds:								
Cash	-	-	-	81,701	-	-	81,701	73,708
Investments	-	-	-	10,000	-	-	10,000	10,000
Fixed Assets (Net, Where Applicable, of Accumulated Depreciation)	-	-	-	878,631	523,865	-	1,402,496	1,405,402
Amount Available in Debt Service Funds	-	-	-	-	-	54,742	54,742	50,272
Amount to be Provided for General Long-Term Debt Retirement	-	-	-	-	-	-	-	-
Total Assets	\$ 155,397	\$ 1,285,608	\$ 54,742	\$ 1,111,340	\$ 523,865	\$ 440,307	\$ 385,565	\$ 430,956
Total Assets					\$ 523,865	\$ 440,307	\$ 3,571,259	\$ 3,473,186
LIABILITIES								
Accounts Payable	\$ 29,419	\$ -	\$ -	\$ 22,313	\$ -	\$ -	\$ 51,732	\$ 31,182
Accrued Payroll and Payroll Taxes Payable	9,607	-	-	-	-	-	9,607	7,261
Due to Other Funds	45,789	1,158	-	22,762	-	-	69,709	42,994
Deferred Revenues	-	306,431	-	-	-	-	306,431	305,431
Sales Tax Collection Fee Payable	-	112	-	28	-	-	140	135
Construction Contract Payable	-	-	-	-	-	-	-	-
Accrued Employee Leave	5,337	-	-	-	-	-	5,337	3,964

(CONTINUED)

EXHIBIT A  
(CONTINUED)

TOWN OF INDEPENDENCE  
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS (CONTINUED)

June 30, 1996

LIABILITIES (CONTINUED)	GOVERNMENTAL FUND TYPES			PROPRIETARY	ACCOUNT GROUPS			TOTALS	
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	ENTERPRISE	GENERAL FIXED ASSETS	LONG-TERM DEBT		(MEMORANDUM ONLY)	
						1996	1995		
Payable from Restricted Assets:									
Revenue Bonds	-	-	-	19,000	-	-	19,000	18,000	
Accrued Interest	-	-	-	1,774	-	-	1,774	1,947	
Customers' Deposits	-	-	-	17,260	-	-	17,260	15,075	
General Obligation Bonds Payable	-	-	-	-	-	219,000	219,000	232,000	
Revenue Bonds Payable	-	-	-	166,000	-	-	166,000	185,000	
Capital Lease Obligation	-	-	-	2,374	-	-	2,374	8,382	
Obligation Under Grant Agreement	-	-	-	-	-	168,864	168,864	175,859	
Certificate of Indebtedness	-	-	-	-	-	42,611	42,611	59,105	
Note Payable	-	-	-	-	-	9,832	9,832	14,264	
Total Liabilities	\$ 90,152	\$ 307,701	\$ -	\$ 251,511	\$ -	\$ 440,307	\$ 1,089,671	\$ 1,100,599	
FUND EQUITY									
Contributed Capital	\$ -	\$ -	\$ -	\$ 934,638	\$ -	\$ -	\$ 934,638	\$ 918,018	
Investment in General Fixed Assets	-	-	-	-	523,865	-	523,865	528,818	
Retained Earnings:									
Reserved for Bond Retirement	-	-	-	53,667	-	-	53,667	48,686	
Unreserved - Undesignated (Deficit)	-	-	-	(128,476)	-	-	(128,476)	(126,486)	
Fund Balances:									
Reserved for Debt Service	-	-	54,742	-	-	-	54,742	50,272	
Unreserved - Designated	-	753,710	-	-	-	-	753,710	737,583	
Unreserved - Undesignated	65,245	224,197	-	-	-	-	289,442	215,696	
Total Fund Equity	\$ 65,245	\$ 977,907	\$ 54,742	\$ 859,829	\$ 523,865	\$ -	\$ 2,481,588	\$ 2,372,587	
Total Liabilities and Fund Equity	\$ 155,397	\$ 1,285,608	\$ 54,742	\$ 1,111,340	\$ 523,865	\$ 440,307	\$ 3,571,259	\$ 3,473,186	

The accompanying notes are an integral part of this statement.

## TOWN OF INDEPENDENCE

EXHIBIT B

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES

For the Year Ended June 30, 1996

	GOVERNMENTAL FUND TYPES			TOTALS	
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	(MEMORANDUM ONLY) 1996	1995
<b>Revenues:</b>					
Taxes	\$ 68,642	\$ 215,666	\$ -	\$ 284,308	\$ 281,828
Licenses and Permits	123,441	-	-	123,441	118,908
Intergovernmental	67,878	11,300	-	79,178	136,042
Fines and Forfeits	12,001	-	-	12,001	17,606
Solid Waste	43,898	-	-	43,898	43,372
Interest	1,602	42,176	3,114	46,892	40,064
Miscellaneous	67,856	-	-	67,856	119,706
<b>Total Revenues</b>	<b>\$ 385,318</b>	<b>\$ 269,142</b>	<b>\$ 3,114</b>	<b>\$ 657,574</b>	<b>\$ 757,526</b>
<b>Expenditures:</b>					
<b>Current:</b>					
General Government	\$ 157,545	\$ 7,056	\$ -	\$ 164,601	\$ 182,990
Public Safety	160,358	-	-	160,358	163,831
Streets and Parks	93,069	-	-	93,069	61,027
Solid Waste	37,837	-	-	37,837	40,855
Health and Safety	-	11,300	-	11,300	84,037
Other	7,533	13,914	-	21,447	26,253
Capital Outlay	11,425	-	-	11,425	23,108
Debt Service	32,063	-	27,171	59,234	94,996
<b>Total Expenditures</b>	<b>\$ 499,830</b>	<b>\$ 32,270</b>	<b>\$ 27,171</b>	<b>\$ 559,271</b>	<b>\$ 677,097</b>
Excess (Deficiency) of Revenues Over Expenditures	(114,512)	236,872	(24,057)	98,303	80,429
<b>Other Financing Sources(Uses):</b>					
Operating Transfers In	\$ 169,541	\$ -	\$ 28,527	\$ 198,068	\$ 169,282
Operating Transfers Out	( 1)	(202,027)	-	(202,028)	(178,782)
Loan Proceeds	-	-	-	-	14,289
Proceeds from Refunding Bonds	-	-	-	-	244,000
Payment to Refund Bonds	-	-	-	-	(240,116)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 169,540</b>	<b>\$(202,027)</b>	<b>\$ 28,527</b>	<b>\$ ( 3,960)</b>	<b>\$ 8,673</b>
Excess (Deficiency) of Revenues and Other Sources Over Expendi- tures and Other Uses	\$ 55,028	\$ 34,845	\$ 4,470	\$ 94,343	\$ 89,102
Fund Balances at Beginning of Year	10,217	943,062	50,272	1,003,551	914,449
Fund Balances at End of Year	\$ 65,245	\$ 977,907	\$ 54,742	\$ 1,097,894	\$ 1,003,551

The accompanying notes are an integral part of this statement.

EXHIBIT C

TOWN OF INDEPENDENCE

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL -  
GENERAL AND SPECIAL REVENUE FUND TYPES

For the Year Ended June 30, 1996

	GENERAL FUND			SPECIAL REVENUE FUND			TOTAL (MEMORANDUM ONLY)		
	AMENDED BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE - FAVORABLE (UNFAVORABLE)	AMENDED BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE - FAVORABLE (UNFAVORABLE)	AMENDED BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE FAVORABLE (UNFAVORABLE)
Revenues:									
Taxes	\$ 74,000	\$ 68,642	\$( 5,358)	\$ 214,000	\$ 215,666	\$ 1,666	\$ 288,000	\$ 284,308	\$( 3,692)
Licenses and permits	97,100	123,441	26,341	-	-	-	97,100	123,441	26,341
Intergovernmental	24,800	67,878	43,078	27,618	-	(27,618)	52,418	67,878	15,460
Fines and Forfeits	10,000	12,001	2,001	-	-	-	10,000	12,001	2,001
Solid Waste	42,700	43,898	1,198	-	-	-	42,700	43,898	1,198
Interest	-	1,602	1,602	48,939	42,176	( 6,763)	48,939	43,778	( 5,161)
Miscellaneous	75,460	67,856	( 7,604)	-	-	-	75,460	67,856	( 7,604)
Total Revenues	\$ 324,060	\$ 385,318	\$ 61,258	\$ 290,557	\$ 257,842	\$( 32,715)	\$ 614,617	\$ 643,160	\$ 28,543
Expenditures:									
Current:									
General Government	\$ 160,921	\$ 157,545	\$ 3,376	\$ 8,900	\$ 7,056	\$ 1,844	\$ 169,821	\$ 164,601	\$ 5,220
Public Safety	154,080	160,358	( 6,278)	-	-	-	154,080	160,358	( 6,278)
Streets and Parks	102,572	93,069	9,503	-	-	-	102,572	93,069	9,503
Solid Waste	40,635	37,837	2,798	-	-	-	40,635	37,837	2,798
Health and Safety	-	-	-	-	-	-	-	-	-
Other	6,245	7,533	( 1,288)	27,828	13,914	13,914	34,073	21,447	12,626
Capital Outlay	10,001	11,425	( 1,424)	20,000	-	20,000	30,001	11,425	18,576
Debt Service	33,300	32,063	1,237	-	-	-	33,300	32,063	1,237
Total Expenditures	\$ 507,754	\$ 499,830	\$ 7,924	\$ 56,728	\$ 20,970	\$ 35,758	\$ 564,482	\$ 520,800	\$ 43,682
Excess (Deficiency) of Revenues Over Expenditures	\$ (183,694)	\$ (114,512)	\$ 69,182	\$ 233,829	\$ 236,872	\$ 3,043	\$ 50,135	\$ 122,360	\$ 72,225
Other Financing Sources (Uses):									
Operating Transfers In	154,000	169,541	15,541	-	-	-	154,000	169,541	15,541
Operating Transfers Out	-	( 1)	( 1)	(210,652)	(202,027)	8,625	(210,652)	(202,028)	8,624
Loan Proceeds	24,530	-	(24,530)	-	-	-	24,530	-	( 24,530)
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	\$ ( 5,164)	\$ 55,028	\$ 60,192	\$ 23,177	\$ 34,845	\$ 11,668	\$ 18,013	\$ 89,873	\$ 71,860
Fund Balances at Beginning Of Year	8,011	10,217	2,206	889,759	943,055	53,296	897,770	953,272	55,502
Fund Balances at End of Year	\$ 2,847	\$ 65,245	\$ 62,398	\$ 912,936	\$ 977,900	\$ 64,964	\$ 915,783	\$ 1,043,145	\$ 127,362

The accompanying notes are an integral part of this statement.

TOWN OF INDEPENDENCE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-Term Debt Account Group.

The two account groups are not "funds." They are concerned only with the measurement of financial position. They are not involved with measurement of results of operations.

Because of their spending measurement focus, expenditure recognition for governmental fund types is limited to exclude amounts represented by non-current liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities. They are instead reported as liabilities in the General Long-Term Debt Account Group.

All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is segregated into contributed capital and retained earnings components.

Depreciation of all exhaustible fixed assets used by the proprietary fund is charged as an expense against its operations. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Water Utility -	
Wells	20 Years
Storage Tanks	40 Years
Lines and Meters	40 Years
Sewerage Utility -	
Pump Stations	20 Years
Lines	40 Years
Trucks and Equipment	5 Years
Garbage Collection System	10 Years

All fixed assets are stated at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are stated at their estimated fair value on the date donated.

The Town capitalizes the amount of interest paid during the construction of a project and then amortizes, over the useful life of the asset, the interest capitalized.

**D. BASIS OF ACCOUNTING**

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Taxpayer-assessed income, gross receipts, and sales taxes are considered "measurable" when in the hands of collecting governments and are recognized as revenue at that time. Anticipated refunds of such taxes are recorded as liabilities and reductions of revenue when they are measurable and their validity seems certain. All major revenues are susceptible to accrual.

Expenditures are generally recognized under the modified accrual basis of

TOWN OF INDEPENDENCE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

**B. FUND ACCOUNTING**

The accounts of the Town of Independence are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into five generic fund types and two broad fund categories as follows:

**GOVERNMENTAL FUNDS**

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

**Special Revenue Funds** - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

**Debt Service Funds** - Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

**Capital Projects Funds** - Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

**PROPRIETARY FUND**

**Enterprise Fund** - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**C. PROPERTY, PLANT AND EQUIPMENT AND LONG-TERM LIABILITIES**

The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus.

All governmental fund type operations are accounted for on a spending or "financial flow" measurement focus and only current assets and current liabilities are generally included on their balance sheet.

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group, and are recorded as expenditures in the governmental fund types when purchased. Public domain ("infrastructure") general fixed assets consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems, are not capitalized along with other general fixed assets. No depreciation has been provided on general fixed assets.

TOWN OF INDEPENDENCE

NOTES TO FINANCIAL STATEMENTS

June 30, 1996

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Town of Independence, Louisiana (the "Town") was incorporated under the provisions of the Lawrason Act. The Town operates under a Mayor-Board of Aldermen form of government. The Town provides the following services: public safety (police and fire), streets, drainage, sanitation, culture-recreation, public improvements, planning and zoning, and general and administrative services. Other services include water and sewer services.

The accounting and reporting policies of the Town of Independence conform to generally accepted accounting principles as applicable to governments. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:517 and to the industry audit guide, Audits of State and Local Governmental Units.

The following is a summary of certain significant accounting policies:

**A. FINANCIAL REPORTING ENTITY**

As the governing authority of the Town, for reporting purposes, the Town of Independence is the financial reporting entity for Independence, Louisiana. The financial reporting entity consists of (a) primary government (council), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board Statement No. 14 established criteria for determining which component units should be considered part of the Town of Independence for financial reporting purposes. The basic criterion 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 Town Council 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 Town Council.
2. Organizations for which the Town Council does not appoint a voting majority but are fiscally dependent on the Council.
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.

Based on the application of the above criteria, it was determined the Town of Independence has no potential component unit. As a result, this report includes all funds and account groups which are controlled by or dependent on the Town's executive and legislative branches (the Mayor and Board of Aldermen). Control by or dependence on the Town was determined on the basis of budget adoption, taxing authority, authority to issue debt, election or appointment of governing body, and other general oversight responsibility.