

TOWN OF INDEPENDENCE, LOUISIANA
ANNUAL FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2004

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

Release Date 11-17-04

Town of Independence, Louisiana
Annual Financial Statements
Fiscal Year Ended June 30, 2004
With Supplemental Information Schedules
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September 23, 2004

Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Independence, Louisiana, as of and for the year ended June 30, 2004, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Independence, Louisiana, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

As described in Note 1 to the basic financial statements, the Town of Independence adopted the provisions of Governmental Accounting Standards Board Statements No. 34 and No. 37, *Basic Financial Statements – and Management’s Discussion and Analysis – For State and Local Governments*, as of July 1, 2003. This results in a change in the format and content of the basic financial statements.

In accordance with Government Auditing Standards, we have also issued a report dated September 23, 2004 on our consideration of the Town of Independence’s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The Management’s Discussion and Analysis on pages 4 through 13 is not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise the Town of Independence, Louisiana’s basic financial statements. The accompanying financial information, except for the Schedule of Insurance Coverage in Force (unaudited), listed in the Table of Contents as Supplementary Schedules, is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Town of Independence, Louisiana. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Schedule of Insurance Coverage in Force (unaudited) has not been subjected to auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Respectfully submitted,

Harris J. Bourgeois, CPA

Management's Discussion and Analysis

Town of Independence, Louisiana
Management's Discussion and Analysis
June 30, 2004

As management of the Town of Independence, Louisiana ("Town"), we offer readers of the Town of Independence, Louisiana's financial statements this narrative overview and analysis of the financial activities of the Town of Independence, Louisiana, for the fiscal year ended June 30, 2004. This management discussion and analysis ("MD&A") is designed to provide an objective and easy to read analysis of the Town's financial activities based on currently known facts, decisions, or conditions. It is intended to provide readers with a broad overview of Town finances. It is also intended to provide readers with an analysis of the Town's short-term and long-term activities based on information presented in the financial report and fiscal policies that have been adopted by the Town. Specifically, this section is designed to assist the reader in focusing on significant financial issues, provide an overview of the Town's financial activity, identify changes in the Town's financial position (its ability to address the next and subsequent year challenges), identify any material deviations from the financial plan (the approved budget), and identify individual fund issues or concerns.

This is the first year that the Town has presented its financial statements under the new reporting model required by the Governmental Accounting Standards Board Statement Number 34. Because this new reporting model changes significantly not only the presentation of financial data, but also the manner in which the information is recorded, prior year comparative information for this reporting period's MD&A has not been included. The omission of this comparative information is unavoidable and unfortunately puts the reader in a less than desirable position. In preparing the information summarized below, we have tried to keep in mind this disadvantage by expanding on the narrative with our opinion of the changes from one year to the next.

As with other sections of this financial report, the information contained within this MD&A should be considered only a part of a greater whole. The readers of this statement should take time to read and evaluate all sections of this report, including the footnotes and the other Required Supplemental Information ("RSI") that is provided in addition to this MD&A.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town's financial statements. The Town's basic financial statements consist of the following components:

1. Government-wide financial statements,
2. Fund financial statements,
3. Notes to the financial statements, and
4. Other supplementary information, which is in addition to the basic financial statements themselves.

1. Government-Wide Financial Statements

Government-wide financial statements are designed by GASB Statement 34 to change the way in which governmental financial statements are presented. It now provides readers for the first time a concise "entity-wide" Statement of Net Assets and Statement of Activities, seeking to give the user of the financial statements a broad overview of the Town's financial position and results of operations in a manner similar to a private-sector business.

Town of Independence, Louisiana
Management's Discussion and Analysis (Continued)
June 30, 2004

- A. The *statement of net assets* presents information on all of the Town's assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. The difference between the assets and liabilities is reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or weakening.
- B. The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

The government-wide financial statements further assist the reader in their evaluation by distinguishing functions of the Town into:

- A. Governmental Activities that are principally supported by taxes and intergovernmental revenues, and
- B. Business-Type Activities from other functions that are intended to recover all or a significant portion of their costs through user fees and charges.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The Town's assets exceeded its liabilities at the close of the most recent fiscal year by \$5,972,349 (*net assets*). Of this amount, \$1,213,293 are unrestricted net assets. The Town's net assets are comprised of \$2,706,369 from Governmental Activities and \$3,265,980 from Business-Type Activities as shown on Exhibit A.

By far the largest portion of the Town's net assets (66.00 percent) reflects its investment in capital assets (e.g., land, buildings, machinery & equipment, vehicles, Town infrastructure, etc.), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's net assets (13.75 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$1,213,293) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Town is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

Town of Independence, Louisiana
Management's Discussion and Analysis (Continued)
June 30, 2004

Governmental Activities

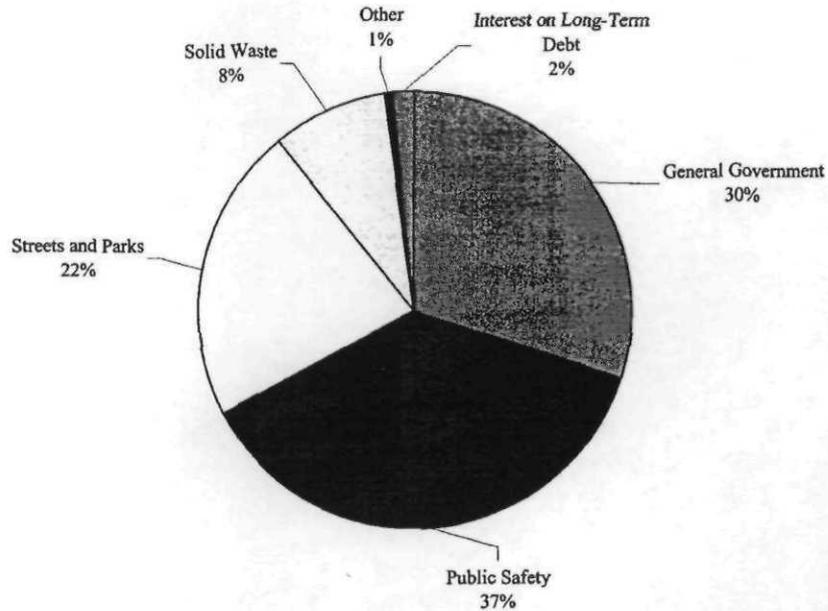
The Governmental Activities of the Town include General Government, Public Safety, Streets & Parks, Solid Waste, and Other Miscellaneous Programs. Sales taxes, property taxes and franchise taxes, as well as occupational licenses and fines fund most of these governmental activities.

Here we show the Town's expenditures relating to those functions typically associated with governments. In the chart below, public safety encompasses the police and fire departments.

Governmental Activities Expenditures

	<u>Amount</u>	<u>Percentage</u>
General Government	\$ 289,808	30.13%
Public Safety	357,967	37.22%
Streets and Parks	210,821	21.92%
Solid Waste	81,098	8.43%
Other	5,018	0.52%
Interest on Long-Term Debt	<u>17,087</u>	<u>1.78%</u>
 Total Governmental Activities	 <u>\$ 961,799</u>	 <u>100.00%</u>

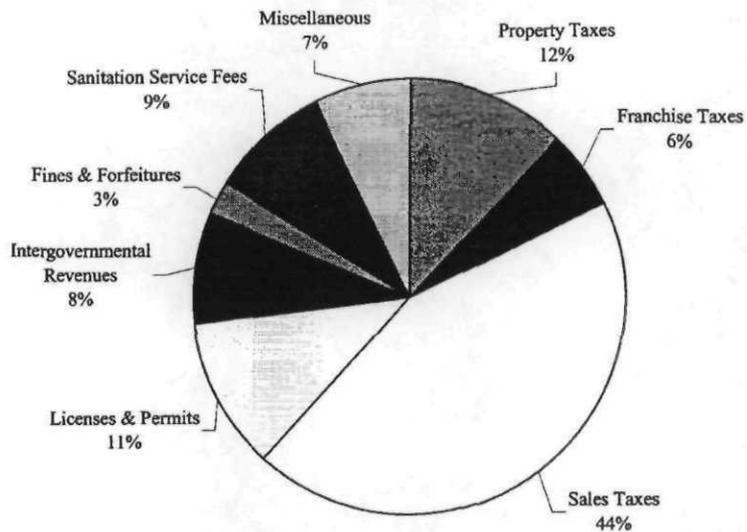
Town of Independence, Louisiana
 Management's Discussion and Analysis (Continued)
 June 30, 2004



Governmental Activities Revenues are those revenues available for the Town to use to pay for the governmental activities described above. The following chart shows the Town's governmental activities revenues for the year ended June 30, 2004.

	<u>Amount</u>	<u>Percentage</u>
Taxes:		
Property Taxes	\$ 101,449	11.85%
Franchise Taxes	50,632	5.91%
Sales Taxes	377,086	44.04%
Licenses & Permits	96,905	11.32%
Intergovernmental Revenues	70,610	8.24%
Fines & Forfeitures	22,628	2.64%
Sanitation Service Fees	76,092	8.89%
Miscellaneous	60,887	7.11%
Total General Revenues	<u>\$ 856,289</u>	<u>100.00%</u>

Town of Independence, Louisiana
Management's Discussion and Analysis (Continued)
June 30, 2004



Sales taxes are the largest revenue source for the Town comprising 44.04% of total governmental revenue (see pie chart). Property taxes are the second largest revenue source for the Town comprising 11.85% of governmental revenue. For the year ended June 30, 2004, taxes of 16.23 mills were levied on property inside of the Town limits.

Business-Type Activities

The Business-Type Activities of the Town are those that the Town charges a fee to customers to help it cover all or most of the cost of certain services it provides. The Town's water and sewer departments are reported here.

Town of Independence, Louisiana
Management's Discussion and Analysis (Continued)
June 30, 2004

	Operating Revenues	
	Water	Sewer
Fiscal year ended June 30, 2004	\$ 138,819	\$ 146,492
Fiscal year ended June 30, 2003	139,652	147,953
Increase (decrease) between fiscal years	\$ (833)	\$ (1,461)

	Operating Expenses	
	Water	Sewer
Fiscal year ended June 30, 2004	\$ 139,786	\$ 247,164
Fiscal year ended June 30, 2003	143,766	224,587
Increase (decrease) between fiscal years	\$ (3,980)	\$ 22,577

2. Fund Financial Statements

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

A. Governmental funds are used to account for most of the Town's basic services as reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are located on Exhibits C-1 and D-1.

Town of Independence, Louisiana
Management's Discussion and Analysis (Continued)
June 30, 2004

The Town maintains seven individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, 1966 and 1982 Sales Tax Funds, LCDBG Economic Development Fund, and Innovative Housing Fund, all of which are considered to be major funds. Data from the other governmental funds (Certificates of Indebtedness Series 2000 and Sales Tax Refunding Bonds Series 1994) are combined into a single, aggregated presentation. The basic governmental funds financial statements can be found on Exhibit C and Exhibit D.

Financial Analysis of the Governmental Funds

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$1,555,432. In the General Fund, the unreserved fund balance is \$182,241.

The reserved fund balance in governmental funds in the amount of \$47,633 indicate that these funds are not available for new spending because they have already been committed for debt service. The debt service funds' total fund balance is reserved for the payment of debt.

Individual fund data for each of the nonmajor governmental funds is provided in the form of combining statements in the Supplemental Information portion of this report, beginning on Schedule 6.

- B. Proprietary funds – Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses enterprise funds to account for its Water and Sewer departments. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer departments, which are considered to be major funds of the Town. The basic proprietary fund financial statements can be found on Exhibit E, Exhibit F, and Exhibit G of this report.

3. Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on the pages indicated in the Table of Contents.

Town of Independence, Louisiana
Management's Discussion and Analysis (Continued)
June 30, 2004

4. Other Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Required supplementary information can be found beginning on Schedule 1 of this report.

A. Budgetary Comparison Schedule – The Town adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget, beginning on Schedule 1.

B. Analysis of Significant Budget Variances in the General Fund:

Expenditures:

1. The variance in insurance expenses was due to the inclusion of a June 30, 2003 expense in the current year that was not accrued in the prior year. In addition, a variance between the original budget and final budget existed due to the omission of worker's compensation expenses in the original budget.
2. Salaries in the Police Department increased during the year due to personnel increases during the year. In addition, repairs & maintenance in the Police Department were larger than expected during the year.
3. Original amounts budgeted for capital outlay exceeded the final amounts budgeted due to the Fire Department deciding to seek funding for the construction of a new station from Rural Development rather than from the Town Government. Differences between the final budget and the actual amount reported for the year for capital outlay differed due to approximately \$25,000 being budgeted for street improvements that did not take place during the year.

Supplemental Information

Combining statements of the non-major Governmental Funds (Certificates of Indebtedness Series 2000 and Sales Tax Refunding Bonds Series 1994) have been provided on Schedule 6 and Schedule 7.

Capital Asset and Debt Administration

1. Capital Assets

The Town's investment in capital assets for its governmental and business type activities as of June 30, 2004 amounts to \$5,138,157 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities, roads, highways, and bridges.

Town of Independence, Louisiana
Management's Discussion and Analysis (Continued)
June 30, 2004

Major capital asset additions during the current fiscal year included the following:

- A. Renovations to City Hall took place at a cost of approximately \$80,000. This is being funded by an advance from the Innovative Housing Fund and is to be repaid at \$200 per month until paid.
- B. Sewer line extensions were installed at a cost of \$22,000. This is being funded by a capital grant for the same amount.

Additional information on the Town's capital assets can be found in Note 5 of this report.

2. Long-Term Debt

At the end of the current fiscal year, the Town had total bonded debt outstanding of \$1,200,128. Of this amount, \$196,000 comprises debt backed by a pledge of the excess revenues of the General Fund, \$88,000 payable from a pledge of the Town's 1982 1% Sales and Use Tax, and \$916,128 payable from a pledge of the Town's sewer revenues.

The Town's total debt decreased \$90,250 during the current fiscal year. Total principal payments were made on debt in the amount of \$90,250.

Additional information on the Town's long-term debt can be found in Note 8 of this report.

Economic Factors and Next Year's Budget and Rates

The following factors were considered in preparing the Town's budget for the 2005 fiscal year:

As noted in the government activities section above, sales taxes were the Town's largest revenue source. For fiscal year ending June 30, 2005, there was no budgeted revenue increase in sales tax over actual collections in the June 30, 2004 fiscal year.

The budget for fiscal year ending June 30, 2005 was created under the assumption that all Town employees who had been in their current positions longer than one year would be receiving 5% raises.

At the present time, local governments are experiencing tremendous increases in the cost of their share of employee retirement, especially for police and fire personnel. Nationwide, most public employee retirement systems share this problem. In 2003 - 2004, police retirement increased the employer portion from 9% to 18.25% of payroll and project an increase to 21.5% effective July 2004. The employer contribution to municipal retirement has a projected increase from 11% in July 2004 to 15% effective July 2005.

Town of Independence, Louisiana
Management's Discussion and Analysis (Continued)
June 30, 2004

Requests for Information

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Robin Dagro, Town Clerk, Post Office Box 35, Independence, Louisiana 70443.

Basic Financial Statements

Town of Independence, Louisiana
Statement of Net Assets
June 30, 2004

Exhibit A

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash & Cash Equivalents	\$ 589,066	\$ 215,347	\$ 804,413
Investments	464,243	32,452	496,695
Receivables, Net	572,960	44,994	617,954
Due from Other Governments	23,086	-	23,086
Internal Balances	(30,490)	30,490	-
Prepaid Insurance	8,271	-	8,271
Restricted Cash & Cash Equivalents	-	108,689	108,689
Restricted Investments	-	64,029	64,029
Capital Assets, Net	1,427,175	3,710,982	5,138,157
Total Assets	\$ 3,054,311	\$ 4,206,983	\$ 7,261,294
Liabilities			
Accounts Payable	\$ 27,252	\$ 152	\$ 27,404
Accrued Liabilities	36,690	1,660	38,350
Current Portion of			
Long-Term Obligations	55,000	18,974	73,974
Utility Deposits	-	23,063	23,063
Non-Current Portion of			
Long-Term Obligations	229,000	897,154	1,126,154
Total Liabilities	\$ 347,942	\$ 941,003	\$ 1,288,945
Net Assets			
Invested in Capital Assets, Net of Related Debt	\$ 1,143,175	\$ 2,794,854	\$ 3,938,029
Restricted for Debt Service	47,124	129,021	176,145
Restricted for Development	644,882	-	644,882
Unrestricted	871,188	342,105	1,213,293
Total Net Assets	\$ 2,706,369	\$ 3,265,980	\$ 5,972,349

The accompanying notes are an integral part of this statement.

Town of Independence, Louisiana
Statement of Activities
For the Year Ended June 30, 2004

Exhibit B

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total 2004
Governmental Activities:							
General Government	\$ 289,808	\$ 2,922	\$ 5,540	\$ -	\$ (281,346)	\$ -	\$ (281,346)
Public Safety	357,967	22,628	60,148	-	(275,191)	-	(275,191)
Streets and Parks	210,821	-	2,000	-	(208,821)	-	(208,821)
Solid Waste	81,098	76,092	-	-	(5,006)	-	(5,006)
Other	5,018	-	-	-	(5,018)	-	(5,018)
Interest on Long-Term Debt	17,087	-	-	-	(17,087)	-	(17,087)
Total Governmental Activities	\$ 961,799	\$ 101,642	\$ 67,688	\$ -	\$ (792,469)	\$ -	\$ (792,469)
Business-Type Activities:							
Water	\$ 139,786	\$ 138,819	\$ -	\$ 11,250	\$ -	\$ 10,283	\$ 10,283
Sewer	290,131	146,492	-	22,000	-	(121,639)	(121,639)
Total Business-Type Activities	\$ 429,917	\$ 285,311	\$ -	\$ 33,250	\$ -	\$ (111,356)	\$ (111,356)
Total Primary Government	\$ 1,391,716	\$ 386,953	\$ 67,688	\$ 33,250	\$ (792,469)	\$ (111,356)	\$ (903,825)
General Revenues:							
Taxes:							
Property Taxes					\$ 101,449	\$ -	\$ 101,449
Franchise Taxes					50,632	-	50,632
Sales Taxes					377,086	94,271	471,357
Alcoholic Beverage Tax					3,823	-	3,823
Occupational Licenses					96,905	-	96,905
Rental Income					25,200	-	25,200
Investment Earnings					26,548	4,225	30,773
Transfers					49,286	(49,286)	-
Miscellaneous					5,316	16,971	22,287
Total General Revenues and Transfers					\$ 736,245	\$ 66,181	\$ 802,426
Change in Net Assets					\$ (56,224)	\$ (45,175)	\$ (101,399)
Net Assets - Beginning of the Year					\$ 2,762,593	\$ 3,311,155	\$ 6,073,748
Net Assets - End of the Year					\$ 2,706,369	\$ 3,265,980	\$ 5,972,349

The accompanying notes are an integral part of this statement.

Town of Independence, Louisiana
Balance Sheet
Governmental Funds
June 30, 2004

Assets	General Fund	1% Sales Tax (1966)	1% Sales Tax (1982)	LCDBG Economic Development	Innovative Housing	Other Governmental Funds	Total
Cash	\$ 216,823	\$ 149,466	\$ 137,754	\$ 1,500	\$ 35,890	\$ 47,633	\$ 589,066
Investments	80,645	106,786	155,756	59,610	61,446	-	464,243
Receivables, Net							
Ad Valorem Taxes	30	-	-	-	-	-	30
Franchise Taxes	11,626	-	-	-	-	-	11,626
Sales Taxes	-	32,437	32,437	-	-	-	64,874
Notes	-	-	-	-	495,191	-	495,191
Other Receivables	670	122	155	209	83	-	1,239
Due from Other Governmental Units	23,086	-	-	-	-	-	23,086
Due from Other Funds	71,923	-	-	-	25,591	-	97,514
Advance to Other Funds	-	-	-	-	81,800	-	81,800
Total Assets	\$ 404,803	\$ 288,811	\$ 326,102	\$ 61,319	\$ 700,001	\$ 47,633	\$ 1,828,669

Liabilities and Fund Balances

Liabilities							
Accounts Payable	\$ 9,213	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,213
Accrued Employee Leave	26,318	-	-	-	-	-	26,318
Accrued Payroll	9,863	-	-	-	-	-	9,863
Due to Other Funds	77,723	-	15,643	856	33,782	-	128,004
Advance from Other Funds	81,800	-	-	-	-	-	81,800
Payroll Taxes Payable	17,645	-	-	-	-	-	17,645
Sales Tax Collection Fee Payable	-	197	197	-	-	-	394
Total Liabilities	\$ 222,562	\$ 197	\$ 15,840	\$ 856	\$ 33,782	\$ -	\$ 273,237
Fund Balance							
Reserved for Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 47,633	\$ 47,633
Reserved for Advances to Other Funds	-	-	-	-	81,800	-	81,800
Reserved for Development	-	-	-	60,463	584,419	-	644,882
Unreserved - Undesignated	182,241	288,614	310,262	-	-	-	781,117
Total Fund Balances	\$ 182,241	\$ 288,614	\$ 310,262	\$ 60,463	\$ 666,219	\$ 47,633	\$ 1,555,432
Total Liabilities and Fund Balances	\$ 404,803	\$ 288,811	\$ 326,102	\$ 61,319	\$ 700,001	\$ 47,633	\$ 1,828,669

The accompanying notes are an integral part of this statement.

Town of Independence, Louisiana
 Reconciliation of the Balance Sheet to the Statement of Net Assets
 Governmental Funds
 For the Year Ended June 30, 2004

Exhibit C-1

Fund Balances - Total Governmental Funds (Exhibit C)	\$	1,555,432
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.

Governmental Capital Assets		3,527,953
Less: Accumulated Depreciation		(2,100,778)

Prepaid insurance is not accrued and is therefore not reported in the governmental funds.

Current Year Prepaid Insurance		8,271
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Accrued interest on long-term debt is not accrued and is therefore not reported in the governmental funds.

Current Year Accrued Interest		(509)
-------------------------------	--	-------

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds.

Certificate of Obligation		(196,000)
Sales Tax Refunding Bonds		(88,000)

Net Assets of Governmental Activities (Exhibit A)	\$	<u>2,706,369</u>
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The accompanying notes are an integral part of this statement.

Exhibit D

Town of Independence, Louisiana
 Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds
 For the Year Ended June 30, 2004

	General Fund	1% Sales Tax (1966)	1% Sales Tax (1982)	LCDBG Economic Development	Innovative Housing	Other Governmental Funds	Total
Revenues:							
Taxes	\$ 101,449	\$ 188,543	\$ 188,543	-	-	-	\$ 478,535
Licenses and Permits	150,459	-	-	-	-	-	150,459
Intergovernmental	42,261	-	-	-	-	-	42,261
Fines and Forfeitures	22,628	-	-	-	-	-	22,628
Solid Waste	76,092	-	-	-	-	-	76,092
On Behalf Payments by State	29,250	-	-	-	-	-	29,250
Miscellaneous	35,926	2,551	2,946	617	14,520	504	57,064
Total Revenues	\$ 458,065	\$ 191,094	\$ 191,489	\$ 617	\$ 14,520	\$ 504	\$ 856,289
Expenditures:							
Current:							
General Government	\$ 263,542	\$ 1,220	\$ 1,197	-	-	-	\$ 265,959
Public Safety	343,424	-	-	-	-	-	343,424
Streets and Parks	143,791	-	-	-	-	-	143,791
Solid Waste	81,098	-	-	-	-	-	81,098
Other	5,018	-	-	-	-	-	5,018
Capital Outlay	92,448	-	-	-	-	-	92,448
Debt Service:							
Principal	-	-	-	-	-	53,000	53,000
Interest	-	-	-	-	-	22,864	22,864
Total Expenditures	\$ 929,321	\$ 1,220	\$ 1,197	\$ -	\$ -	\$ 75,864	\$ 1,007,602
Excess (Deficiency) of Revenues Over Expenditures	\$ (471,256)	\$ 189,874	\$ 190,292	\$ 617	\$ 14,520	\$ (75,360)	\$ (151,313)

Exhibit D
(Continued)

Town of Independence, Louisiana
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2004

	General Fund	1% Sales Tax (1966)	1% Sales Tax (1982)	LCDBG Economic Development	Innovative Housing	Other Governmental Funds	Total
Other Financing Sources (Uses):							
Transfers In	\$ 324,286	\$ -	\$ -	\$ -	\$ -	\$ 71,142	\$ 395,428
Transfers Out	-	(155,000)	(191,142)	-	-	-	(346,142)
Total Other Financing Sources (Uses)	\$ 324,286	\$ (155,000)	\$ (191,142)	\$ -	\$ -	\$ 71,142	\$ 49,286
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	\$ (146,970)	\$ 34,874	\$ (850)	\$ 617	\$ 14,520	\$ (4,218)	\$ (102,027)
Fund Balance - Beginning of the Year	\$ 329,211	\$ 253,740	\$ 311,112	\$ 59,846	\$ 651,699	\$ 51,851	\$ 1,657,459
Fund Balance - End of the Year	\$ 182,241	\$ 288,614	\$ 310,262	\$ 60,463	\$ 666,219	\$ 47,633	\$ 1,555,432

The accompanying notes are an integral part of this statement.

Town of Independence, Louisiana
 Reconciliation of the Statement of Revenues,
 Expenditures, and Changes in Fund Balances of
 Governmental Funds to the Statement of Activities
 For the Year Ended June 30, 2004

Exhibit D-1

Net Change in Fund Balances - Total Governmental Funds (Exhibit D) \$ (102,027)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation charged exceeded capital outlay in the current period.

Depreciation Expense	(105,629)
Capital Outlay	92,448

Governmental funds expense insurance payments when paid. In the statement of activities, only the portion applicable to the current year is expensed. The remaining is recorded in the statement of net assets as prepaid insurance.

Prior Year Prepaid Insurance	(8,064)
Current Year Prepaid Insurance	8,271

Governmental funds expense interest payments on long-term debt when paid. In the statement of activities, the total interest applicable to the current year is expensed. As a result, accrued interest is expensed in the statement of activities.

Prior Year Accrued Interest	6,286
Current Year Accrued Interest	(509)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds because:

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which proceeds exceeded repayments.

Proceeds	-
Repayments	53,000

Change in Net Assets of Governmental Activities (Exhibit B)	<u>\$ (56,224)</u>
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The accompanying notes are an integral part of this statement.

Town of Independence, Louisiana
Statement of Net Assets
Proprietary Funds
June 30, 2004

Exhibit E

Assets	Business-Type Activities - Enterprise Funds		Total
	Water	Sewer	
	Water	Sewer	
Current Assets:			
Cash	\$ 71,783	\$ 143,564	\$ 215,347
Investments	32,452	-	32,452
Receivables:			
Accounts Receivable, Net	28,546	51	28,597
Accrued Interest Receivable	83	95	178
Sales Tax Receivable	-	16,219	16,219
Due from Other Funds	48,992	24,127	73,119
Total Current Assets	\$ 181,856	\$ 184,056	\$ 365,912
Restricted Assets:			
Cash - \$290,000 Revenue Bond Debt Service Account	\$ -	\$ 20,784	\$ 20,784
Cash - \$102,000 Revenue Bond Debt Service and Contingency Account	-	64,842	64,842
Investments - \$102,000 Revenue Bond Debt Service and Contingency	-	64,029	64,029
Cash - Utility Customer - Deposit Account	23,063	-	23,063
Total Restricted Assets	\$ 23,063	\$ 149,655	\$ 172,718
Plant and Equipment, at Cost	\$ 1,817,958	\$ 3,626,569	\$ 5,444,527
Less: Accumulated Depreciation	781,880	951,665	1,733,545
Plant and Equipment, Net	\$ 1,036,078	\$ 2,674,904	\$ 3,710,982
Total Assets	\$ 1,240,997	\$ 3,008,615	\$ 4,249,612

(Continued)

Town of Independence, Louisiana
Statement of Net Assets
Proprietary Funds
June 30, 2004

Exhibit E
(Continued)

Liabilities and Net Assets	Business-Type Activities - Enterprise Funds		Total
	Water	Sewer	
Liabilities:			
Current Liabilities (Payable from			
Current Assets):			
Accounts Payable	\$ 42	\$ -	\$ 42
Due to Other Funds	42,629	-	42,629
Sales Tax Collection Fee Payable	15	95	110
Total Current Liabilities (Payable from Current Assets)	\$ 42,686	\$ 95	\$ 42,781
Current Liabilities (Payable from			
Restricted Assets):			
Revenue Bonds Payable	\$ -	\$ 18,974	\$ 18,974
Accrued Bond Interest Payable	-	1,660	1,660
Utility Customer Deposits	23,063	-	23,063
Total Current Liabilities (Payable from Restricted Assets)	\$ 23,063	\$ 20,634	\$ 43,697
Long-Term Liabilities:			
Revenue Bonds Payable	\$ -	\$ 897,154	\$ 897,154
Total Long-Term Liabilities	\$ -	\$ 897,154	\$ 897,154
Total Liabilities	\$ 65,749	\$ 917,883	\$ 983,632
Net Assets:			
Invested in Capital Assets, Net of Related Debt	\$ 1,036,078	\$ 1,758,776	\$ 2,794,854
Reserved for Revenue Bond Retirement	-	129,021	129,021
Unreserved - Undesignated	139,170	202,935	342,105
Total Net Assets	\$ 1,175,248	\$ 2,090,732	\$ 3,265,980
Total Liabilities and Net Assets	\$ 1,240,997	\$ 3,008,615	\$ 4,249,612

The accompanying notes are an integral part of this statement.

Town of Independence, Louisiana
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2004

Exhibit F

	Business-Type Activities - Enterprise Funds		Total
	Water	Sewer	
Operating Revenues:			
Water and Other Services	\$ 131,681	\$ 144,842	\$ 276,523
Delinquent Charges	5,938	-	5,938
Connection Fees	1,200	1,650	2,850
Total Operating Revenues	\$ 138,819	\$ 146,492	\$ 285,311
Operating Expenses:			
Salaries and Employee Benefits	\$ 35,026	\$ 50,215	\$ 85,241
Office Expense	3,152	746	3,898
Repairs and Maintenance	31,150	31,620	62,770
Fuel for Equipment	263	2,470	2,733
Operating Supplies	9,884	1,286	11,170
Utilities	8,689	28,827	37,516
Insurance	3,792	4,298	8,090
Professional Fees	3,099	27,774	30,873
Sewer Plant Expense	-	12,734	12,734
Depreciation	36,607	86,462	123,069
Sales Tax Collector Fee Expense	-	598	598
Bad Debts	3,396	-	3,396
Engineering Fees	1,967	-	1,967
Miscellaneous	2,761	134	2,895
Total Operating Expenses	\$ 139,786	\$ 247,164	\$ 386,950
Net Operating Income (Loss)	\$ (967)	\$ (100,672)	\$ (101,639)
Nonoperating Income (Expense):			
Investment Interest	\$ 1,507	\$ 2,718	\$ 4,225
Interest Expense	-	(42,967)	(42,967)
Dedicated Sales Tax Revenue (1/2% 1980 Tax)	-	94,271	94,271
Miscellaneous Income	16,971	-	16,971
Total Non-Operating Revenues (Expenses)	\$ 18,478	\$ 54,022	\$ 72,500

(Continued)

Town of Independence, Louisiana
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2004

Exhibit F
(Continued)

	Business-Type Activities - Enterprise Funds		Total
	Water	Sewer	
Transfers In	\$ -	\$ -	\$ -
Transfers Out	(49,286)	-	(49,286)
Capital Contributions - Grants	11,250	22,000	33,250
Change in Net Assets	\$ (20,525)	\$ (24,650)	\$ (45,175)
Net Assets - Beginning of the Year	<u>\$ 1,195,773</u>	<u>\$ 2,115,382</u>	<u>\$ 3,311,155</u>
Net Assets - End of the Year	<u>\$ 1,175,248</u>	<u>\$ 2,090,732</u>	<u>\$ 3,265,980</u>

The accompanying notes are an integral part of this statement.

Town of Independence, Louisiana
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2004

Exhibit G

	Business-Type Activities -		
	Enterprise Funds		
	Water	Sewer	2004
Cash Flows from Operating Activities:			
Receipts from Customers	\$ 127,556	\$ 146,441	\$ 273,997
Payments to Suppliers	(81,751)	(110,487)	(192,238)
Payments to Employees	(35,026)	(50,215)	(85,241)
Other Receipts (Payments)	6,165	(1,463)	4,702
Net Cash Provided by (Used in) Operating Activities	\$ 16,944	\$ (15,724)	\$ 1,220
Cash Flows From Noncapital Financing Activities:			
(Increase) Decrease in Due from Other Funds	\$ (48,992)	\$ (702)	\$ (49,694)
Increase (Decrease) in Due to Other Funds	(7,520)	-	(7,520)
Transfers to Other Funds	(49,286)	-	(49,286)
Net Cash Provided by (Used in) Noncapital Financing Activities	\$ (105,798)	\$ (702)	\$ (106,500)
Cash Flows From Capital and Related Financing Activities:			
Construction of Capital Assets	\$ -	\$ (22,000)	\$ (22,000)
Dedicated Sales Tax Revenue (1/2% 1980 Tax)	-	94,271	94,271
Miscellaneous Non-Operating Income	16,971	-	16,971
Revenue Bond Principal Paid on Capital Debt	-	(37,250)	(37,250)
Interest Paid on Capital Debt	-	(42,967)	(42,967)
Capital Grants Received	11,250	22,000	33,250
Net Cash Provided by Capital and Related Financing Activities	\$ 28,221	\$ 14,054	\$ 42,275
Cash Flows From Investing Activities:			
Interest Earned on Investments	\$ 1,506	\$ 2,717	\$ 4,223
Purchase of Investments	(309)	(678)	(987)
Net Cash Provided by Investing Activities	\$ 1,197	\$ 2,039	\$ 3,236
Increase (Decrease) in Cash	\$ (59,436)	\$ (333)	\$ (59,769)
Cash - Beginning of the Year	\$ 154,282	\$ 229,523	\$ 383,805
Cash - End of the Year	\$ 94,846	\$ 229,190	\$ 324,036
Reconciliation of Cash Accounts:			
Unrestricted Cash	\$ 71,783	\$ 143,564	\$ 215,347
Restricted Cash	23,063	85,626	108,689
	\$ 94,846	\$ 229,190	\$ 324,036

(Continued)

Town of Independence, Louisiana
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2004

Exhibit G
(Continued)

	Business-Type Activities - Enterprise Funds		2004
	Water	Sewer	
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	\$ (967)	\$ (100,672)	\$ (101,639)
Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities:			
Depreciation	36,607	86,462	123,069
Provision for Bad Debts	3,396	-	3,396
Changes in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivable	(7,867)	(51)	(7,918)
(Increase) Decrease in Accrued Interest Receivable	43	(15)	28
(Increase) Decrease in Sales Tax Receivable	-	(1,448)	(1,448)
Increase (Decrease) in Accounts Payable	(16,994)	-	(16,994)
Increase (Decrease) in Sales Tax Collection Fee Payable	(269)	-	(269)
Increase (Decrease) in Customer Deposits Payable	2,995	-	2,995
Net Cash Provided By (Used In) Operating Activities	\$ 16,944	\$ (15,724)	\$ 1,220

The accompanying notes are an integral part of this statement.

Notes to Financial Statements

Town of Independence, Louisiana
Notes to Financial Statements
June 30, 2004

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Town of Independence, Louisiana
Notes to Financial Statements
June 30, 2004

Narrative Profile

The Town of Independence, Louisiana (the "Town") was incorporated under the provisions of the Lawrason Act. The Town operates under a Mayor – Board of Alderman 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, Louisiana 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:

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity

Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification) established criteria for determining the governmental reporting entity and component units that should be included with the reporting entity. For financial reporting purposes, in conformance with GASB Codification Section 2100, the Town includes all funds which are controlled by or dependent on the Town which was determined on the basis of oversight responsibility, including accountability for fiscal and budget matters, designation of management or governing authority, and authority to issue debt. Certain units of local government over which the Town exercises no oversight responsibility, such as the parish council, parish school board, other independently elected officials, and other municipalities within the parish, are excluded from the accompanying financial statements.

These units of government are considered separate reporting entities and issue financial statements separate from those of the Town.

GASB Statement No. 34 establishes new requirements and a new reporting model for the annual financial reports of state and local governments. The Statement was developed to make annual financial reports easier to understand and more useful to the people who use governmental financial information to make decisions.

Management's Discussion and Analysis – GASB Statement No. 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of "Management's Discussion and Analysis" (MD&A). This analysis is similar to analysis the private sector provides in their annual reports.

Town of Independence, Louisiana
Notes to Financial Statements (Continued)
June 30, 2004

Government-Wide Financial Statements – The reporting model includes financial statements prepared using full accrual accounting for all of the government’s activities. This approach includes not just current assets and liabilities (such as cash and accounts payable), but also capital assets and long-term liabilities (such as buildings and infrastructure, including bridges and roads, and general obligation debt). Accrual accounting also reports all of the revenues and cost of providing services each year, not just those received or paid in the current year or soon thereafter.

Statement of Net Assets – The Schedule of Net Assets is designed to display the financial position of the primary government (government and business-type activities) and its discretely presented component units. Governments will report all capital assets, including infrastructure, in the government-wide Schedule of Net Assets and will report depreciation expense – the cost of “using up” capital assets – in the Schedule of Activities. The net assets of a government will be broken down into three categories – 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted.

Statement of Activities – The new government-wide statement of activities reports expenses and revenues in a format that focuses on the cost of each of the government’s functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).

Budgetary Comparison Schedules – Demonstrating compliance with the adopted budget is an important component of a government’s accountability to the public. Many citizens participate in one way or another in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the actual financial process of their governments over the course of the year. Many governments revise their original budgets over the course of the year for a variety of reasons. Under the new reporting model, governments will continue to provide budgetary comparison information in their annual reports. An important change, however, is a requirement to add the government’s original budget to the current comparison of final budget and actual results.

As required by the accounting principles generally accepted in the United States, these financial statements present the primary government and its component units, entities for which the government is considered financially accountable. Blended component units, although legally separate entities are, in substance, part of the government’s operations and so data from these units are combined with data of the primary government. The Town has no component units.

B. Government-Wide and Fund Accounting

The basic financial statements include both government-wide (based on the Town as a whole) and fund types (the total of all funds of a particular type). In the new reporting model, the focus is on either the Town as a whole or major individual funds (within the fund financial statements). Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either

Town of Independence, Louisiana
Notes to Financial Statements (Continued)
June 30, 2004

governmental or business-type. In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reflected, on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations. The Town generally first uses restricted assets for expenses incurred for which both restricted and unrestricted assets are available. The Town may defer the use of restricted assets based on a review of the specific transaction.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (public safety, streets and parks, etc.) which are otherwise being supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions. The program revenues must be directly associated with the function (public safety, streets and parks, etc.) or a business-type activity. The Town does not allocate indirect expenses. The operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The governmental funds major fund statements in the fund financial statements are presented on a current financial resource and modified accrual basis of accounting. These funds are normally budgeted in this manner. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented which briefly explains the adjustments necessary to reconcile funds based on financial statements with the governmental column of the government-wide presentation.

The focus of the revised model is on the Town as a whole and the fund financial statements, including the major individual funds of the governmental and business-type categories. Each presentation provides valuable information that can be analyzed and compared (between years and between governments) to enhance the usefulness of the information.

In the fund financial statements, financial transactions and accounts of the Town are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and / or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

Governmental Funds

Governmental funds are used to account for all or most of the municipality's general activities, including the collection and disbursement of specific or legally restricted

Town of Independence, Louisiana
Notes to Financial Statements (Continued)
June 30, 2004

monies, the acquisition or construction of general fixed assets, and the servicing of general long-term debt. Governmental funds include:

General Fund – The General Fund is the general operating fund of the Town. This fund is used to account for all financial transactions and resources except for those required to be accounted for in another fund. Revenues are derived primarily from property and other local taxes, state and federal distributions, licenses, permits, charges for services, and interest income.

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are restricted by legal and regulatory provisions to finance specific activities. The 1% Sales Tax Fund (1966), 1% Sales Tax Fund (1982), LCDBG Economic Development Fund, and Innovative Housing Fund are considered major funds for reporting purposes.

Debt Service Funds – Debt Service Funds account for resources set aside to pay interest and principal on long-term debt. The Series 1994 Sales Tax Refunding Bonds Fund and Series 2000 Certificates of Indebtedness Fund are considered nonmajor funds for reporting purposes.

Proprietary Funds

Proprietary Funds are used to account for activities that are similar to those often found in the private sector. All assets, liabilities, equities, revenues, expenses, and transfers relating to the government's business activities are accounted for through proprietary funds. The measurement focus is on the determination of net income, financial position, and cash flows. Operating expenses include costs of services as well as materials, contracts, personnel and dedication. In accordance with Governmental Accounting Standards Board (GASB Statement No. 20), the Town has elected to follow GASB statements issued after November 30, 1989, rather than the Financial Accounting Standards Board, in accounting for proprietary funds.

Enterprise Funds or Business Funds – 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, and other purposes. The Town's Water Enterprise Fund and Sewer Enterprise Fund account for the operations of providing water services and sewer services, respectively.

C. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All government funds, including General, Special Revenue, and

Town of Independence, Louisiana
Notes to Financial Statements (Continued)
June 30, 2004

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

The government-wide statements of net assets and statements of activities, all proprietary funds, and private purpose trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these activities are either included on the balance sheet or on the statement of fiduciary net assets. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

The fund financial statements of the General, Special Revenue, and Debt Service Funds are maintained and reported on the modified accrual basis of accounting. Under this method of accounting, revenues are recognized in the period in which they become measurable and available. With respect to real and personal property tax revenue and other local taxes, the term "available" is limited to collection within forty-five days of the fiscal year end. Levies made prior to the fiscal year-end but which are not available are deferred. Interest income is recorded as earned. Federal and State reimbursement-type grants are recorded as revenue when related eligible expenditures are incurred. Expenditures, other than accrued interest on long-term debt, are recorded when the fund liability is incurred.

The statements of net assets and statements of activities of the Proprietary Funds are presented on the accrual basis of accounting. Under this method of accounting, revenues are recognized when earned and expenses are recorded when liabilities are incurred without regard to receipt or disbursement of cash.

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

D. 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 this budget 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, 2004, was submitted to the Board of Aldermen on June 10, 2003.
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

Town of Independence, Louisiana
Notes to Financial Statements (Continued)
June 30, 2004

hearing is called. The proposed budget for the year ended June 30, 2004, was published timely in the official journal.

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, 2004, was held on July 1, 2003.
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, 2004, was adopted by ordinance on July 1, 2003.
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, 2004 was amended on June 24, 2004.
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) except for the following deviations: (1) On the budget basis in the General Fund a loan from the Innovative Housing Fund is recorded as an Other Financing Source, while on the GAAP basis it is reported as an Advance from Other Funds (Liability). (2) On the budget basis in the Innovative Housing Fund a loan to the General Fund is recorded as an Other Financing Use, while on the GAAP basis it is reported as an Advance to Other Funds (Asset).
8. 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.

E. 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. 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.

Town of Independence, Louisiana
Notes to Financial Statements (Continued)
June 30, 2004

F. Receivables and Payables

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

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and tax receivables are shown net of any applicable allowance for uncollectibles.

G. 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, 2004.

	<u>Balance at June 30, 2004</u>
a. General Fund	
Allowance for Uncollectible Ad Valorem Tax Receivable	\$ <u>29,041</u>
b. Special Revenue Funds	
Allowance for Uncollectible Innovative Housing Program Notes Receivable	\$ <u>11,406</u>
c. Water Enterprise Fund	
Allowance for Uncollectible Water Fees	\$ <u>16,557</u>

H. 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, 2004, as the amount is not material.

Town of Independence, Louisiana
Notes to Financial Statements (Continued)
June 30, 2004

I. Payable from Restricted Assets

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

	Balance at June 30, 2004
Utility Customer Deposits	\$ 23,063
Revenue Bonds Payable	18,974
Accrued Bond Interest Payable	1,660
	\$ 43,697

J. Capital Assets

Capital outlays are recorded as expenditures of the General and Special Revenue Funds and as assets in the government-wide financial statements to the extent the Town's capitalization threshold is met. In accordance with GASB Statement No. 34, infrastructure has been capitalized retroactively to 1980. Although an exception exists for local governments with annual revenues less than \$10 million, the Town has elected to report its infrastructure retroactively. Interest incurred during construction is capitalized on a government-wide basis. Interest attributable to capitalized assets as of June 30, 2004 was immaterial. Depreciation is recorded on capital assets on a government-wide basis. Capital outlays of the Proprietary Funds are recorded as fixed assets and depreciated over their estimated useful lives on a straight-line basis on both the funds basis and the government-wide basis. All fixed assets are valued at historical cost or estimated historical cost if actual cost was not available. Donated fixed assets are valued at their estimated fair market value on the date donated. Of the \$2,686,416 in retroactive infrastructure capitalized at June 30, 2004, the entire amount was estimated using current replacement cost for a similar asset and deflating this cost through the use of price indices to the acquisition year. The Town does not capitalize historical treasures or works of art. The Town maintains many items and buildings of historical significance. The Town does not require that the proceeds from the sale of historical treasures or works of art be used to acquire other items for the collection.

Maintenance, repairs, and minor equipment are charged to operations when incurred. Expenditures that materially change capacities or extend useful lives are capitalized. Upon sale or retirement of land, buildings, and equipment, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and any resulting gain or loss is included in the results of operations.

Town of Independence, Louisiana
Notes to Financial Statements (Continued)
June 30, 2004

K. 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, 2004, 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, although cumulative, do not vest.

L. Pension Plans

The Town has two pension plans that 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 6 and 7).

M. Long-Term Obligations

In the government-wide financial statements, debt principal payments of both government and business-type activities are reported as decreases in the balance of the liability on the Statement of Net Assets. In the fund financial statements, however, debt principal payments of governmental funds are recognized as expenditures when paid.

N. Fund Equity

Government-Wide Statements

Equity is classified as net assets and displayed in three components:

1. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted net assets – Consists of net assets with constraints placed on the use either by:
 - a. External groups such as creditors, grantors, contributors, or laws or regulations of other governments, or

Town of Independence, Louisiana
Notes to Financial Statements (Continued)
June 30, 2004

- b. Law through constitutional provisions or enabling legislation.
- 3. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated. Proprietary fund equity is classified the same as in the government-wide statements. See Note 9 for additional disclosures.

O. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

P. Change in Accounting Principles and Restatement of Prior Year Fund Equity

For the fiscal year ended June 30, 2004, the Town implemented the following GASB Standards:

Statement No. 34 – *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*

Statement No. 36 – *Recipient Reporting for Certain Shared Nonexchange Revenues*

Statement No. 37 – *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus*

Statement No. 38 – *Certain Financial Statement Note Disclosure*

Interpretation No. 6 – *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*

Town of Independence, Louisiana
Notes to Financial Statements (Continued)
June 30, 2004

The transition from Governmental Fund Balances to Net Assets of Governmental Activities for June 30, 2003, is presented below:

	Governmental Activities
Total Fund Balances of all Governmental Funds, as Previously Reported	\$ 1,657,459
Prepaid Insurance	8,064
Capital Assets, Net of Depreciation	1,440,356
Accrued Interest on General Long-Term Debt	(6,286)
General Long-Term Debt	(337,000)
	\$ 2,762,593

2. Stewardship, Compliance, and Accountability

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund and all special revenue funds except for the deviations discussed in Note 1-D. All annual appropriations lapse at fiscal year end. See Note 1-D regarding the adoption of operating budgets.

The Town was in compliance with the Local Budget Act.

B. Deposits and Investment Laws and Regulations

In accordance with state law, all uninsured deposits of municipal funds in financial institutions must be secured with acceptable collateral valued at lower of market or par. As reflected in Note 3 regarding cash, cash equivalents, and investments, the Town was in compliance with the deposit and investment laws and regulations.

C. Deficit Fund Equity

As of June 30, 2004, no Town funds had deficit fund equities.

Town of Independence, Louisiana
Notes to Financial Statements (Continued)
June 30, 2004

D. Compliance with Bond and Certificate of Indebtedness Covenants

1. Compliance with Sales Tax Bond Covenants

As of June 30, 2004, the Town was in compliance with all Sales Tax Bond Covenants. See Note 12 for a further discussion of the Sales Tax Bond Covenants.

2. Compliance with Sewer Revenue Bond Covenants

As of June 30, 2004, the Town was in compliance with all Sewer Revenue Bond Covenants. See Note 12 for a further discussion of the Sewer Revenue Bond Covenants.

3. Compliance with Certificates of Indebtedness Covenants

As of June 30, 2004, the Town was in compliance with all Certificates of Indebtedness Covenants. See Note 12 for a further discussion of the Certificates of Indebtedness Covenants.

3. Cash, Cash Equivalents, 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.

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, Louisiana has cash totaling \$913,102 and investments totaling \$560,724 at June 30, 2004. 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, 2004, with the related federal deposit insurance and pledged securities:

Town of Independence, Louisiana
Notes to Financial Statements (Continued)
June 30, 2004

	<u>Confirmed Bank Balances June 30, 2004</u>	<u>FDIC Insurance</u>	<u>Balance Uninsured</u>
Cash:			
Demand Deposits	\$ -	\$ -	\$ -
Interest Bearing Demand Deposits	920,327	100,000	820,327
Time Deposits	<u>36,990</u>	<u>-</u>	<u>36,990</u>
Total Cash	\$ 957,317	\$ 100,000	\$ 857,317
Investments:			
Certificates of Deposit	<u>\$ 560,650</u>	<u>\$ 100,000</u>	<u>\$ 460,650</u>
Total	<u>\$ 1,517,967</u>	<u>\$ 200,000</u>	<u>\$ 1,317,967</u>
Uncollateralized - Securities in the name of and held by the Fiscal Agent Pledged to the Town			<u>\$ 2,100,000</u>
Excess of FDIC Insurance and Pledged Securities over Cash and Investment Bank Balances			<u>\$ 782,033</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.

4. Due from Other Governmental Units

Amounts due from other governmental units at June 30, 2004, consisted of the following:

	<u>General Fund</u>
Expense Reimbursement - Due from Tangi Fire District #2	\$ 22,097
Beer Tax - Due from the State of Louisiana	<u>989</u>
Total	<u>\$ 23,086</u>

Town of Independence, Louisiana
Notes to Financial Statements (Continued)
June 30, 2004

5. Capital Assets

The following is a summary of the changes in capital assets for the fiscal year ended June 30, 2004:

Governmental Activities:	Restated Balance <u>06/30/03</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>06/30/04</u>
Capital Assets Not Depreciated:				
Land and Land Improvements	\$ 64,500	\$ -	\$ -	\$ 64,500
Total Capital Assets Not Being Depreciated	\$ 64,500	\$ -	\$ -	\$ 64,500
Other Capital Assets:				
Buildings / Improvements	\$ 381,043	\$ 71,394	\$ -	\$ 452,437
Infrastructure	2,686,416	-	-	2,686,416
Machinery, Equipment, and Vehicles	<u>303,546</u>	<u>21,054</u>	<u>-</u>	<u>324,600</u>
Total Other Capital Assets	\$ 3,371,005	\$ 92,448	\$ -	\$ 3,463,453
Less Accumulated Depreciation:				
Buildings / Improvements	\$ 167,745	\$ 12,091	\$ -	\$ 179,836
Infrastructure	1,575,196	67,030	-	1,642,226
Machinery, Equipment, and Vehicles	<u>252,208</u>	<u>26,508</u>	<u>-</u>	<u>278,716</u>
Total Accumulated Depreciation	\$ 1,995,149	\$ 105,629	\$ -	\$ 2,100,778
Other Capital Assets, Net	<u>\$ 1,375,856</u>	<u>\$ (13,181)</u>	<u>\$ -</u>	<u>\$ 1,362,675</u>
Totals	<u>\$ 1,440,356</u>	<u>\$ (13,181)</u>	<u>\$ -</u>	<u>\$ 1,427,175</u>

Governmental activities capital assets net of accumulated depreciation at June 30, 2004 are comprised of the following:

General Capital Assets, Net	\$ 1,427,175
Total	<u>\$ 1,427,175</u>

Town of Independence, Louisiana
Notes to Financial Statements (Continued)
June 30, 2004

The gross cost and accumulated depreciation balances at June 30, 2003 were restated to capitalize infrastructure assets and record accumulated depreciation in accordance with the adoption of GASB Statement No. 34. Balances as of June 30, 2003 were restated as follows:

	Balance <u>06/30/03</u>	<u>Restatement</u>	Restated Balance <u>06/30/03</u>
Land and Land Improvements	\$ 64,500	\$ -	\$ 64,500
Buildings / Improvements	381,043	-	381,043
Infrastructure	-	2,686,416	2,686,416
Machinery, Equipment, and Vehicles	<u>271,544</u>	<u>32,002</u>	<u>303,546</u>
Subtotal	\$ 717,087	\$ 2,718,418	\$ 3,435,505
Less: Accumulated Depreciation	<u>-</u>	<u>1,995,149</u>	<u>1,995,149</u>
Totals	<u>\$ 717,087</u>	<u>\$ 723,269</u>	<u>\$ 1,440,356</u>

The following is a summary of changes in capital assets for business-type activities for the fiscal year ended June 30, 2004:

	Balance <u>06/30/03</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>06/30/04</u>
Business-Type Activities:				
Land	\$ 69,808	\$ -	\$ -	\$ 69,808
Wells	138,603			138,603
Pumping Stations & Equipment	50,000	-	-	50,000
Storage Tank	145,520	-	-	145,520
Sewerage Lift Stations	100,000	-	-	100,000
Water and Sewer Lines, etc.	4,860,890	22,000	-	4,882,890
Vehicles and Equipment	<u>57,706</u>	<u>-</u>	<u>-</u>	<u>57,706</u>
	\$ 5,422,527	\$ 22,000	\$ -	\$ 5,444,527
Less Accumulated Depreciation:				
Buildings and Equipment	\$ 1,610,476	\$ 123,069	\$ -	\$ 1,733,545
Total	<u>\$ 3,812,051</u>	<u>\$ (101,069)</u>	<u>\$ -</u>	<u>\$ 3,710,982</u>

Town of Independence, Louisiana
Notes to Financial Statements (Continued)
June 30, 2004

Property, plant, and equipment are stated at cost, less an allowance for accumulated depreciation. Depreciation expense is computed using the straight-line method over the estimated useful lives of the assets as follows:

Buildings	40	Years
Infrastructure	40 - 50	Years
Water Wells & Sewer Pump Stations	20	Years
Storage Tanks, Lines & Meters	40	Years
Trucks & Equipment	5	Years
Garbage Collection System	10	Years

Capital outlays are reported as expenditures in the governmental funds; however, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. The adjustment from governmental funds to the government-wide statements are summarized as follows:

Primary Government:

Capital Outlay	\$ 92,448
Depreciation Expense	<u>(105,629)</u>

Total Adjustment	<u>\$ (13,181)</u>
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Depreciation expense was charged to functions / programs of the Town as follows:

Governmental Activities:

General Government	\$ 24,056
Public Safety	14,543
Streets and Parks	67,030
Solid Waste	-
Other	<u>-</u>

Total Depreciation Expense - Governmental Activities	<u>\$ 105,629</u>
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Business-Type Activities:

Water	\$ 36,607
Sewer	<u>86,462</u>

Total Depreciation Expense - Business-Type Activities	<u>\$ 123,069</u>
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Town of Independence, Louisiana
Notes to Financial Statements (Continued)
June 30, 2004

6. Employees Pension Plan (Other Than Police Officers)

All Town of Independence, Louisiana 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.

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. Entitlements 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.

Plan members are required, currently, to contribute 9.25% of their annual covered salary. The Town is required to contribute at an actuarially determined rate; the current rate is 11.00% of covered payroll.

The System receives 1/4 of 1% of ad valorem taxes collected within the respective parishes except for Orleans. Tax monies are apportioned between Plan A and Plan B in proportion to salaries of plan participants. The System also receives revenue sharing funds each year as appropriated by the Legislature. These additional sources of income are used as additional employer contributions. The remaining employer contributions are determined according to actuarial requirements and are set annually.

Both the Town and the covered employees made the required contributions amounting to \$51,344. There were no related party transactions.

Town of Independence, Louisiana
Notes to Financial Statements (Continued)
June 30, 2004

Trend Information

Contributions required by state statute:

Fiscal Year June 30,	Required Contribution	Percentage Contribution
2002	\$ 36,481	100%
2003	\$ 46,721	100%
2004	\$ 51,344	100%

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Municipal Employees Retirement System of Louisiana, 7937 Office Park Boulevard, Baton Rouge, Louisiana 70809, or by calling (225) 925-4810.

All employees of the Town of Independence, Louisiana are also members of the Social Security System.

7. Employees Pension Plan (Police Officers)

Full-time police employees of the Town of Independence, Louisiana participate in the Municipal Police Employees Retirement System ("Police System"), a multiple-employer public employee retirement system.

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 that entitle them to regular retirement benefits. The Police System also provides death and disability benefits. Benefits are established by state statute.

Plan members are required, currently, to contribute 7.50% of their annual covered salary. The Town is required to contribute at an actuarially determined rate; the current rate is 15.25% of covered payroll.

Both the Town and the covered employees made the required contributions, amounting to \$24,386. There were no related party transactions.

Town of Independence, Louisiana
Notes to Financial Statements (Continued)
June 30, 2004

Trend Information

Contributions required by state statute:

Fiscal Year June 30,	Required Contribution	Percentage Contribution
2002	\$ 15,999	100%
2003	\$ 17,566	100%
2004	\$ 24,386	100%

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Municipal Police Employees Retirement System of Louisiana, 8401 United Plaza Boulevard, Baton Rouge, Louisiana 70809-2250, or by calling (225) 929-7411.

All employees of the Town of Independence, Louisiana are also members of the Social Security System.

8. Changes In Long-Term Debt

The following is a summary of debt transactions of the Town of Independence, Louisiana for the year ended June 30, 2004:

	Debt Payable 07/01/03	Increase in Debt	Debt Retired	Debt Payable 06/30/04	Due Within One Year
Certificate of Obligation	\$ 230,000	\$ -	\$ 34,000	\$ 196,000	\$ 36,000
Sales Tax Refunding Bonds	107,000	-	19,000	88,000	19,000
Revenue Bonds	953,378	-	37,250	916,128	18,974
Total	\$ 1,290,378	\$ -	\$ 90,250	\$ 1,200,128	\$ 73,974

Long-term debt payable at June 30, 2004, is comprised of the following:

Certificates of Indebtedness:

\$350,000 Certificates of Indebtedness, Series 1999, Independence, Louisiana, dated May 3, 1999; due in bi-annual installments of \$39,523 - \$45,761 through 01/01/2009; Interest at 4.98%; (Secured through a pledge and dedication of excess revenues of the Town above statutory, necessary, and usual charges.) \$ 196,000

Town of Independence, Louisiana
Notes to Financial Statements (Continued)
June 30, 2004

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

<u>Year Ended June 30,</u>	<u>1999 Certificate of Indebtedness</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	36,000	4,880	40,880
2006	37,000	7,968	44,968
2007	39,000	6,125	45,125
2008	41,000	4,183	45,183
2009	43,000	2,141	45,141
	<u>\$ 196,000</u>	<u>\$ 25,297</u>	<u>\$ 221,297</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 06/01/2008; Interest at 6.1%
(Payable from a pledge of the Town's 1982 1% Sales and Use Tax)

\$ 88,000

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

<u>Year Ended June 30,</u>	<u>1994 Public Improvement Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 88,000</u>	<u>\$ 14,030</u>	<u>\$ 102,030</u>

Town of Independence, Louisiana
Notes to Financial Statements (Continued)
June 30, 2004

Revenue Bonds:

\$102,000 Revenue Bonds dated 04/21/80; Due in annual installments of \$3,000 - \$7,000 through 04/21/2005; Interest at 5%	\$ 7,000
\$975,000 Revenue Bonds dated 12/16/97; Due in monthly installments of \$4,387.50 through 12/16/2037; Interest at 4.5% (payable from a pledge of the Town's income and revenues of the Sewerage System)	<u>\$ 909,128</u>
	<u>\$ 916,128</u>

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

	<u>\$975,000 Revenue Bonds</u>	<u>\$102,000 Revenue Bonds</u>	<u>Total</u>
06/30/05	52,650	7,350	60,000
06/30/06	52,650	-	52,650
06/30/07	52,650	-	52,650
06/30/08	52,650	-	52,650
06/30/09	52,650	-	52,650
06/30/10 - 06/30/14	263,250	-	263,250
06/30/15 - 06/30/19	263,250	-	263,250
06/30/20 - 06/30/24	263,250	-	263,250
06/30/25 - 06/30/29	263,250	-	263,250
06/30/30 - 06/30/34	263,250	-	263,250
06/30/35 - 06/30/38	184,275	-	184,275
Total	<u>\$ 1,763,775</u>	<u>\$ 7,350</u>	<u>\$ 1,771,125</u>
Less: Interest	<u>854,647</u>	<u>350</u>	<u>854,997</u>
	<u>\$ 909,128</u>	<u>\$ 7,000</u>	<u>\$ 916,128</u>

Recap of Revenue Bonds Outstanding:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
\$975,000 Revenue Bonds	\$ 909,128	\$ 854,647	\$ 1,763,775
\$102,000 Revenue Bonds	<u>7,000</u>	<u>350</u>	<u>7,350</u>
	<u>\$ 916,128</u>	<u>\$ 854,997</u>	<u>\$ 1,771,125</u>

Town of Independence, Louisiana
Notes to Financial Statements (Continued)
June 30, 2004

9. 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.

	<u>Balance at June 30, 2004</u>
Reserves of Fund Balance/Fund Equity:	
a. Debt Service Funds	
(1) Reserved for General Obligation Bond Debt Service	\$ 47,633
(2) Reserved for Economic Development	60,463
(3) Reserved for Historical District Renovations	584,419
b. Water and Sewer Enterprise Fund	
(1) Reserved for Revenue Bond Debt Service	<u>129,021</u>
	<u>\$ 821,536</u>

10. Tax Revenues

A sales tax of two and one-half percent is levied by the Town on taxable sales within the Town. The sales tax is collected by the Tangipahoa Parish School Board, Sales Tax Division, and remitted to the Town in the month following receipt by the School Board. The School Board receives the sales tax approximately one month after collection by vendors. Sales taxes collected in June and July (which represent sales for May and June) and received by the Town in July and August have been accrued and are included under the caption "Sales Tax Receivable".

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, 2004, taxes of 16.23 mills were levied on property with taxable assessed valuations totaling \$6,412,712 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>

Town of Independence, Louisiana
Notes to Financial Statements (Continued)
June 30, 2004

Total taxes levied were \$104,078. Taxes receivable were \$29,071 at June 30, 2004. The allowance for uncollectible ad valorem taxes totaled \$29,041 at June 30, 2004.

11. On Behalf Payments Made by State of Louisiana

For the year ended June 30, 2004, the State of Louisiana made on behalf payments in the form of supplemental pay to the Town's policemen and firemen. In accordance with GASB 24, the Town has recorded \$29,250 of on behalf payments as revenue and as expenses in the General Fund, as follows:

Department	Amount
Fire	\$ 14,850
Police	14,400
Total	\$ 29,250

12. 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, Louisiana (current collections were \$188,543 for the year ended June 30, 2004) 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 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 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

Town of Independence, Louisiana
Notes to Financial Statements (Continued)
June 30, 2004

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 ½ % Sales and Use Tax (Enterprise Fund)

The proceeds of the 1980 ½ % sales and use tax levied by the Town of Independence, Louisiana (current collections were \$94,271 for the year ended June 30, 2004) 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 ½ % sales and use tax 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 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

Town of Independence, Louisiana
Notes to Financial Statements (Continued)
June 30, 2004

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, Louisiana (current collections were \$188,543 for the year ended June 30, 2004) 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 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

Town of Independence, Louisiana
Notes to Financial Statements (Continued)
June 30, 2004

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.

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

Additionally, the Town, through its governing authority, adopted a resolution on March 11, 1997, authorizing the issuance of \$975,000 Sewer Revenue Bonds issued on a complete parity with the outstanding \$45,000 of Revenue Bonds dated April 21, 1980 referred to in the first paragraph above, 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 finance a portion of the cost of acquiring and constructing improvements, extensions, and replacements to the Town's sewerage system.

The bond resolutions require 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 December 2037, 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.

Town of Independence, Louisiana
Notes to Financial Statements (Continued)
June 30, 2004

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 of \$60,000. On January 1, 2005, the reserve requirement is to be reduced to \$52,650. 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 \$318 per month. Money in this Fund may be used for the making of repairs or replacements to the system that 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.

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, and Sewer Depreciation Fund were in accordance with the bond covenants.

14. Compliance with Certificates of Indebtedness Covenants

The Town through its governing authority, adopted a resolution on November 10, 1998, authorizing the issuance of Certificates of Indebtedness Series 1999 in an amount not to exceed \$350,000 for resurfacing and improving public streets in the Town. That resolution contained certain covenants and agreements in connection with the security and payment of the certificates. The major covenants contained in the resolution and the manner in which the Town has complied with these covenants is described as follows:

Audit Requirements – In the resolution the Town is required to cause an audit of its records and accounts to be made no later than three (3) months after the close of each fiscal year.

As of June 30, 2004, the Town was in compliance with this resolution covenant as it was under contract with a certified public accountant for an audit of its records for the year ended June 30, 2004.

Sinking Fund – In the resolution the Town is required to create a special fund to be known as "Town of Independence, State of Louisiana, Certificate of Indebtedness, Series 1999, Sinking Fund" to be used for payment of the principal of and the interest on the certificates. The Town is required to deposit in the Sinking Fund funds fully sufficient to promptly pay the maturing principal and / or interest so falling due on such date.

As of June 30, 2004, the Town was in compliance with this resolution covenant.

Town of Independence, Louisiana
Notes to Financial Statements (Continued)
June 30, 2004

Other Requirements – The resolution contains additional covenants regarding collection of tax, legal right to collection of tax, and other miscellaneous provisions.

As of June 30, 2004, the Town was in compliance with these other resolution covenants in all material respects.

15. Interfund Receivables and Payables

Due to / from Other Funds:

The following is a summary of amounts due from and due to other funds at June 30, 2004:

	<u>Due From</u>	<u>Due To</u>
General Fund:		
Special Revenue Funds	\$ 50,281	\$ 74,583
Sewer Enterprise Fund	-	3,140
Water Enterprise Fund	<u>21,642</u>	<u>-</u>
Total General Fund	\$ 71,923	\$ 77,723
 Special Revenue Funds:		
General Fund	<u>\$ 25,591</u>	<u>\$ 50,281</u>
Total Special Revenue Funds	\$ 25,591	\$ 50,281
 Sewer Enterprise Fund:		
Water Enterprise Fund	\$ 20,987	\$ -
General Fund	<u>3,140</u>	<u>-</u>
Total Sewer Enterprise Fund	\$ 24,127	\$ -
 Water Enterprise Fund:		
Sewer Enterprise Fund	\$ -	\$ 20,987
General Fund	<u>48,992</u>	<u>21,642</u>
Total Water Enterprise Fund	\$ 48,992	\$ 42,629
 Total All Funds	 <u>\$ 170,633</u>	 <u>\$ 170,633</u>

Town of Independence, Louisiana
Notes to Financial Statements (Continued)
June 30, 2004

Advances to / from Other Funds:

The following is a summary of amounts advanced to and from other funds at June 30, 2004.

	<u>Advanced To</u>	<u>Advanced From</u>
General Fund:		
Innovative Housing Fund	\$ -	\$ 81,800
Total General Fund	\$ -	\$ 81,800
 Special Revenue Funds:		
General Fund	\$ 81,800	\$ -
Total Special Revenue Funds	\$ 81,800	\$ -
 Total All Funds	 <u>\$ 81,800</u>	 <u>\$ 81,800</u>

Town of Independence, Louisiana
Notes to Financial Statements (Continued)
June 30, 2004

16. Interfund Transfers

The following is a summary of the transfers between funds during the fiscal year ended June 30, 2004:

	<u>Transfers In From</u>	<u>Transfers Out To</u>
General Fund:		
1966 Sales Tax Fund	\$ 155,000	\$ -
1982 Sales Tax Fund	120,000	-
Water Enterprise Fund	49,286	-
Total General Fund	<u>\$ 324,286</u>	<u>\$ -</u>
Special Revenue Funds:		
General Fund	\$ -	\$ 275,000
Series 1994 Sales Tax Refunding Bonds	-	25,535
Series 2000 Certificates of Indebtedness	-	45,607
Total Special Revenue Funds	<u>\$ -</u>	<u>\$ 346,142</u>
Debt Service Fund:		
1982 Sales Tax Fund	\$ 71,142	\$ -
Total Debt Service Fund	<u>\$ 71,142</u>	<u>\$ -</u>
Enterprise Fund:		
General Fund	\$ -	\$ 49,286
Total Enterprise Fund	<u>\$ -</u>	<u>\$ 49,286</u>
 Total All Funds	 <u>\$ 395,428</u>	 <u>\$ 395,428</u>

17. Restricted Assets – Proprietary Fund Type

Restricted assets were applicable to the following at June 30, 2004:

\$290,000 Revenue Bond Debt Service - Cash	\$ 20,784
\$102,000 Revenue Bond Debt Service - Cash	64,842
\$102,000 Revenue Bond Debt Service - Investments	64,029
Customers' Deposits - Cash	<u>23,063</u>
Total Restricted Assets	<u>\$ 172,718</u>

Town of Independence, Louisiana
Notes to Financial Statements (Continued)
June 30, 2004

18. Segments of Enterprise Activities

Some services provided by the Town of Independence, Louisiana are financed by user charges – sewerage and water system. The significant financial data for these enterprises are as follows:

	<u>Water System</u>	<u>Sewer System</u>	<u>Total</u>
Operating Revenues	\$ 138,819	\$ 146,492	\$ 285,311
Depreciation	\$ 36,607	\$ 86,462	\$ 123,069
Operating Income (Loss)	\$ (967)	\$ (100,672)	\$ (101,639)
Net Income (Loss)	\$ (20,525)	\$ (24,650)	\$ (45,175)
Working Capital	\$ 139,170	\$ 183,961	\$ 323,131
Property, Plant, & Equipment:			
Additions	\$ -	\$ 22,000	\$ 22,000
Deletions	\$ -	\$ -	\$ -
Total Assets	\$ 1,240,997	\$ 3,008,615	\$ 4,249,612
Revenue Bonds Payable	\$ -	\$ 916,128	\$ 916,128
Equity	\$ 1,175,248	\$ 2,090,732	\$ 3,265,980

19. Commitments and Contingencies

Grant Programs

The Town participates in several state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the Town has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable at June 30, 2004 may be impaired. In the opinion of the Town, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements of such contingencies.

Loan Guarantee

On June 24, 2004, the Town passed a resolution to guarantee a loan at Hancock Bank for the Tangipahoa Parish Fire District #2 in an amount not to exceed \$130,000. The proceeds of the loan will be used for the construction of a new fire station for District #2. Upon completion of the construction, District #2 is attempting to obtain permanent financing under a rural development loan program. The loan is expected to be repaid from revenues of District #2.

Required Supplemental Information

Town of Independence, Louisiana
Statement of Revenues, Expenditures, and Changes in Fund Balance –
Budget (Non-GAAP Basis) and Actual
General Fund
For the Year Ended June 30, 2004

Schedule 1

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts - Budgetary Basis</u>	<u>Variance with Final Budget Favorable / (Unfavorable)</u>
Revenues:				
Taxes - Ad Valorem	\$ 100,000	\$ 100,000	\$ 101,449	\$ 1,449
Licenses and Permits	138,700	142,700	150,459	7,759
Intergovernmental	110,322	35,322	42,261	6,939
Fines and Forfeitures	24,000	25,500	22,628	(2,872)
Solid Waste	74,500	74,500	76,092	1,592
On-behalf Payments by State	28,800	28,800	29,250	450
Miscellaneous	27,700	26,700	35,926	9,226
Total Revenues	<u>\$ 504,022</u>	<u>\$ 433,522</u>	<u>\$ 458,065</u>	<u>\$ 24,543</u>
Expenditures:				
Current:				
General Government	\$ 187,211	\$ 226,651	\$ 263,542	\$ (36,891)
Public Safety - Fire	127,822	127,822	122,311	5,511
Public Safety - Police	200,181	200,181	221,113	(20,932)
Streets and Parks	149,463	149,463	143,791	5,672
Solid Waste	75,350	75,350	81,098	(5,748)
Other	10,764	7,500	5,018	2,482
Capital Outlay	207,943	120,943	92,448	28,495
Total Expenditures	<u>\$ 958,734</u>	<u>\$ 907,910</u>	<u>\$ 929,321</u>	<u>\$ (21,411)</u>
Excess (Deficiency) of Revenues over Expenditures	\$ (454,712)	\$ (474,388)	\$ (471,256)	\$ 3,132
Other Financing Sources (Uses):				
Sales Tax Fund (1966)	\$ 155,000	\$ 155,000	\$ 155,000	\$ -
Sales Tax Fund (1982)	120,000	120,000	120,000	-
Water and Sewer Fund	49,400	49,400	49,286	(114)
Loan from Innovative Housing Fund	77,600	77,600	81,800	4,200
Excess (Deficiency) of Revenues and Other Sources over Expenditures and Other Uses	\$ (52,712)	\$ (72,388)	\$ (65,170)	\$ 7,218
Fund Balance - Beginning of the Year (Non-GAAP Budgetary Basis)	<u>\$ 248,949</u>	<u>\$ 191,075</u>	<u>\$ 329,211</u>	<u>\$ 138,136</u>
Fund Balance - End of the Year (Non-GAAP Budgetary Basis)	<u>\$ 196,237</u>	<u>\$ 118,687</u>	<u>\$ 264,041</u>	<u>\$ 145,354</u>
Adjustments to Generally Accepted Accounting Principles				
Loan from Innovative Housing Fund			<u>(81,800)</u>	
Fund Balance - End of the Year (GAAP Basis)			<u>\$ 182,241</u>	

See auditor's report.

Town of Independence, Louisiana
Statement of Revenues, Expenditures, and Changes in Fund Balance –
Budget (GAAP Basis) and Actual
1% Sales Tax Fund (1966)
For the Year Ended June 30, 2004

Schedule 2

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts -</u>	<u>Variance with Final Budget Favorable / (Unfavorable)</u>
Revenues:				
Sales Tax	\$ 185,500	\$ 185,500	\$ 188,543	\$ 3,043
Interest Revenue	<u>3,500</u>	<u>3,500</u>	<u>2,551</u>	<u>(949)</u>
Total Revenues	\$ 189,000	\$ 189,000	\$ 191,094	\$ 2,094
 Expenditures:				
General Government	<u>\$ 1,500</u>	<u>\$ 1,500</u>	<u>\$ 1,220</u>	<u>\$ 280</u>
Total Expenditures	<u>\$ 1,500</u>	<u>\$ 1,500</u>	<u>\$ 1,220</u>	<u>\$ 280</u>
 Excess of Revenues over Expenditures				
	\$ 187,500	\$ 187,500	\$ 189,874	\$ 2,374
 Other Financing Sources (Uses):				
Transfers Out:				
General Fund	<u>\$ (155,000)</u>	<u>\$ (155,000)</u>	<u>\$ (155,000)</u>	<u>\$ -</u>
Total Other Uses	<u>\$ (155,000)</u>	<u>\$ (155,000)</u>	<u>\$ (155,000)</u>	<u>\$ -</u>
 Excess (Deficiency) of Revenues Over Expenditures and Other Uses				
	\$ 32,500	\$ 32,500	\$ 34,874	\$ 2,374
 Fund Balance - Beginning of the Year				
	<u>\$ 262,194</u>	<u>\$ 262,194</u>	<u>\$ 253,740</u>	<u>\$ (8,454)</u>
 Fund Balance - End of the Year				
	<u>\$ 294,694</u>	<u>\$ 294,694</u>	<u>\$ 288,614</u>	<u>\$ (6,080)</u>

See auditor's report.

Town of Independence, Louisiana
Statement of Revenues, Expenditures, and Changes in Fund Balance --
Budget (GAAP Basis) and Actual
1% Sales Tax Fund (1982)
For the Year Ended June 30, 2004

Schedule 3

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts -</u>	<u>Variance with Final Budget Favorable / (Unfavorable)</u>
Revenues:				
Sales Taxes	\$ 185,500	\$ 185,500	\$ 188,543	\$ 3,043
Interest Revenue	<u>3,300</u>	<u>3,300</u>	<u>2,946</u>	<u>(354)</u>
Total Revenues	\$ 188,800	\$ 188,800	\$ 191,489	\$ 2,689
Expenditures:				
General Government	\$ 1,500	\$ 1,500	\$ 1,197	\$ 303
Total Expenditures	\$ 1,500	\$ 1,500	\$ 1,197	\$ 303
Excess of Revenues over Expenditures	\$ 187,300	\$ 187,300	\$ 190,292	\$ 2,992
Other Financing Sources (Uses):				
Transfers Out:				
General Fund	\$ (120,000)	\$ (120,000)	\$ (120,000)	\$ -
Debt Service Fund	<u>(70,134)</u>	<u>(70,134)</u>	<u>(71,142)</u>	<u>(1,008)</u>
Total Other Uses	\$ (190,134)	\$ (190,134)	\$ (191,142)	\$ (1,008)
Excess (Deficiency) of Revenues Over Expenditures and Other Uses	\$ (2,834)	\$ (2,834)	\$ (850)	\$ 1,984
Fund Balance - Beginning of the Year	\$ 314,301	\$ 314,301	\$ 311,112	\$ (3,189)
Fund Balance - End of the Year	\$ 311,467	\$ 311,467	\$ 310,262	\$ (1,205)

See auditor's report.

Town of Independence, Louisiana
Statement of Revenues, Expenditures, and Changes in Fund Balance –
Budget (GAAP Basis) and Actual
LCDBG Economic Development – 1987 Fund
For the Year Ended June 30, 2004

Schedule 4

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Favorable / (Unfavorable)
Revenues:				
Interest Revenue	\$ 1,500	\$ 1,500	\$ 617	\$ (883)
Total Revenues	\$ 1,500	\$ 1,500	\$ 617	\$ (883)
Expenditures:				
Administrative Fees	\$ 1,500	\$ 1,500	\$ -	\$ 1,500
Audit and Accounting	1,500	1,500	-	1,500
Industrial Development Dues	900	900	-	900
Total Expenditures	<u>3,900</u>	<u>3,900</u>	<u>-</u>	<u>3,900</u>
Excess (Deficiency) of Revenues over Expenditures	\$ (2,400)	\$ (2,400)	\$ 617	\$ 3,017
Fund Balance - Beginning of the Year	<u>\$ 59,494</u>	<u>\$ 59,494</u>	<u>\$ 59,846</u>	<u>\$ 352</u>
Fund Balance - End of the Year	<u>\$ 57,094</u>	<u>\$ 57,094</u>	<u>\$ 60,463</u>	<u>\$ 3,369</u>

See auditor's report.

Town of Independence, Louisiana
Statement of Revenues, Expenditures, and Changes in Fund Balance –
Budget (Non-GAAP Basis) and Actual
Innovative Housing Fund
For the Year Ended June 30, 2004

Schedule 5

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts - Budgetary Basis</u>	<u>Variance with Final Budget Favorable / (Unfavorable)</u>
Revenues:				
Interest Revenue	\$ 14,000	\$ 14,000	\$ 14,520	\$ 520
Total Revenues	<u>\$ 14,000</u>	<u>\$ 14,000</u>	<u>\$ 14,520</u>	<u>\$ 520</u>
Expenditures:				
Administrative Fees	\$ 1,500	\$ 1,500	\$ -	\$ 1,500
Audit and Accounting	1,500	1,500	-	1,500
Maintenance	14,500	14,500	-	14,500
Total Expenditures	<u>\$ 17,500</u>	<u>\$ 17,500</u>	<u>\$ -</u>	<u>\$ 17,500</u>
Excess (Deficiency) of Revenues over Expenditures	\$ (3,500)	\$ (3,500)	\$ 14,520	\$ 18,020
Other Financing Sources (Uses):				
Loan to General Fund	\$ (80,000)	\$ (80,000)	\$ (81,800)	\$ (1,800)
Debt Repayment General Fund	2,400	2,400	-	(2,400)
Total Other Uses	<u>\$ (77,600)</u>	<u>\$ (77,600)</u>	<u>\$ (81,800)</u>	<u>\$ (4,200)</u>
Excess (Deficiency) of Revenues Over Expenditures and Other Uses	\$ (81,100)	\$ (81,100)	\$ (67,280)	\$ 13,820
Fund Balance - Beginning of the Year (Non-GAAP Budgetary Basis)	\$ 640,528	\$ 640,528	\$ 651,699	\$ 11,171
Fund Balance - End of the Year (Non-GAAP Budgetary Basis)	\$ 559,428	\$ 559,428	\$ 584,419	\$ 24,991
Adjustments to Generally Accepted Accounting Principles				
Loan to General Fund			<u>81,800</u>	
Fund Balance - End of the Year (GAAP Basis)			<u>\$ 666,219</u>	

See auditor's report.

Other Supplemental Information

Nonmajor Governmental Funds

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 and interest.

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 that was authorized at a special election held on November 28, 1981.

Certificates of Indebtedness, Series 2000 – To accumulated monies for the payment of the Certificates of Indebtedness, Series 2000 due in annual installments, plus interest, through maturity in 2009. Debt service is financed from excess revenues of the Town above statutory, necessary, and usual charges.

Town of Independence, Louisiana
 Combining Balance Sheet
 Non-Major Governmental Funds
 June 30, 2004

Schedule 6

	Certificates of Indebtedness Series 2000	Sales Tax Refunding Bonds Series 1994	Total Non-Major Governmental Funds
Assets			
Cash	\$ 18,955	\$ 28,678	\$ 47,633
Total Assets	\$ 18,955	\$ 28,678	\$ 47,633
Liabilities and Fund Balance			
Liabilities	\$ -	\$ -	\$ -
Total Liabilities	\$ -	\$ -	\$ -
Fund Balances			
Reserved for Debt Service	\$ 18,955	\$ 28,678	\$ 47,633
Total Liabilities and Fund Balance	\$ 18,955	\$ 28,678	\$ 47,633

See auditor's report.

Town of Independence, Louisiana Schedule 7
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Non-Major Governmental Funds
 For the Year Ended June 30, 2004

	Certificates of Indebtedness Series 2000	Sales Tax Refunding Bonds Series 1994	Total Non-Major Governmental Funds
Revenues			
Interest	\$ 183	\$ 321	\$ 504
Total Revenues	\$ 183	\$ 321	\$ 504
Expenditures			
Principal Retirement	\$ 34,000	\$ 19,000	\$ 53,000
Interest	16,334	6,530	22,864
Total Expenditures	\$ 50,334	\$ 25,530	\$ 75,864
Excess of Revenues over Expenditures	\$ (50,151)	\$ (25,209)	\$ (75,360)
Other Financing Sources			
Transfers In	\$ 45,607	\$ 25,535	\$ 71,142
Total Other Sources	\$ 45,607	\$ 25,535	\$ 71,142
Excess (Deficiency) of Revenues over Expenditures and Other Uses	\$ (4,544)	\$ 326	\$ (4,218)
Fund Balances - Beginning of the Year	\$ 23,499	\$ 28,352	\$ 51,851
Fund Balances - End of the Year	\$ 18,955	\$ 28,678	\$ 47,633

See auditor's report.

**Schedule of Changes in Assets
Restricted for Revenue Bond Debt Service**

Town of Independence
 Schedule of Changes in Assets Restricted for Revenue Bond Debt Service
 For the Year Ended June 30, 2004
 With Comparative Amounts for the Year Ended June 30, 2003

	\$975,000 Revenue Bonds, December 16, 1997				\$290,000 Revenue Bonds, April 21, 1980			
	Current		Future		Current		Future	
	Debt Service	Contingency	Total	Total	Debt Service	Contingency	Total	Total
Balance at Beginning of Year								
Cash	\$ 15,991	\$ 20,744	\$ 57,349	\$ 20,017	\$ 4,011	\$ 24,028	\$ 81,377	\$ 62,090
Investments	-	-	63,351	-	-	-	63,351	62,313
Total	\$ 15,991	\$ 20,744	\$ 120,700	\$ 20,017	\$ 4,011	\$ 24,028	\$ 144,728	\$ 124,403
Receipts								
Transfer from								
Operating Account	\$ 62,449	\$ 3,816	\$ 66,265	\$ 17,500	\$ -	\$ 17,500	\$ 83,765	\$ 99,019
Interest	250	195	1,123	256	-	256	1,379	1,862
Total Receipts	\$ 62,699	\$ 4,011	\$ 67,388	\$ 17,756	\$ -	\$ 17,756	\$ 85,144	\$ 100,881
Total Available	\$ 78,690	\$ 24,755	\$ 188,088	\$ 37,773	\$ 4,011	\$ 41,784	\$ 229,872	\$ 225,284
Disbursements								
Principal Payments	\$ 17,250	\$ -	\$ 17,250	\$ 20,000	\$ -	\$ 20,000	\$ 37,250	\$ 35,914
Interest Payments	41,967	-	41,967	1,000	-	1,000	42,967	44,642
Total Disbursements	\$ 59,217	\$ -	\$ 59,217	\$ 21,000	\$ -	\$ 21,000	\$ 80,217	\$ 80,556
Balance at End of Year								
Cash	\$ 19,473	\$ 24,755	\$ 64,842	\$ 16,773	\$ 4,011	\$ 20,784	\$ 85,626	\$ 81,377
Investments	-	-	64,029	-	-	-	64,029	63,351
Total	\$ 19,473	\$ 24,755	\$ 128,871	\$ 16,773	\$ 4,011	\$ 20,784	\$ 149,655	\$ 144,728

See auditor's report.

Schedule of Insurance Coverage in Force (Unaudited)

Town of Independence
 Schedule of Insurance Coverage in Force (Unaudited)
 June 30, 2004

Schedule 9

<u>Insurance Company</u>	<u>Coverage</u>	<u>Amount</u>	<u>Expiration Date</u>
First State (Lloyd of London)	City Hall / Fire Station #1 473 W. Railroad Avenue		
	Building	\$ 174,195	03/13/05
	Contents	\$ 26,250	03/13/05
First State (Lloyd of London)	Fire Station #2 113 Calhoun Street		
	Building	\$ 98,122	03/13/05
	Contents	\$ 10,500	03/13/05
First State (Lloyd of London)	Water Tower & Equipment Pine Street		
	Tower #3	\$ 61,740	03/13/05
	Pumping Equipment	\$ 5,733	03/13/05
Rod Prejean and Assoc.	Fire Station #3 268 East Railroad Avenue		
	Building	\$ 102,000	09/05/04
Rod Prejean and Assoc.	Police Station / Senior Citizen 269 East Railroad Avenue		
	Building	\$ 102,000	09/05/04
	Contents	\$ 51,000	09/05/04
Rod Prejean and Assoc.	Central Tangi Head Start 728 East Railroad Avenue		
	Building	\$ 285,000	09/05/04
Rod Prejean and Assoc. EMC Insurance Co.	Public Official Bond Per Employee	\$ 100,000	05/07/05
Audubon Insurance Co.	Commercial Coverage		
	Comprehensive and Collision		
	Case Backhoe Loader	\$ 26,729	09/05/04
	Case Tractor	\$ 37,775	09/05/04

(Continued)

Town of Independence
Schedule of Insurance Coverage in Force (Unaudited)
June 30, 2004

Schedule 9
(Continued)

<u>Insurance Company</u>	<u>Coverage</u>	<u>Amount</u>	<u>Expiration Date</u>
First State (Lloyd of London)	Lift Stations		
	South Pine Street	\$ 33,600	03/13/05
	Kemp Street	\$ 27,825	03/13/05
	Robertson Road	\$ 16,275	03/13/05
	Larussa Lane	\$ 16,275	03/13/05
	Highway 40	\$ 22,575	03/13/05
	Route Avenue North	\$ 33,600	03/13/05
	6th Street	\$ 22,575	03/13/05
	Calhoun Street	\$ 22,575	03/13/05
	Cypress Street	\$ 22,575	03/13/05
	Cason Road	\$ 530,250	03/13/05
Progressive Insurance Co.	Commercial Auto Policy		
	Comprehensive and Collision		
	1992 Chevrolet Pickup	\$ 8,100	05/14/05
	2000 Chevrolet Pickup	\$ 25,000	05/14/05
La Municipal Risk Management Agency	Automobile Liability		
	Uninsured Motorist, BI & PD	\$ 500,000	05/01/06
La Municipal Risk Management Agency	Commercial General Liability		
	Premisis / Operations	\$ 500,000	05/01/06
	Products / Completed Operations	\$ 500,000	05/01/06
La Municipal Risk Management Agency	Law Enforcement Officers		
	Comprehensive Liability, Personal Injury	\$ 500,000	05/01/06
La Municipal Risk Management Agency	Public Officials Liability Errors & Omissions	\$ 500,000	05/01/06
La Municipal Risk Management Agency	Workman's Compensation	\$ -	01/01/05

See auditor's report.

Schedule of Compensation Paid Elected Officials

Town of Independence
 Schedule of Compensation Paid Elected Officials
 June 30, 2004

Schedule 10

Name	Title	Term of Office	Compensation Paid
Philip F. Domiano, Mayor P.O. Box 812 Independence, LA 70443	Mayor Street Commissioner	July 1, 2000 - June 30, 2004	\$ 10,800 \$ 49,192
Jessie C. Pigno P.O. Box 191 Independence, LA 70443	Police Chief	July 1, 2000 - June 30, 2004	\$ 29,390
John J. Polito, Sr. P.O. Box 763 Independence, LA 70443	Fire Chief	July 1, 2000 - February 12, 2004	\$ 18,177
Raymond Alexia P.O. Box 1395 Independence, LA 70443	Fire Chief	February 12, 2004 - June 30, 2004	\$ 9,120
Louis L. Joseph P.O. Box 621 Independence, LA 70443	Alderman	July 1, 2000 - June 30, 2004	\$ 2,250
Joseph Guzzardo P.O. Box 545 Independence, LA 70443	Alderman	July 1, 2000 - June 30, 2004	\$ 2,250
Parnell R. Baham P.O. Box 1282 Independence, LA 70443	Alderman	July 1, 2000 - June 30, 2004	\$ 2,063
George Guzzardo P.O. Box 295 Independence, LA 70443	Alderman	July 1, 2000 - June 30, 2004	\$ 2,250
Steve "Eddie" Anthony P.O. Box 723 Independence, LA 70443	Alderman	July 1, 2000 - June 30, 2004	\$ 2,188

See auditor's report.

Water and Sewer Rate Schedule

Town of Independence, Louisiana
 Water and Sewer Rate Schedule
 June 30, 2004

Schedule 11

Description	Total	Water	DHH Fee	Garbage	Fire Serv I	Police Serv II	Sewer	Tax
No Charge	-	-	-	-	-	-	-	-
Residential (1)	36.71	5.50	0.27	9.44	3.50	2.50	15.50	-
Residential (2)	73.42	11.00	0.54	18.88	7.00	5.00	31.00	-
Residential (3)	110.13	16.50	0.81	28.32	10.50	7.50	46.50	-
Residential (4)	146.84	22.00	1.08	37.76	14.00	10.00	62.00	-
Outside - Water (1)	17.27	17.00	0.27	-	-	-	-	-
Outside - Water (2)	34.54	34.00	0.54	-	-	-	-	-
Outside - Water (3)	51.81	51.00	0.81	-	-	-	-	-
Outside - Water & Sewer	32.77	17.00	0.27	-	-	-	15.50	-
Outside - No Sewer	21.21	5.50	0.27	9.44	3.50	2.50	-	-
Inside - Water Only	11.77	5.50	0.27	-	3.50	2.50	-	-
Commercial - Washateria	30.95	9.00	0.27	-	3.50	2.50	15.50	0.18
Head Start	281.39	9.00	0.27	9.44	3.50	2.50	256.50	0.18
	27.38	5.50	0.27	-	3.50	2.50	15.50	0.11
Commercial Rate (2)	42.89	11.00	0.54	9.44	3.50	2.50	15.50	0.41
Commercial Rate (1)	36.92	5.50	0.27	9.44	3.50	2.50	15.50	0.21
Car Wash - Indy Jet Spray	52.48	20.50	0.27	9.44	3.50	2.50	15.50	0.77
Car Wash - C&G	43.04	20.50	0.27	-	3.50	2.50	15.50	0.77
Commercial Washeteria	40.55	9.00	0.27	9.44	3.50	2.50	15.50	0.34
	104.07	100.00	0.27	-	-	-	-	3.80
Mater Dolorosa	440.52	177.75	0.27	-	3.50	2.50	256.50	-
	476.89	214.12	0.27	-	3.50	2.50	256.50	-
Indy Elem School	528.27	265.50	0.27	-	3.50	2.50	256.50	-
	543.64	280.87	0.27	-	3.50	2.50	256.50	-
Lallie Kemp Hospital	1,033.77	750.00	0.27	-	-	-	283.50	-
	2,129.18	319.00	15.66	547.52	203.00	145.00	899.00	-
Tax-Exempt	36.71	5.50	0.27	9.44	3.50	2.50	15.50	-
	293.68	44.00	2.16	75.52	28.00	20.00	124.00	-
LA Medical & Surgical	100.27	50.00	0.27	-	-	-	50.00	-
	183.55	27.50	1.35	47.20	17.50	12.50	77.50	-
Residential (6)	220.26	33.00	1.62	56.64	21.00	15.00	93.00	-

Delinquent fee \$5.00

See auditor's report.

Schedule of Water and Sewer Information

Town of Independence, Louisiana
 Schedule of Water and Sewer Information
 June 30, 2004

Schedule 12

Aged Accounts Receivable:

As of June 30, 2004, accounts receivable from water and sewer billings were aged as follows:

Current	Over 30 Days	Over 60 Days	Over 90 Days	Total
\$ 28,545	\$ 9,188	\$ 3,567	\$ 3,802	\$ 45,102

Water and Sewer Users

As of June 30, 2004, water and sewer users were composed of the following:

	Water	Sewer
Residential	667	570
Non-Residential	38	48
Total Users	705	618

See auditor's report.

**Other Independent Auditor's Reports and
Findings and Recommendations**

**Independent Auditor's Report on Compliance and on
Internal Control over Financial Reporting Based on an
Audit of Financial Statements Performed in Accordance with
*Government Auditing Standards***



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September 23, 2004

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the remaining aggregate fund information of the Town of Independence, Louisiana, as of and for the year ended June 30, 2004, which collectively comprise the Town of Independence's basic financial statements, and have issued our report thereon dated September 23, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under Government Auditing Standards which is described in the accompanying schedule of findings and questioned costs as item 04-1.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Town's internal control over financial reporting 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 over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial

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

reporting that, in our judgment, could adversely affect the Town's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questions costs as items 04-2 to 04-4.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

This report is intended for the information of management and the Office of the Legislative Auditor, State of Louisiana, and federal awarding agencies and pass-through entities. 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,

Harold J. Bourgeois, CPA

Findings and Recommendations

Town of Independence, Louisiana
Current Year Audit Findings
For the Year Ended June 30, 2004

Findings and Recommendations

Compliance Finding

04-1 – Town Sponsored Christmas Party

Finding:

During the current year, it was noted that the Town paid \$2,268 to a local restaurant for a Christmas party held for Town employees, their family members, and other invited guests. Use of public funds in this manner is a violation of Article VII Section 14 of the Louisiana Constitution.

Recommendation:

We recommend in the future the Town comply with the above-mentioned article and not spend public funds in this manner.

Management's Response:

Per Management's Corrective Action Plan dated October 20, 2004, the Town will comply with the above state article and will refrain from spending public funds in this manner again.

Internal Control Findings

04-2 – Timely Deposits

Finding:

During our current year audit, it was noted that bank deposits were not being made timely with some receipts / collections not being deposited for several days or even weeks from the date of collection / receipt.

Recommendation:

We recommend receipts / collections be deposited on a daily basis. By doing so, internal controls over cash receipts would be greatly strengthened.

Management's Response:

Per Management's Corrective Action Plan dated October 20, 2004, receipts / collections will be deposited on a daily basis. In addition, these deposits will be recorded in the general ledger on a daily basis.

Town of Independence, Louisiana
Current Year Audit Findings
For the Year Ended June 30, 2004

04-3 – Lack of Segregation of Duties

Finding:

It was noted in our current year audit, the size of the Town's accounting and administrative staff precludes certain internal control that would be preferred if the office staff were large enough to provide for adequate segregations of duties. This situation dictates that the Mayor and Board of Aldermen be actively involved in the financial affairs of the Town to provide oversight and review functions.

Recommendation:

We recommend that the Town's Mayor and Board of Aldermen continue to be actively involved in the financial affairs of the Town.

Management's Response:

Per Management's Corrective Action Plan dated October 20, 2004, the Mayor and Board of Alderman will become more active in the review and oversight functions related to the Town's finances.

04-4 – Time Cards

Finding:

During our payroll test work procedures, it was noted that although supervisors initial time cards thereby indicating approval, employees do not sign the actual time cards.

Recommendation:

We recommend that all time cards be signed by both the employee's supervisor and the employee. By doing so, internal controls over payroll would be strengthened.

Management's Response:

Per Management's Corrective Action Plan dated October 20, 2004, the time cards will be signed by both the employee and the employee's supervisor.

Corrective Action Plan for Current Audit Findings

Town of Independence, Louisiana
 Corrective Action Plan for Current Year Audit Findings
 For the Year Ended June 30, 2004

<u>Ref #</u>	<u>Description of Finding</u>	<u>Corrective Action Plan</u>	<u>Name of Contact Person</u>	<u>Anticipated Completion Date</u>
<u>Compliance Finding</u>				
04-01	Town Sponsored Christmas Party	Town will refrain from spending public funds in this manner in the future	Robin Dagro	December 31, 2004
<u>Internal Control Finding</u>				
04-02	Timely Deposits	Deposits will be made on a daily basis and recorded in the general ledger daily	Robin Dagro	December 31, 2004
04-03	Lack of Segregation of Duties	Mayor and Alderman will become more active in the review and oversight of financial affairs	Phillip Domiano	December 31, 2004
04-04	Time Cards	Time cards will be signed by both employee and employee's supervisor	Robin Dagro	December 31, 2004

Note: This schedule has been prepared by the management of the Town of Independence, Louisiana.

Summary Schedule of Prior Audit Findings

Town of Independence, Louisiana
 Summary Schedule of Prior Audit Findings
 For the Year Ended June 30, 2004

Fiscal Year Findings Initially Occurred	Description of Findings	Corrective Action Taken	Plan Corrective Action - Partial Corrective Action Taken	Additional Explanation
<u>Compliance Findings</u>				
03-02	June 30, 2002 The town has not strictly enforced its water and sewer disconnect policies.	No	The town will enforce these policies	
<u>Management Letter Suggestions</u>				
02-01	June 30, 2002 GASB 34 Implementation	Yes	Implemented for June 30, 2004	
03-01	June 30, 2001 Vehicle Decals on Mayor's Public Vehicle	No		
03-03	June 30, 2003 Information Technology	Yes	Corrected in the current year	

Note: This schedule has been prepared by the management of the Town of Independence, Louisiana.