

TOWN OF INDEPENDENCE, LOUISIANA

ANNUAL FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2005

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 2/1/06

Town of Independence, Louisiana
Annual Financial Statements
Fiscal Year Ended June 30, 2005
With Supplemental Information Schedules
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Hannis T. Bourgeois, LLP

Certified Public Accountants

Randy J. Bonnacaze, CPA*
Joseph D. Richard, Jr., CPA*
Ronnie E. Stamper, CPA*
Fernand P. Genre, CPA*
Stephen M. Huggins, CPA*
Monica L. Zummo, CPA*
Ronald L. Gagnct, CPA*
Douglas J. Nelson, CPA*
Celeste D. Viator, CPA*
Russell J. Resweber, CPA*
Laura E. Monroc, CPA*

R. David Wascom, CPA
**A Professional Accounting Corporation*

1175 Del Este Avenue, Suite B
Denham Springs, LA 70726
Phone: (225) 665-8297
Fax: (225) 667-3813

*Members American Institute of
Certified Public Accountants*

2322 Tremont Drive, Suite 200
Baton Rouge, LA 70809

www.htbcpa.com

September 21, 2005

(Except for Note 21, as to which the date is September 24, 2005)

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, the 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, 2005, which collectively comprise the Town's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the Town's non-major governmental funds presented in the accompanying combining and individual fund financial statements and schedules as of and for the year ended June 30, 2005, 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 as well as the aggregate non-major governmental funds of the Town of Independence, Louisiana, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each non-major governmental fund of the Town of Independence, Louisiana, as of June 30, 2005, and the respective changes in financial position 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

In accordance with Government Auditing Standards, we have also issued our report dated September 21, 2005, 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control and financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 4 through 12 and the Required Supplemental Information in Schedules 1 – 4 on pages 54 – 57 are 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 required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted 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 T. Bourgeois, CPA

Management's Discussion and Analysis

Town of Independence, Louisiana
Management's Discussion and Analysis
June 30, 2005

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, 2005. 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 second year that the Town has presented its financial statements under the new reporting model required by the Governmental Accounting Standards Board Statement Number 34. This reporting model significantly changed the presentation of financial data, and also the manner in which the information is recorded. Prior year comparative information for this reporting period has been included in these financial statements, along with a narrative of the changes expected 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.

- 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.

Town of Independence, Louisiana
Management's Discussion and Analysis (Continued)
June 30, 2005

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 following table provides a summary of the Town's net assets for the current year as compared to the prior year. For a more detailed analysis, see the Statement of Net Assets on Exhibit A of this report.

	<u>2005</u>	<u>2004</u>	<u>\$ Change</u>	<u>% Change</u>
Assets				
Current and Other Assets	\$ 2,138,543	\$ 2,123,137	\$ 15,406	0.73%
Capital Assets	<u>4,935,063</u>	<u>5,138,157</u>	<u>(203,094)</u>	-3.95%
Total Assets	<u>\$ 7,073,606</u>	<u>\$ 7,261,294</u>	<u>\$ (187,688)</u>	-2.58%
Liabilities				
Current Liabilities	\$ 77,842	\$ 88,817	\$ (10,975)	-12.36%
Long-Term Debt	<u>1,126,423</u>	<u>1,200,128</u>	<u>(73,705)</u>	-6.14%
Total Liabilities	<u>\$ 1,204,265</u>	<u>\$ 1,288,945</u>	<u>\$ (84,680)</u>	-6.57%
Net Assets				
Invested in Capital Assets	\$ 3,808,640	\$ 3,938,029	\$ (129,389)	-3.29%
Restricted for Debt Service	172,716	176,145	(3,429)	-1.95%
Restricted for Development	653,321	644,882	8,439	1.31%
Unrestricted Net Assets	<u>1,234,664</u>	<u>1,213,293</u>	<u>21,371</u>	1.76%
Total Net Assets	<u>\$ 5,869,341</u>	<u>\$ 5,972,349</u>	<u>\$ (103,008)</u>	-1.72%

The Town's assets exceeded its liabilities at the close of the most recent fiscal year by \$5,869,341 (*net assets*). Of this amount, \$1,234,664 are unrestricted net assets. The Town's net assets are comprised of \$2,678,731 from Governmental Activities and \$3,190,610 from Business-Type Activities as shown on Exhibit A.

By far the largest portion of the Town's net assets (64.89 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

Town of Independence, Louisiana
Management's Discussion and Analysis (Continued)
June 30, 2005

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 (14.07 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$1,234,664) 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.

To further understand what makes up the changes in net assets, the following table provides a summary of the Town's operating activities for the current year as compared to the prior year. An analysis of the primary sources of these changes follows the table. For a more detailed analysis, see the Statement of Activities on Exhibit B of this report.

	<u>2005</u>	<u>2004</u>	<u>\$ Change</u>	<u>% Change</u>
Revenues				
Program Revenues:				
Charges for Services	\$ 393,329	\$ 386,953	\$ 6,376	1.65%
Grants	43,231	100,938	(57,707)	-57.17%
General Revenues:				
Taxes	687,546	627,261	60,285	9.61%
Other	<u>176,011</u>	<u>175,165</u>	<u>846</u>	<u>0.48%</u>
Total Revenues	\$ 1,300,117	\$ 1,290,317	\$ 9,800	0.76%
Expenses:				
Governmental Activities	\$ 944,999	\$ 961,799	\$ (16,800)	-1.75%
Business-Type Activities	<u>431,961</u>	<u>429,917</u>	<u>2,044</u>	<u>0.48%</u>
Total Expenses	\$ 1,376,960	\$ 1,391,716	\$ (14,756)	-1.06%
Change in Net Assets	\$ (76,843)	\$ (101,399)	\$ 24,556	-24.22%
Beginning of the Year, as Restated	<u>\$ 5,972,349</u>	<u>\$ 6,073,748</u>	<u>\$ (101,399)</u>	<u>-1.67%</u>
End of the Year	<u>\$ 5,895,506</u>	<u>\$ 5,972,349</u>	<u>\$ (76,843)</u>	<u>-1.29%</u>

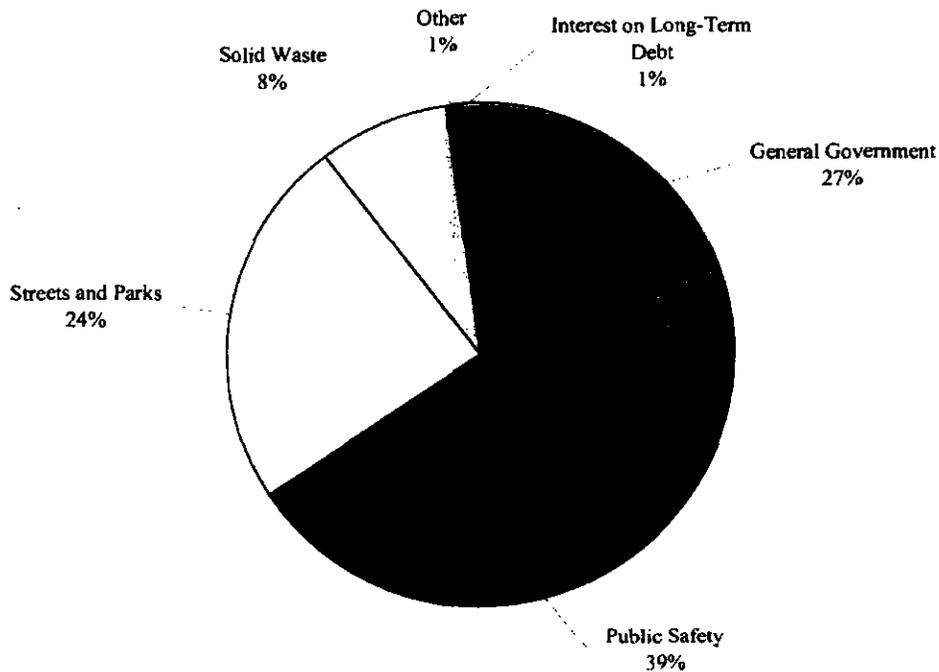
Governmental Activities

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.

Town of Independence, Louisiana
 Management's Discussion and Analysis (Continued)
 June 30, 2005

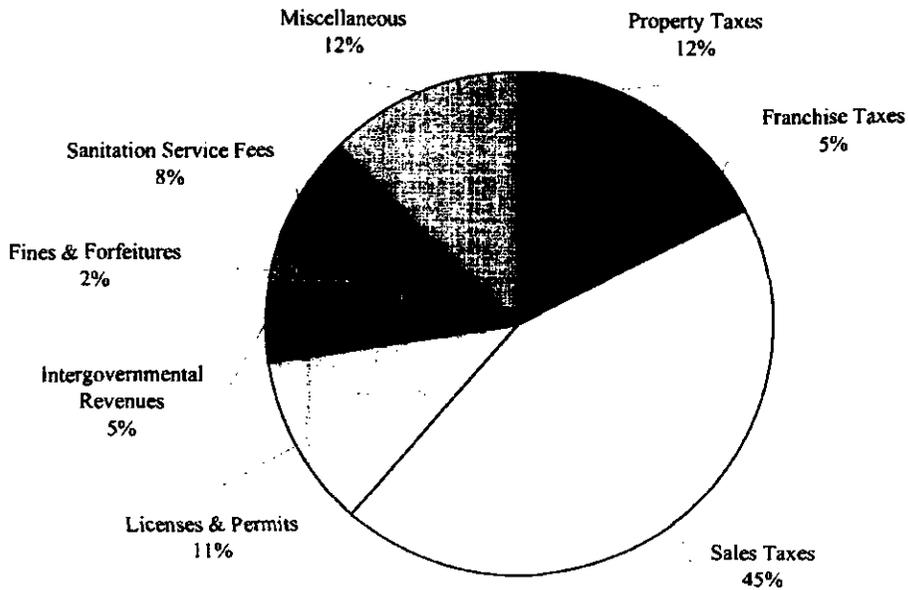
	<u>Amount</u>	<u>Percentage</u>
General Government	\$ 250,546	26.51%
Public Safety	368,083	38.95%
Streets and Parks	226,692	23.99%
Solid Waste	78,912	8.35%
Other	6,729	0.71%
Interest on Long-Term Debt	14,037	1.49%
Total Governmental Activities	\$ 944,999	100.00%



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, 2005.

Town of Independence, Louisiana
 Management's Discussion and Analysis (Continued)
 June 30, 2005

	<u>Amount</u>	<u>Percentage</u>
Taxes:		
Property Taxes	\$ 116,316	12.33%
Franchise Taxes	49,087	5.20%
Sales Taxes	415,034	43.99%
Licenses & Permits	104,127	11.04%
Intergovernmental Revenues	46,865	4.97%
Fines & Forfeitures	17,756	1.88%
Sanitation Service Fees	77,601	8.22%
Miscellaneous	116,740	12.37%
Total Revenues	\$ 943,526	100.00%



Sales taxes are the largest revenue source for the Town comprising 43.99% of total governmental revenue (see pie chart). Property taxes are the second largest revenue source for the Town comprising 12.33% of governmental revenue. For the year ended June 30, 2005, taxes of 16.23 mills were levied on property inside of the Town limits.

Town of Independence, Louisiana
 Management's Discussion and Analysis (Continued)
 June 30, 2005

Business-Type Activities

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

	Operating Revenues	
	Water	Sewer
Fiscal year ended June 30, 2005	\$ 145,364	\$ 148,974
Fiscal year ended June 30, 2004	138,819	146,492
Increase (decrease) between fiscal years	\$ 6,545	\$ 2,482

	Operating Expenses	
	Water	Sewer
Fiscal year ended June 30, 2005	\$ 132,161	\$ 260,219
Fiscal year ended June 30, 2004	139,786	247,164
Increase (decrease) between fiscal years	\$ (7,625)	\$ 13,055

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 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.

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 Sales Tax Fund, 1982 Sales Tax Fund, and Innovative Housing Fund, all of which are considered to be major funds. Data from the other

Town of Independence, Louisiana
Management's Discussion and Analysis (Continued)
June 30, 2005

governmental funds (LCDBG Economic Development Fund, 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 \$1,559,442. In the General Fund, the unreserved fund balance is \$135,925.

The reserved fund balance in governmental funds in the amount of \$782,246 indicate that these funds are not available for new spending because they have already been committed. 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 5.

- 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.

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. Salaries in the Police Department increased due to personnel increases during the year. In addition, repairs & maintenance in the Police Department were larger than expected during the year.

Town of Independence, Louisiana
Management's Discussion and Analysis (Continued)
June 30, 2005

2. Differences between the final budget and the actual amount reported for the year for capital outlay differed due to approximately \$23,000 being budgeted for street improvements that did not take place during the year.

Supplemental Information

Combining statements of the non-major Governmental Funds (LCDBG Economic Development Fund, Certificates of Indebtedness Series 2000, and Sales Tax Refunding Bonds Series 1994) have been provided on Schedule 5 and Schedule 6.

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, 2005 amounts to \$4,935,063 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities, roads, highways, and bridges.

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 \$1,126,423. Of this amount, \$160,000 comprises debt backed by a pledge of the excess revenues of the General Fund, \$69,000 payable from a pledge of the Town's 1982 1% Sales and Use Tax, and \$897,423 payable from a pledge of the Town's sewer revenues.

The Town's total debt decreased \$73,702 during the current fiscal year. Total principal payments were made on debt in the amount of \$73,702.

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 2006 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, 2006, there was no budgeted revenue increase in sales tax over actual collections in the June 30, 2005 fiscal year.

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 2004 - 2005, police retirement increased the employer portion from 18.25% to 21.50% of payroll. In addition, the employer contribution to municipal retirement increased from 11% to 15% of payroll during the year.

Town of Independence, Louisiana
Management's Discussion and Analysis (Continued)
June 30, 2005

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, 2005
(With Comparative Totals as of June 30, 2004)

Exhibit A

	Governmental	Business-Type	Totals	
	Activities	Activities	2005	2004
Assets				
Cash & Cash Equivalents	\$ 568,089	\$ 306,180	\$ 874,269	\$ 804,413
Investments	470,298	32,841	503,139	496,695
Receivables, Net	545,496	43,811	589,307	617,954
Due from Other Governments	1,196	-	1,196	23,086
Internal Balances	20,836	(20,836)	-	-
Prepaid Insurance	3,643	-	3,643	8,271
Restricted Cash & Cash Equivalents	-	102,098	102,098	108,689
Restricted Investments	-	64,891	64,891	64,029
Capital Assets, Net	1,344,960	3,590,103	4,935,063	5,138,157
Total Assets	\$ 2,954,518	\$ 4,119,088	\$ 7,073,606	\$ 7,261,294
Liabilities				
Accounts Payable	\$ 13,005	\$ 55	\$ 13,060	\$ 27,404
Accrued Liabilities	33,782	-	33,782	38,350
Current Portion of				
Long-Term Obligations	58,000	12,484	70,484	73,974
Utility Deposits	-	31,000	31,000	23,063
Non-Current Portion of				
Long-Term Obligations	171,000	884,939	1,055,939	1,126,154
Total Liabilities	\$ 275,787	\$ 928,478	\$ 1,204,265	\$ 1,288,945
Net Assets				
Invested in Capital Assets, Net of Related Debt	\$ 1,115,960	\$ 2,692,680	\$ 3,808,640	\$ 3,938,029
Restricted for Debt Service	49,211	123,505	172,716	176,145
Restricted for Development	653,321	-	653,321	644,882
Unrestricted	860,239	374,425	1,234,664	1,213,293
Total Net Assets	\$ 2,678,731	\$ 3,190,610	\$ 5,869,341	\$ 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, 2005
(With Comparative Totals 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	Governmental Activities	Business-Type Activities	Totals	
						2005	2004
Governmental Activities:							
General Government	\$ 250,546	\$ 3,634	\$ 4,607	\$ (242,305)	\$ -	\$ (242,305)	\$ (281,346)
Public Safety	368,083	17,756	38,624	(311,703)	-	(311,703)	(275,191)
Streets and Parks	226,692	-	-	(226,692)	-	(226,692)	(208,821)
Solid Waste	78,912	77,601	-	(1,311)	-	(1,311)	(5,006)
Other	6,729	-	-	(6,729)	-	(6,729)	(5,018)
Interest on Long-Term Debt	14,037	-	-	(14,037)	-	(14,037)	(17,087)
Total Governmental Activities	\$ 944,999	\$ 98,991	\$ 43,231	\$ (802,777)	\$ -	\$ (802,777)	\$ (792,469)
Business-Type Activities:							
Water	\$ 132,161	\$ 145,364	\$ -	\$ -	\$ 13,203	\$ 13,203	\$ 10,283
Sewer	299,800	148,974	-	-	(150,826)	(150,826)	(121,639)
Total Business-Type Activities	\$ 431,961	\$ 294,338	\$ -	\$ -	\$ (137,623)	\$ (137,623)	\$ (111,356)
Total Primary Government	\$ 1,376,960	\$ 393,329	\$ 43,231	\$ (802,777)	\$ (137,623)	\$ (940,400)	\$ (903,825)
General Revenues:							
Taxes:							
Property Taxes				\$ 116,316	\$ -	\$ 116,316	\$ 101,449
Franchise Taxes				49,087	-	49,087	50,632
Sales Taxes				415,034	103,756	518,790	471,357
Alcoholic Beverage Tax				3,353	-	3,353	3,823
Occupational Licenses				104,127	-	104,127	96,905
Rental Income				25,200	-	25,200	25,200
Investment Earnings				33,472	9,123	42,595	30,773
Transfers				51,086	(51,086)	-	-
Loss on Disposal of Capital Assets				(468)	-	(468)	-
Miscellaneous				4,097	460	4,557	22,287
Total General Revenues and Transfers				\$ 801,304	\$ 62,253	\$ 863,557	\$ 802,426
Change in Net Assets				\$ (1,473)	\$ (75,370)	\$ (76,843)	\$ (101,399)
Net Assets - Beginning of the Year, Originally Stated				\$ 2,706,369	\$ 3,265,980	\$ 5,972,349	\$ 6,073,748
Prior Period Adjustment				\$ (26,165)	\$ -	\$ (26,165)	\$ -
Net Assets - Beginning of the Year, Restated				\$ 2,680,204	\$ 3,265,980	\$ 5,946,184	\$ 6,073,748
Net Assets - End of the Year				\$ 2,678,731	\$ 3,190,610	\$ 5,869,341	\$ 5,972,349

The accompanying notes are an integral part of this statement.

Town of Independence, Louisiana
Balance Sheet
Governmental Funds
June 30, 2005
(With Comparative Totals as of June 30, 2004)

	General Fund	1% Sales Tax (1966)	1% Sales Tax (1982)	Innovative Housing	Other Governmental Funds	Total Governmental Funds 2005	Total Governmental Funds 2004
Assets							
Cash	\$ 111,816	\$ 167,589	\$ 151,175	\$ 86,480	\$ 51,029	\$ 568,089	\$ 589,066
Investments	81,684	108,206	157,884	62,232	60,292	470,298	464,243
Receivables, Net							
Ad Valorem Taxes	30	-	-	-	-	30	30
Franchise Taxes	11,645	-	-	-	-	11,645	11,626
Sales Taxes	-	35,855	35,855	-	-	71,710	64,874
Notes	-	-	-	454,049	-	454,049	495,191
Other Receivables	6,719	340	474	263	266	8,062	1,239
Due from Other Governmental Units	1,196	-	-	-	-	1,196	23,086
Due from Other Funds	74,391	-	-	23,191	-	97,582	97,514
Advances to Other Funds	-	-	-	79,400	-	79,400	81,800
Total Assets	\$ 287,481	\$ 311,990	\$ 345,388	\$ 705,615	\$ 111,587	\$ 1,762,061	\$ 1,828,669
Liabilities and Fund Balances							
Liabilities							
Accounts Payable	\$ 9,840	\$ -	\$ -	\$ 318	\$ -	\$ 10,158	\$ 9,213
Accrued Employee Leave	33,468	-	-	-	-	33,468	26,318
Accrued Payroll	-	-	-	-	-	-	9,863
Due to Other Funds	26,465	-	15,643	33,782	856	76,746	128,004
Advance from Other Funds	79,400	-	-	-	-	79,400	81,800
Payroll Taxes Payable	2,383	-	-	-	-	2,383	17,645
Sales Tax Collection Fee Payable	-	232	232	-	-	464	394
Total Liabilities	\$ 151,556	\$ 232	\$ 15,875	\$ 34,100	\$ 856	\$ 202,619	\$ 273,237
Fund Balance							
Reserved for Debt Service	\$ -	\$ -	\$ -	\$ -	\$ 49,525	\$ 49,525	\$ 47,633
Reserved for Advances to Other Funds	-	-	-	79,400	-	79,400	81,800
Reserved for Development	-	-	-	592,115	61,206	653,321	644,882
Unreserved - Undesignated	135,925	311,758	329,513	-	-	777,196	781,117
Total Fund Balances	\$ 135,925	\$ 311,758	\$ 329,513	\$ 671,515	\$ 110,731	\$ 1,559,442	\$ 1,555,432
Total Liabilities and Fund Balances	\$ 287,481	\$ 311,990	\$ 345,388	\$ 705,615	\$ 111,587	\$ 1,762,061	\$ 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, 2005
 (With Comparative Totals for the Year Ended June 30, 2004)

Exhibit C-1

	<u>2005</u>	<u>2004</u>
Fund Balances - Total Governmental Funds (Exhibit C)	\$ 1,559,442	\$ 1,555,432
Prior Period Adjustment	-	(26,165)
 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	3,545,197	3,527,953
Less: Accumulated Depreciation	(2,200,237)	(2,100,778)
 Prepaid insurance is not accrued and is therefore not reported in the governmental funds.		
Current Year Prepaid Insurance	3,643	8,271
 Accrued interest on long-term debt is not accrued and is therefore not reported in the governmental funds.		
Current Year Accrued Interest	(314)	(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	(160,000)	(196,000)
Sales Tax Refunding Bonds	<u>(69,000)</u>	<u>(88,000)</u>
 Net Assets of Governmental Activities (Exhibit A)	 <u>\$ 2,678,731</u>	 <u>\$ 2,680,204</u>

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, 2005
 (With Comparative Totals for the Year Ended June 30, 2004)

	General Fund	1% Sales Tax (1966)	1% Sales Tax (1982)	Innovative Housing	Other Governmental Funds		Total Governmental Funds
					Governmental Funds	2005	
Revenues:							
Taxes	\$ 116,316	\$ 207,517	\$ 207,517	\$ -	\$ -	\$ -	\$ 478,535
Licenses and Permits	156,848	-	-	-	-	-	150,459
Intergovernmental	16,344	-	-	-	-	-	42,261
Fines and Forfeitures	17,756	-	-	-	-	-	22,628
Solid Waste	77,601	-	-	-	-	-	76,092
On Behalf Payments by State	30,240	-	-	-	-	-	29,250
Miscellaneous	37,006	5,462	5,968	12,365	1,968	1,968	57,064
Total Revenues	\$ 452,111	\$ 212,979	\$ 213,485	\$ 12,365	\$ 1,968	\$ 1,968	\$ 856,289
Expenditures:							
Current:							
General Government	\$ 213,443	\$ 4,336	\$ 4,335	\$ 3,000	\$ -	\$ -	\$ 265,959
Public Safety	355,910	-	-	-	-	-	343,424
Streets and Parks	159,675	-	-	-	-	-	143,791
Solid Waste	78,912	-	-	-	-	-	81,098
Other	6,729	-	-	-	-	-	5,018
Capital Outlay	18,247	-	-	-	-	-	92,448
Debt Service:							
Principal	-	-	-	-	55,000	55,000	53,000
Interest	-	-	-	-	14,232	14,232	22,864
Total Expenditures	\$ 832,916	\$ 4,336	\$ 4,335	\$ 3,000	\$ 69,232	\$ 913,819	\$ 1,007,602
Excess (Deficiency) of Revenues Over Expenditures	\$ (380,805)	\$ 208,643	\$ 209,150	\$ 9,365	\$ (67,264)	\$ (20,911)	\$ (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, 2005
(With Comparative Totals for the Year Ended June 30, 2004)

	General Fund	1% Sales Tax (1966)	1% Sales Tax (1982)	Innovative Housing	Other Governmental Funds		Total Governmental Funds
					2005	2004	
Other Financing Sources (Uses):							
Transfers In	\$ 356,586	\$ -	\$ -	\$ -	\$ 69,899	\$ 426,485	\$ 395,428
Transfers Out	-	(185,500)	(189,899)	-	-	(375,399)	(346,142)
Total Other Financing Sources (Uses)	\$ 356,586	\$ (185,500)	\$ (189,899)	\$ -	\$ 69,899	\$ 51,086	\$ 49,286
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	\$ (24,219)	\$ 23,143	\$ 19,251	\$ 9,365	\$ 2,635	\$ 30,175	\$ (102,027)
Fund Balance - Beginning of the Year - Originally Stated	\$ 182,241	\$ 288,615	\$ 310,262	\$ 666,218	\$ 108,096	\$ 1,555,432	\$ 1,657,459
Prior Period Adjustment	(22,097)	-	-	(4,068)	-	(26,165)	-
Fund Balance - Beginning of the Year - Restated	\$ 160,144	\$ 288,615	\$ 310,262	\$ 662,150	\$ 108,096	\$ 1,529,267	\$ 1,657,459
Fund Balance - End of the Year	\$ 135,925	\$ 311,758	\$ 329,513	\$ 671,515	\$ 110,731	\$ 1,559,442	\$ 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, 2005
 (With Comparative Totals for the Year Ended June 30, 2004)

Exhibit D-1

	2005	2004
Net Change in Fund Balances - Total Governmental Funds (Exhibit D)	\$ 30,175	\$ (102,027)

Amounts reported for governmental activities in the statement of activities are

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	(99,994)	(105,629)
Capital Outlay	18,247	92,448

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.

	(468)	-
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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	(8,271)	(8,064)
Current Year Prepaid Insurance	3,643	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	509	8,286
Current Year Accrued Interest	(314)	(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	55,000	53,000

Change in Net Assets of Governmental Activities (Exhibit B)	\$ (1,473)	\$ (56,224)
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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, 2005
(With Comparative Totals as of June 30, 2004)

Exhibit E

Assets	Business-Type Activities -		Totals	
	Enterprise Funds			
	Water	Sewer	2005	2004
Current Assets:				
Cash	\$ 124,488	\$ 181,692	\$ 306,180	\$ 215,347
Investments	32,841	-	32,841	32,452
Receivables:				
Accounts Receivable, Net	25,479	51	25,530	28,597
Accrued Interest Receivable	238	115	353	178
Sales Tax Receivable	-	17,928	17,928	16,219
Due from Other Funds	1,551	22,710	24,261	73,119
Total Current Assets	<u>\$ 184,597</u>	<u>\$ 222,496</u>	<u>\$ 407,093</u>	<u>\$ 365,912</u>
Restricted Assets:				
Cash - \$290,000 Revenue Bond Debt				
Service Account	\$ -	\$ -	\$ -	\$ 20,784
Cash - \$102,000 Revenue Bond Debt				
Service and Contingency Account	-	71,098	71,098	64,842
Investments - \$102,000 Revenue Bond				
Debt Service and Contingency	-	64,891	64,891	64,029
Cash - Utility Customer - Deposit Account	31,000	-	31,000	23,063
Total Restricted Assets	<u>\$ 31,000</u>	<u>\$ 135,989</u>	<u>\$ 166,989</u>	<u>\$ 172,718</u>
Plant and Equipment, at Cost	\$ 1,819,106	\$ 3,626,569	\$ 5,445,675	\$ 5,444,527
Less: Accumulated Depreciation	817,873	1,037,699	1,855,572	1,733,545
Plant and Equipment, Net	<u>\$ 1,001,233</u>	<u>\$ 2,588,870</u>	<u>\$ 3,590,103</u>	<u>\$ 3,710,982</u>
Total Assets	<u>\$ 1,216,830</u>	<u>\$ 2,947,355</u>	<u>\$ 4,164,185</u>	<u>\$ 4,249,612</u>

(Continued)

Town of Independence, Louisiana
Statement of Net Assets
Proprietary Funds
June 30, 2005
(With Comparative Totals as of June 30, 2004)

Exhibit E
(Continued)

	Business-Type Activities -		Totals	
	Enterprise Funds			
	Water	Sewer	2005	2004
Liabilities and Net Assets				
Liabilities:				
Current Liabilities (Payable from				
Current Assets):				
Accounts Payable	\$ -	\$ -	\$ -	\$ 42
Due to Other Funds	45,097	-	45,097	42,629
Sales Tax Collection Fee Payable	(61)	116	55	110
Total Current Liabilities				
(Payable from Current Assets)	\$ 45,036	\$ 116	\$ 45,152	\$ 42,781
Current Liabilities (Payable from				
Restricted Assets):				
Revenue Bonds Payable	\$ -	\$ 12,484	\$ 12,484	\$ 18,974
Accrued Bond Interest Payable	-	-	-	1,660
Utility Customer Deposits	31,000	-	31,000	23,063
Total Current Liabilities				
(Payable from Restricted Assets)	\$ 31,000	\$ 12,484	\$ 43,484	\$ 43,697
Long-Term Liabilities:				
Revenue Bonds Payable	\$ -	\$ 884,939	\$ 884,939	\$ 897,154
Total Long-Term Liabilities	\$ -	\$ 884,939	\$ 884,939	\$ 897,154
Total Liabilities	\$ 76,036	\$ 897,539	\$ 973,575	\$ 983,632
Net Assets:				
Invested in Capital Assets, Net of Related Debt	\$ 1,001,233	\$ 1,691,447	\$ 2,692,680	\$ 2,794,854
Reserved for Revenue Bond Retirement	-	123,505	123,505	129,021
Unreserved - Undesignated	139,561	234,864	374,425	342,105
Total Net Assets	\$ 1,140,794	\$ 2,049,816	\$ 3,190,610	\$ 3,265,980
Total Liabilities and Net Assets	\$ 1,216,830	\$ 2,947,355	\$ 4,164,185	\$ 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, 2005
(With Comparative Totals for the Year Ended June 30, 2004)

Exhibit F

	Business-Type Activities -		Totals	
	Enterprise Funds		2005	2004
	Water	Sewer		
Operating Revenues:				
Water and Other Services	\$ 136,863	\$ 148,974	\$ 285,837	\$ 276,523
Delinquent Charges	8,401	-	8,401	5,938
Connection Fees	100	-	100	2,850
Total Operating Revenues	\$ 145,364	\$ 148,974	\$ 294,338	\$ 285,311
Operating Expenses:				
Salaries and Employee Benefits	\$ 40,088	\$ 58,508	\$ 98,596	\$ 85,241
Office Expense	6,236	1,247	7,483	3,898
Repairs and Maintenance	16,820	27,931	44,751	62,770
Fuel for Equipment	144	2,944	3,088	2,733
Operating Supplies	14,047	2,299	16,346	11,170
Utilities	4,176	38,917	43,093	37,516
Insurance	2,444	2,035	4,479	8,090
Professional Fees	2,300	23,061	25,361	30,873
Sewer Plant Expense	-	14,739	14,739	12,734
Depreciation	35,993	86,034	122,027	123,069
Sales Tax Collector Fee Expense	-	667	667	598
Bad Debts	9,653	-	9,653	3,396
Engineering Fees	-	-	-	1,967
Miscellaneous	260	1,837	2,097	2,895
Total Operating Expenses	\$ 132,161	\$ 260,219	\$ 392,380	\$ 386,950
Net Operating Income (Loss)	\$ 13,203	\$ (111,245)	\$ (98,042)	\$ (101,639)
Nonoperating Income (Expense):				
Investment Interest	\$ 3,254	\$ 5,869	\$ 9,123	\$ 4,225
Interest Expense	-	(39,581)	(39,581)	(42,967)
Dedicated Sales Tax Revenue (1/2% 1980 Tax)	-	103,756	103,756	94,271
Miscellaneous Income	175	285	460	16,971
Total Non-Operating Revenues (Expenses)	\$ 3,429	\$ 70,329	\$ 73,758	\$ 72,500
Transfers Out	\$ (51,086)	\$ -	\$ (51,086)	\$ (49,286)
Capital Contributions - Grants	-	-	-	33,250
Change in Net Assets	\$ (34,454)	\$ (40,916)	\$ (75,370)	\$ (45,175)
Net Assets - Beginning of the Year	\$ 1,175,248	\$ 2,090,732	\$ 3,265,980	\$ 3,311,155
Net Assets - End of the Year	\$ 1,140,794	\$ 2,049,816	\$ 3,190,610	\$ 3,265,980

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, 2005
(With Comparative Totals for the Year Ended June 30, 2004)

Exhibit G

	Business-Type Activities -		Totals	
	Enterprise Funds		2005	2004
	Water	Sewer		
Cash Flows from Operating Activities:				
Receipts from Customers	\$ 148,142	\$ 148,974	\$ 297,116	\$ 273,997
Payments to Suppliers	(46,469)	(115,677)	(162,146)	(192,238)
Payments to Employees	(40,088)	(58,508)	(98,596)	(85,241)
Other Receipts (Payments)	(1,658)	(3,368)	(5,026)	4,702
Net Cash Provided by (Used in) Operating Activities	\$ 59,927	\$ (28,579)	\$ 31,348	\$ 1,220
Cash Flows From Noncapital Financing Activities:				
(Increase) Decrease in Due from Other Funds	\$ 47,441	\$ 1,417	\$ 48,858	\$ (49,694)
Increase (Decrease) in Due to Other Funds	2,468	-	2,468	(7,520)
Transfers to Other Funds	(51,086)	-	(51,086)	(49,286)
Net Cash Provided by (Used in) Noncapital Financing Activities	\$ (1,177)	\$ 1,417	\$ 240	\$ (106,500)
Cash Flows From Capital and Related Financing Activities:				
Construction of Capital Assets	\$ (1,148)	\$ -	\$ (1,148)	\$ (22,000)
Dedicated Sales Tax Revenue (1/2% 1980 Tax)	-	103,756	103,756	94,271
Miscellaneous Non-Operating Income	175	285	460	16,971
Revenue Bond Principal Paid on Capital Debt	-	(18,705)	(18,705)	(37,250)
Interest Paid on Capital Debt	-	(39,581)	(39,581)	(42,967)
Capital Grants Received	-	-	-	33,250
Net Cash Provided by (Used in) Capital and Related Financing Activities	\$ (973)	\$ 45,755	\$ 44,782	\$ 42,275
Cash Flows From Investing Activities:				
Interest Earned on Investments	\$ 3,254	\$ 5,869	\$ 9,123	\$ 4,223
Purchase of Investments	(389)	(862)	(1,251)	(987)
Net Cash Provided by Investing Activities	\$ 2,865	\$ 5,007	\$ 7,872	\$ 3,236
Increase (Decrease) in Cash	\$ 60,642	\$ 23,600	\$ 84,242	\$ (59,769)
Cash - Beginning of the Year	\$ 94,846	\$ 229,190	\$ 324,036	\$ 383,805
Cash - End of the Year	\$ 155,488	\$ 252,790	\$ 408,278	\$ 324,036
Reconciliation of Cash Accounts:				
Unrestricted Cash	\$ 124,488	\$ 181,692	\$ 306,180	\$ 215,347
Restricted Cash	31,000	71,098	102,098	108,689
	\$ 155,488	\$ 252,790	\$ 408,278	\$ 324,036

(Continued)

Town of Independence, Louisiana
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2005
(With Comparative Totals for the Year Ended June 30, 2004)

Exhibit G
(Continued)

	Business-Type Activities -		Totals	
	Enterprise Funds			
	Water	Sewer	2005	2004
Reconciliation of Operating Income (Loss) to Net Cash				
Provided (Used) by Operating Activities:				
Operating Income (Loss)	\$ 13,203	\$ (111,245)	\$ (98,042)	\$ (101,639)
Adjustments to Reconcile Operating Loss to Net Cash				
Provided by (Used in) Operating Activities:				
Depreciation	35,993	86,034	122,027	123,069
Provision for Bad Debts	(9,653)	-	(9,653)	3,396
Changes in Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable	12,720	-	12,720	(7,918)
(Increase) Decrease in Accrued Interest Receivable	(155)	(20)	(175)	28
(Increase) Decrease in Sales Tax Receivable	-	(1,709)	(1,709)	(1,448)
Increase (Decrease) in Accounts Payable	(42)	-	(42)	(16,994)
Increase (Decrease) in Sales Tax				
Collection Fee Payable	(76)	21	(55)	(269)
Increase (Decrease) in Accrued Bond Interest Payable	-	(1,660)	(1,660)	-
Increase (Decrease) in Customer Deposits Payable	7,937	-	7,937	2,995
Net Cash Provided By (Used In) Operating Activities	\$ 59,927	\$ (28,579)	\$ 31,348	\$ 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, 2005

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Town of Independence, Louisiana
Notes to Financial Statements
June 30, 2005

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.

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.*

Town of Independence, Louisiana
Notes to Financial Statements (Continued)
June 30, 2005

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 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.

Town of Independence, Louisiana
Notes to Financial Statements (Continued)
June 30, 2005

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 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), and Innovative Housing Fund are considered major funds for reporting purposes. The LCDBG Economic Development Fund is considered a nonmajor fund 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 found in the private sector. All assets, liabilities, equities, revenues, expenses, and transfers relating to the government's business activities are accounted for through these funds. The measurement focus is on the determination of net income, financial position, and cash flows. Operating expenses include costs of services and 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.

Town of Independence, Louisiana
Notes to Financial Statements (Continued)
June 30, 2005

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 Debt Service, 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 activities and all proprietary 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 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, 2005, was submitted to the Board of Aldermen on June 10, 2004.

Town of Independence, Louisiana
Notes to Financial Statements (Continued)
June 30, 2005

2. A summary of the proposed budget is published and the public notified that the proposed budget is available for public inspection. At the same time, a public hearing is called. The proposed budget for the year ended June 30, 2005, 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, 2005, was held on July 1, 2004.
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, 2005, was adopted by ordinance on July 1, 2004.
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, 2005 was amended on June 24, 2005.
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.

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."

Town of Independence, Louisiana
Notes to Financial Statements (Continued)
June 30, 2005

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, 2005.

	Balance at June 30, 2005
a. General Fund	
Allowance for Uncollectible Ad Valorem Tax Receivable	\$ 29,041
b. Special Revenue Funds	
Allowance for Uncollectible Innovative Housing Program Notes Receivable	\$ 11,406
c. Water Enterprise Fund	
Allowance for Uncollectible Water Fees	\$ 7,193

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, 2005, as the amount is not material.

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, 2005
Utility Customer Deposits	\$ 31,000
Revenue Bonds Payable	12,484
	\$ 43,484

Town of Independence, Louisiana
Notes to Financial Statements (Continued)
June 30, 2005

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, 2005 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, 2005, 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.

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, 2005, 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, principal payments of both government and business-type activities are reported as decreases in liabilities on the Statement of Net Assets. In the fund financial statements, however, governmental funds recognize principal payments as expenditures when paid.

Town of Independence, Louisiana
Notes to Financial Statements (Continued)
June 30, 2005

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
 - 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.

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, the Town was in compliance with the deposit and investment laws and regulations.

Town of Independence, Louisiana
Notes to Financial Statements (Continued)
June 30, 2005

C. Deficit Fund Equity

As of June 30, 2005, no Town funds had deficit fund equities.

D. Compliance with Bond and Certificate of Indebtedness Covenants

1. Compliance with Sales Tax Bond Covenants

As of June 30, 2005, 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, 2005, 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, 2005, 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 \$976,367 and investments totaling \$568,030 at June 30, 2005. 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, 2005, with the related federal deposit insurance and pledged securities:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Deposits in Bank Accounts per Balance Sheet:			
Cash and Cash Equivalents	\$ 568,089	\$ 408,278	\$ 976,367
Certificates of Deposit	470,298	97,732	568,030
	<u>\$ 1,038,387</u>	<u>\$ 506,010</u>	<u>\$ 1,544,397</u>

Town of Independence, Louisiana
Notes to Financial Statements (Continued)
June 30, 2005

	Governmental Activities	Business-Type Activities	Total
Bank Balances (Category 3 Only):			
a. Uninsured and Uncollateralized	\$ -	\$ -	\$ -
b. Uninsured and Collateralized with Securities Held by the Pledging Institution	-	-	-
c. Uninsured and Collateralized with Securities Held by the Pledging Institution's Trust Department or Agent, but not in the Entity's Name	1,056,547	480,039	1,536,586
Total Category 3 Bank Balances	\$ 1,056,547	\$ 480,039	\$ 1,536,586
Total Bank Balances (Regardless of Category)	\$ 1,125,547	\$ 511,039	\$ 1,636,586

Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. As of June 30, 2005, \$1,536,586 of the Town's bank balance of \$1,636,586 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging institution's trust department or agent, but not in the entity's name.

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, 2005, consisted of the following:

	General Fund
Beer Tax - Due from the State of Louisiana	\$ 1,196
Total	\$ 1,196

Town of Independence, Louisiana
Notes to Financial Statements (Continued)
June 30, 2005

5. Capital Assets

The following is a summary of the changes in capital assets for governmental activities for the fiscal year ended June 30, 2005:

	Balance 06/30/04	Increases	Decreases	Balance 06/30/05
Capital Assets Not Depreciated:				
Land and Land Improvements	\$ 64,500	\$ -	\$ -	\$ 64,500
Total Capital Assets Not Depreciated	\$ 64,500	\$ -	\$ -	\$ 64,500
Other Capital Assets:				
Buildings / Improvements	\$ 452,437	\$ -	\$ -	\$ 452,437
Infrastructure	2,686,416	-	-	2,686,416
Machinery, Equipment, & Vehicles	324,600	18,247	1,003	341,844
Total Other Capital Assets	\$ 3,463,453	\$ 18,247	\$ 1,003	\$ 3,480,697
Less Accumulated Depreciation:				
Buildings / Improvements	\$ 179,836	\$ 13,539	\$ -	\$ 193,375
Infrastructure	1,642,226	67,017	-	1,709,243
Machinery, Equipment, & Vehicles	278,716	19,438	535	297,619
Total Accumulated Depreciation	\$ 2,100,778	\$ 99,994	\$ 535	\$ 2,200,237
Other Capital Assets, Net	\$ 1,362,675	\$ (81,747)	\$ 468	\$ 1,280,460
Totals	\$ 1,427,175	\$ (81,747)	\$ 468	\$ 1,344,960

The following is a summary of changes in capital assets for business-type activities for the fiscal year ended June 30, 2005:

	Balance 06/30/04	Increases	Decreases	Balance 06/30/05
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.	4,882,890	-	-	4,882,890
Vehicles and Equipment	57,706	1,148	-	58,854
	\$ 5,444,527	\$ 1,148	\$ -	\$ 5,445,675
Less Accumulated Depreciation:				
Buildings and Equipment	\$ 1,733,545	\$ 122,027	\$ -	\$ 1,855,572
Total	\$ 3,710,982	\$ (120,879)	\$ -	\$ 3,590,103

Town of Independence, Louisiana
Notes to Financial Statements (Continued)
June 30, 2005

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	\$ 18,247
Depreciation Expense	<u>(99,994)</u>
Total Adjustment	<u>\$ (81,747)</u>

Depreciation expense was charged to functions / programs of the Town as follows:

Governmental Activities:	
General Government	\$ 20,804
Public Safety	12,173
Streets and Parks	<u>67,017</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 99,994</u>
Business-Type Activities:	
Water	\$ 35,993
Sewer	<u>86,034</u>
Total Depreciation Expense - Business-Type Activities	<u>\$ 122,027</u>

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:

Town of Independence, Louisiana
Notes to Financial Statements (Continued)
June 30, 2005

- A. Any age with thirty (30) or more years of creditable service.
- B. Employee is age 55 and has twenty-five (25) years or more of creditable service.
- C. 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.
- D. Employee is under age 60 with five (5) years of creditable service and is eligible for disability benefits.
- E. 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 15.00% 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 \$61,614. There were no related party transactions.

Trend Information

Contributions required by state statute:

Fiscal Year June 30,	Required Contribution	Percentage Contribution
2003	\$ 46,721	100%
2004	\$ 51,344	100%
2005	\$ 61,614	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.

Town of Independence, Louisiana
Notes to Financial Statements (Continued)
June 30, 2005

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 21.50% of covered payroll.

Both the Town and the covered employees made the required contributions, amounting to \$34,876. There were no related party transactions.

Trend Information

Contributions required by state statute:

Fiscal Year June 30,	Required Contribution	Percentage Contribution
2003	\$ 17,566	100%
2004	\$ 24,386	100%
2005	\$ 34,876	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.

Town of Independence, Louisiana
Notes to Financial Statements (Continued)
June 30, 2005

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, 2005:

	Debt Payable 07/01/04	Increase in Debt	Debt Retired	Debt Payable 06/30/05	Due Within One Year
Certificate of Obligation	\$ 196,000	\$ -	\$ 36,000	\$ 160,000	\$ 37,000
Sales Tax Refunding Bonds	88,000	-	19,000	69,000	21,000
Revenue Bonds	916,128	-	18,705	897,423	12,484
Total	\$ 1,200,128	\$ -	\$ 73,705	\$ 1,126,423	\$ 70,484

Long-term debt payable at June 30, 2005, 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.)

\$ 160,000

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

Year Ended June 30,	1999 Certificate of Indebtedness		
	Principal	Interest	Total
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>\$ 160,000</u>	<u>\$ 20,417</u>	<u>\$ 180,417</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)

\$ 69,000

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

Town of Independence, Louisiana
Notes to Financial Statements (Continued)
June 30, 2005

<u>Year Ended June 30,</u>	<u>1994 Public Improvement Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 21,000	\$ 4,209	\$ 25,209
2007	23,000	2,928	25,928
2008	25,000	1,525	26,525
	<u>\$ 69,000</u>	<u>\$ 8,662</u>	<u>\$ 77,662</u>

Revenue Bonds:

\$975,000 Revenue Bonds dated 12/16/97; Due in monthly installments of \$4,387 through 12/16/2037; Interest at 4.5% (payable from a pledge of the Town's income and revenues of the Sewerage System)

\$ 897,423

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>Principal</u>	<u>Interest</u>	<u>Total</u>
06/30/06	\$ 12,484	\$ 40,166	\$ 52,650
06/30/07	13,058	39,592	52,650
06/30/08	13,551	39,099	52,650
06/30/09	14,282	38,368	52,650
06/30/10	14,939	37,711	52,650
06/30/11 - 06/30/15	85,537	177,714	263,251
06/30/16 - 06/30/20	107,019	156,231	263,250
06/30/21 - 06/30/25	134,111	129,139	263,250
06/30/26 - 06/30/30	167,927	95,323	263,250
06/30/31 - 06/30/35	210,269	52,981	263,250
06/30/36 - 06/30/38	124,246	7,376	131,622
	<u>\$ 897,423</u>	<u>\$ 813,700</u>	<u>\$ 1,711,123</u>

Town of Independence, Louisiana
Notes to Financial Statements (Continued)
June 30, 2005

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.

	Balance at June 30, 2005
Reserves of Fund Balance / Net Assets:	
a. Debt Service Funds	
(1) Reserved for General Obligation Bond Debt Service	\$ 49,525
(2) Reserved for Economic Development	61,206
(3) Reserved for Historical District Renovations	592,115
b. Water and Sewer Enterprise Fund	
(1) Reserved for Revenue Bond Debt Service	123,505
	\$ 826,351

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, 2005, taxes of 16.23 mills were levied on property with taxable assessed valuations totaling \$7,291,324 and were dedicated to the following purposes:

General Corporate Purposes	6.23 Mills
Police Department	5.00 Mills
Fire Department	5.00 Mills
	16.23 Mills

Total taxes levied were \$116,316. Taxes receivable were \$29,071 at June 30, 2005. The allowance for uncollectible ad valorem taxes totaled \$29,041 at June 30, 2005.

Town of Independence, Louisiana
Notes to Financial Statements (Continued)
June 30, 2005

11. On-Behalf Payments Made by State of Louisiana

For the year ended June 30, 2005, 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 \$30,240 of on-behalf payments as revenue and as expenses in the General Fund, as follows:

Department	Amount
Fire	\$ 13,360
Police	16,880
Total	\$ 30,240

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 \$207,517 for the year ended June 30, 2005) 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 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.

Town of Independence, Louisiana
Notes to Financial Statements (Continued)
June 30, 2005

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 \$103,756 for the year ended June 30, 2005) 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 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 \$207,517 for the year ended June 30, 2005) 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

Town of Independence, Louisiana
Notes to Financial Statements (Continued)
June 30, 2005

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 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 collecting 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 were 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 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 irrevocably 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:

Town of Independence, Louisiana
Notes to Financial Statements (Continued)
June 30, 2005

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.

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 was 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, 2005, 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, 2005.

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, 2005, the Town was in compliance with this resolution covenant.

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

Town of Independence, Louisiana
Notes to Financial Statements (Continued)
June 30, 2005

As of June 30, 2005, 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, 2005:

	Due From	Due To
General Fund:		
Special Revenue Funds	\$ 50,281	\$ 23,191
Sewer Enterprise Fund	-	1,723
Water Enterprise Fund	24,110	1,551
Total General Fund	\$ 74,391	\$ 26,465
 Special Revenue Funds:		
General Fund	\$ 23,191	\$ 50,281
Total Special Revenue Funds	\$ 23,191	\$ 50,281
 Sewer Enterprise Fund:		
Water Enterprise Fund	\$ 20,987	\$ -
General Fund	1,723	-
Total Sewer Enterprise Fund	\$ 22,710	\$ -
 Water Enterprise Fund:		
Sewer Enterprise Fund	\$ -	\$ 20,987
General Fund	1,551	24,110
Total Water Enterprise Fund	\$ 1,551	\$ 45,097
Total All Funds	\$ 121,843	\$ 121,843

Town of Independence, Louisiana
Notes to Financial Statements (Continued)
June 30, 2005

Advances to / from Other Funds:

The following is a summary of amounts advanced to and from other funds at June 30, 2005.

	<u>Advanced To</u>	<u>Advanced From</u>
General Fund:		
Innovative Housing Fund	\$ -	\$ 79,400
Total General Fund	\$ -	\$ 79,400
Special Revenue Funds:		
General Fund	\$ 79,400	\$ -
Total Special Revenue Funds	\$ 79,400	\$ -
Total All Funds	<u>\$ 79,400</u>	<u>\$ 79,400</u>

16. Interfund Transfers

The following is a summary of the transfers between funds during the fiscal year ended June 30, 2005:

	<u>Transfers In From</u>	<u>Transfers Out To</u>
General Fund:		
1966 Sales Tax Fund	\$ 185,500	\$ -
1982 Sales Tax Fund	120,000	-
Water Enterprise Fund	51,086	-
Total General Fund	<u>\$ 356,586</u>	<u>\$ -</u>
Special Revenue Funds:		
General Fund	\$ -	\$ 305,500
Series 1994 Sales Tax Refunding Bonds	-	24,535
Series 2000 Certificates of Indebtedness	-	45,364
Total Special Revenue Funds	<u>\$ -</u>	<u>\$ 375,399</u>
Debt Service Funds:		
1982 Sales Tax Fund	\$ 69,899	\$ -
Total Debt Service Fund	<u>\$ 69,899</u>	<u>\$ -</u>
Enterprise Fund:		
General Fund	\$ -	\$ 51,086
Total Enterprise Fund	<u>\$ -</u>	<u>\$ 51,086</u>
Total All Funds	<u>\$ 426,485</u>	<u>\$ 426,485</u>

Town of Independence, Louisiana
Notes to Financial Statements (Continued)
June 30, 2005

17. Restricted Assets – Proprietary Fund Type

Restricted assets were applicable to the following at June 30, 2005:

\$102,000 Revenue Bond Debt Service - Cash	\$	71,098
\$102,000 Revenue Bond Debt Service - Investments		64,891
Customers' Deposits - Cash		31,000
Total Restricted Assets	\$	166,989

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:

	Water System	Sewer System	Total
Operating Revenues	\$ 145,364	\$ 148,974	\$ 294,338
Depreciation	\$ 35,993	\$ 86,034	\$ 122,027
Operating Income (Loss)	\$ 13,203	\$ (111,245)	\$ (98,042)
Net Income (Loss)	\$ (34,454)	\$ (40,916)	\$ (75,370)
Working Capital	\$ 139,561	\$ 222,380	\$ 361,941
Property, Plant, & Equipment:			
Additions	\$ 1,148	\$ -	\$ 1,148
Deletions	\$ -	\$ -	\$ -
Total Assets	\$ 1,216,830	\$ 2,947,355	\$ 4,164,185
Revenue Bonds Payable	\$ -	\$ 897,423	\$ 897,423
Equity	\$ 1,140,794	\$ 2,049,816	\$ 3,190,610

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, 2005 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 financial statements of such contingencies.

Town of Independence, Louisiana
Notes to Financial Statements (Continued)
June 30, 2005

20. Prior Period Adjustments

During the fiscal year ended June 30, 2004, General Fund accounts receivable were overstated by \$22,097. Also, accounts receivable of the Innovative Housing Fund were overstated by \$4,068. The following table shows the effects of restating the prior year financial statements:

	General Fund	Special Revenue - Innovative Housing Fund	
Fund Balances - Beginning of the Year, Originally Reported	\$ 182,241	\$ 666,218	
To correct prior year accounts receivable	(22,097)	(4,068)	
Fund Balances - Beginning of the Year, Restated	\$ 160,144	\$ 662,150	

In addition, the above fund balance correction requires a prior period adjustment to the net asset balance originally report as follows:

Net Assets - Beginning of the Year, Originally Reported	\$	2,706,369
To correct prior year accounts receivable		(26,165)
Net Assets - Beginning of the Year, Restated	\$	2,680,204

21. Subsequent Events

Subsequent to year-end, Hurricane Katrina hit the southeast Louisiana coast on August 29, 2005. The path of Katrina took the storm directly over the southeastern area of Louisiana. Then, on September 24, 2005, Hurricane Rita hit the southwestern coast of Louisiana. The President of the United States has declared the majority of the State of Louisiana, including Tangipahoa Parish, a disaster area. Initial damages due to wind and flooding are expected to be catastrophic in this area. At this time, we are unable to evaluate the effect, if any, that these events may have on the Town of Independence, Louisiana.

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, 2005

Schedule 1

	Original Budget	Final Budget	Actual Amounts - Budgetary Basis	Variance with Final Budget Favorable / (Unfavorable)
Revenues:				
Taxes - Ad Valorem	\$ 100,000	\$ 107,000	\$ 116,316	\$ 9,316
Licenses and Permits	138,700	143,000	156,848	13,848
Intergovernmental	14,450	14,634	16,344	1,710
Fines and Forfeitures	25,000	22,000	17,756	(4,244)
Solid Waste	75,500	79,500	77,601	(1,899)
On-behalf Payments by State	28,800	28,800	30,240	1,440
Miscellaneous	26,700	27,700	37,006	9,306
Total Revenues	<u>\$ 409,150</u>	<u>\$ 422,634</u>	<u>\$ 452,111</u>	<u>\$ 29,477</u>
Expenditures:				
Current:				
General Government	\$ 226,001	\$ 233,613	\$ 213,443	\$ 20,170
Public Safety - Fire	125,463	125,463	124,654	809
Public Safety - Police	214,390	224,290	231,256	(6,966)
Streets and Parks	158,009	158,009	159,675	(1,666)
Solid Waste	80,000	80,000	78,912	1,088
Other	7,500	10,184	6,729	3,455
Capital Outlay	37,612	41,166	18,247	22,919
Total Expenditures	<u>\$ 848,975</u>	<u>\$ 872,725</u>	<u>\$ 832,916</u>	<u>\$ 39,809</u>
Excess (Deficiency) of Revenues over Expenditures	\$ (439,825)	\$ (450,091)	\$ (380,805)	\$ 69,286
Other Financing Sources (Uses):				
Sales Tax Fund (1966)	\$ 185,500	\$ 185,500	\$ 185,500	\$ -
Sales Tax Fund (1982)	120,000	120,000	120,000	-
Water and Sewer Fund	49,400	49,400	51,086	1,686
Loan from Innovative Housing Fund	(4,800)	(4,800)	(2,400)	2,400
Excess (Deficiency) of Revenues and Other Sources over Expenditures and Other Uses	\$ (89,725)	\$ (99,991)	\$ (26,619)	\$ 73,372
Fund Balance - Beginning of the Year -				
Originally Stated (Non-GAAP Budgetary Basis)	\$ 120,853	\$ 182,241	\$ 182,241	\$ -
Prior Period Adjustment	-	-	(22,097)	(22,097)
Fund Balance - Beginning of the Year - Restated (Non-GAAP Budgetary Basis)	<u>\$ 120,853</u>	<u>\$ 182,241</u>	<u>\$ 160,144</u>	<u>\$ (22,097)</u>
Fund Balance - End of the Year (Non-GAAP Budgetary Basis)	<u>\$ 31,128</u>	<u>\$ 82,250</u>	<u>\$ 133,525</u>	<u>\$ 51,275</u>
Adjustments to Generally Accepted Accounting Principles				
Loan from Innovative Housing Fund			2,400	
Fund Balance - End of the Year (GAAP Basis)			<u>\$ 135,925</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, 2005

Schedule 2

	Original Budget	Final Budget	Actual Amounts - Budgetary Basis	Variance with Final Budget Favorable / (Unfavorable)
Revenues:				
Sales Tax	\$ 185,500	\$ 205,000	\$ 207,517	\$ 2,517
Interest Revenue	<u>1,700</u>	<u>4,000</u>	<u>5,462</u>	<u>1,462</u>
Total Revenues	\$ 187,200	\$ 209,000	\$ 212,979	\$ 3,979
Expenditures:				
General Government	\$ 1,500	\$ 3,000	\$ 4,336	\$ (1,336)
Total Expenditures	<u>\$ 1,500</u>	<u>\$ 3,000</u>	<u>\$ 4,336</u>	<u>\$ (1,336)</u>
Excess of Revenues over Expenditures	\$ 185,700	\$ 206,000	\$ 208,643	\$ 2,643
Other Financing Sources (Uses):				
Transfers Out:				
General Fund	\$ (185,500)	\$ (185,500)	\$ (185,500)	\$ -
Total Other Uses	<u>\$ (185,500)</u>	<u>\$ (185,500)</u>	<u>\$ (185,500)</u>	<u>\$ -</u>
Excess (Deficiency) of Revenues Over Expenditures and Other Uses	\$ 200	\$ 20,500	\$ 23,143	\$ 2,643
Fund Balance - Beginning of the Year	<u>\$ 249,777</u>	<u>\$ 288,615</u>	<u>\$ 288,615</u>	<u>\$ -</u>
Fund Balance - End of the Year	<u>\$ 249,977</u>	<u>\$ 309,115</u>	<u>\$ 311,758</u>	<u>\$ 2,643</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, 2005

Schedule 3

	Original Budget	Final Budget	Actual Amounts - Budgetary Basis	Variance with Final Budget Favorable / (Unfavorable)
Revenues:				
Sales Taxes	\$ 185,500	\$ 205,000	\$ 207,517	\$ 2,517
Interest Revenue	1,500	6,000	5,968	(32)
Total Revenues	\$ 187,000	\$ 211,000	\$ 213,485	\$ 2,485
Expenditures:				
General Government	\$ 1,500	\$ 3,000	\$ 4,335	\$ (1,335)
Total Expenditures	\$ 1,500	\$ 3,000	\$ 4,335	\$ (1,335)
Excess of Revenues over Expenditures	\$ 185,500	\$ 208,000	\$ 209,150	\$ 1,150
Other Financing Sources (Uses):				
Transfers Out:				
General Fund	\$ (120,000)	\$ (120,000)	\$ (120,000)	\$ -
Debt Service Fund	(69,232)	(69,232)	(69,899)	(667)
Water Fund	(35,000)	(35,000)	-	35,000
Total Other Uses	\$ (224,232)	\$ (224,232)	\$ (189,899)	\$ 34,333
Excess (Deficiency) of Revenues Over Expenditures and Other Uses	\$ (38,732)	\$ (16,232)	\$ 19,251	\$ 35,483
Fund Balance - Beginning of the Year	\$ 246,047	\$ 310,262	\$ 310,262	\$ -
Fund Balance - End of the Year	\$ 207,315	\$ 294,030	\$ 329,513	\$ 35,483

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, 2005

Schedule 4

	Original Budget	Final Budget	Actual Amounts - Budgetary Basis	Variance with Final Budget Favorable / (Unfavorable)
Revenues:				
Interest Revenue	\$ 9,000	\$ 12,000	\$ 12,365	\$ 365
Total Revenues	\$ 9,000	\$ 12,000	\$ 12,365	\$ 365
Expenditures:				
Administrative Fees	\$ 1,500	\$ 1,500	\$ -	\$ 1,500
Audit and Accounting	1,500	1,500	3,000	(1,500)
Maintenance	14,500	14,500	-	14,500
Total Expenditures	\$ 17,500	\$ 17,500	\$ 3,000	\$ 14,500
Excess (Deficiency) of Revenues over Expenditures	\$ (8,500)	\$ (5,500)	\$ 9,365	\$ 14,865
Other Financing Sources (Uses):				
Loan to General Fund	\$ -	\$ -	\$ -	\$ -
Debt Repayment General Fund	4,800	4,800	2,400	(2,400)
Total Other Uses	\$ 4,800	\$ 4,800	\$ 2,400	\$ (2,400)
Excess (Deficiency) of Revenues Over Expenditures and Other Uses	\$ (3,700)	\$ (700)	\$ 11,765	\$ 12,465
Fund Balance - Beginning of the Year - Originally Stated (Non-GAAP Budgetary Basis)				
Prior Period Adjustment	\$ 601,445	\$ 666,018	\$ 666,218	\$ 200
	\$ -	\$ -	\$ (4,068)	\$ (4,068)
Fund Balance - Beginning of the Year - Restated (Non-GAAP Budgetary Basis)				
	\$ 601,445	\$ 666,018	\$ 662,150	\$ (3,868)
Fund Balance - End of the Year (Non-GAAP Budgetary Basis)				
	\$ 597,745	\$ 665,318	\$ 673,915	\$ 8,597
Adjustments to Generally Accepted Accounting Principles				
Loan to General Fund			(2,400)	
Fund Balance - End of the Year (GAAP Basis)			\$ 671,515	

See auditor's report.

Other Supplemental Information

Non-Major Governmental Funds

Special Revenue Funds

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

Debt Service Funds

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 accumulate 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, 2005

Schedule 5

	LCDBG Economic Development 1987 Fund	Certificates of Indebtedness Series 2000	Sales Tax Refunding Bonds Series 1994	Total Non-Major Governmental Funds
Assets				
Cash	\$ 1,504	\$ 19,907	\$ 29,618	\$ 51,029
Investments	60,292	-	-	60,292
Receivables	266	-	-	266
Total Assets	\$ 62,062	\$ 19,907	\$ 29,618	\$ 111,587
Liabilities and Fund Balance				
Liabilities				
Total Liabilities	\$ 856	-	-	\$ 856
Fund Balances	\$ 856	-	-	\$ 856
Reserved for Debt Service	\$ 61,206	\$ 19,907	\$ 29,618	\$ 110,731
Total Liabilities and Fund Balance	\$ 62,062	\$ 19,907	\$ 29,618	\$ 111,587

See auditor's report.

Schedule 6

Town of Independence, Louisiana
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Non-Major Governmental Funds
 For the Year Ended June 30, 2005

	LCDBG Economic Development 1987 Fund	Certificates of Indebtedness Series 2000	Sales Tax Refunding Bonds Series 1994	Total Non-Major Governmental Funds
Revenues:				
Interest	743 \$	452 \$	773 \$	1,968 \$
Total Revenues	<u>743 \$</u>	<u>452 \$</u>	<u>773 \$</u>	<u>1,968 \$</u>
Expenditures:				
Principal Retirement	-	36,000 \$	19,000 \$	55,000 \$
Interest	-	8,864	5,368	14,232
Total Expenditures	<u>-</u>	<u>44,864 \$</u>	<u>24,368 \$</u>	<u>69,232 \$</u>
Excess (Deficiency) of Revenues over Expenditures	<u>743 \$</u>	<u>(44,412) \$</u>	<u>(23,595) \$</u>	<u>(67,264) \$</u>
Other Financing Sources:				
Transfers In	-	45,364 \$	24,535 \$	69,899 \$
Total Other Sources	<u>-</u>	<u>45,364 \$</u>	<u>24,535 \$</u>	<u>69,899 \$</u>
Excess of Revenues and Other Sources over Expenditures and Other Uses	<u>743 \$</u>	<u>952 \$</u>	<u>940 \$</u>	<u>2,635 \$</u>
Fund Balances - Beginning of the Year	<u>60,463 \$</u>	<u>18,955 \$</u>	<u>28,678 \$</u>	<u>108,096 \$</u>
Fund Balances - End of the Year	<u>61,206 \$</u>	<u>19,907 \$</u>	<u>29,618 \$</u>	<u>110,731 \$</u>

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, 2005
 With Comparative Amounts for the Year Ended June 30, 2004

Schedule 7

	\$975,000 Revenue Bonds, December 16, 1997			\$102,000 Revenue Bonds, April 21, 1980	
	Current	Future	Contingency	Total	
	Debt Service	Debt Service		2005	2004
Balance at Beginning of Year					
Cash	\$ 19,473	\$ 24,755	\$ 20,614	\$ 64,842	\$ 57,349
Investments	-	-	64,029	64,029	63,351
Total	<u>\$ 19,473</u>	<u>\$ 24,755</u>	<u>\$ 84,643</u>	<u>\$ 128,871</u>	<u>\$ 120,700</u>
Receipts					
Transfer from					
Operating Account	\$ 61,071	\$ 3,816	\$ -	\$ 64,887	\$ 66,265
Interest	849	528	860	2,237	1,123
Total Receipts	<u>\$ 61,920</u>	<u>\$ 4,344</u>	<u>\$ 860</u>	<u>\$ 67,124</u>	<u>\$ 67,388</u>
Total Available	<u>\$ 81,393</u>	<u>\$ 29,099</u>	<u>\$ 85,503</u>	<u>\$ 195,995</u>	<u>\$ 188,088</u>
Disbursements					
Principal Payments	\$ 18,705	\$ -	\$ -	\$ 18,705	\$ 17,250
Interest Payments	41,301	-	-	41,301	41,967
Total Disbursements	<u>\$ 60,006</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 60,006</u>	<u>\$ 59,217</u>
Balance at End of Year					
Cash	\$ 21,387	\$ 29,099	\$ 20,612	\$ 71,098	\$ 64,842
Investments	-	-	64,891	64,891	64,029
	<u>\$ 21,387</u>	<u>\$ 29,099</u>	<u>\$ 85,503</u>	<u>\$ 135,989</u>	<u>\$ 128,871</u>

See auditor's report.

Schedule of Insurance Coverage in Force (Unaudited)

Town of Independence
 Schedule of Insurance Coverage in Force (Unaudited)
 June 30, 2005

Schedule 8

<u>Insurance Company</u>	<u>Coverage</u>	<u>Amount</u>	<u>Expiration Date</u>
Rod Prejean and Associates	City Hall / Fire Station #1 (473 W. Railroad Ave.)		
	Building	\$ 174,195	09/05/05
	Contents	\$ 26,250	09/05/05
Rod Prejean and Associates	Fire Station #2 (113 Calhoun Street)		
	Building	\$ 98,122	09/05/05
	Contents	\$ 10,500	09/05/05
Rod Prejean and Associates	Water Tower & Equipment (Pine Street)		
	Tower #3	\$ 61,740	09/05/05
	Pumping Equipment	\$ 5,733	09/05/05
	75KW Generator	\$ 75,000	09/05/05
Rod Prejean and Associates	Fire Station #3 (268 E. Railroad Ave.)		
	Building	\$ 102,000	09/05/05
	Contents	\$ 25,500	09/05/05
Rod Prejean and Associates	Police Station / Senior Citizen (269 E. Railroad Ave.)		
	Building	\$ 106,000	09/05/05
	Contents	\$ 51,000	09/05/05
Rod Prejean and Associates	Central Tangi Head Start (728 E. Railroad Ave.)		
	Building	\$ 297,000	09/05/05
Rod Prejean and Associates	Public Official Bond		
	Per Employee	\$ 100,000	09/05/05
Rod Prejean and Associates	Commercial Coverage		
	Comprehensive and Collision		
	Case Backhoe Loader	\$ 26,729	09/05/05
	Case Tractor	\$ 37,775	09/05/05
Rod Prejean and Associates	Commercial Auto Policy		
	Comprehensive and Collision		
	1992 Chevrolet Pickup	\$ 5,650	05/14/06
	2000 Chevrolet Pickup	\$ 12,000	05/14/06

(Continued)

Town of Independence
Schedule of Insurance Coverage in Force (Unaudited)
June 30, 2005

Schedule 8
(Continued)

Insurance Company	Coverage	Amount	Expiration Date
Rod Prejean and Associates	Lift Stations		
	South Pine Street	\$ 33,600	09/05/05
	Kemp Street	\$ 27,825	09/05/05
	Robertson Road	\$ 16,275	09/05/05
	Larussa Lane	\$ 16,275	09/05/05
	Highway 40	\$ 22,575	09/05/05
	Route Avenue North	\$ 33,600	09/05/05
	6th Street	\$ 22,575	09/05/05
	Calhoun Street	\$ 22,575	09/05/05
	Cypress Street	\$ 22,575	09/05/05
Cason Road	\$ 530,250	09/05/05	
LA Municipal Risk Management Agency	Automobile Liability		
	Uninsured Motorist, BI & PD	\$ 500,000	05/01/06
LA Municipal Risk Management Agency	Commercial General Liability		
	Premises / 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	05/07/06
LA Municipal Risk Management Agency	Workman's Compensation	\$ -	01/01/06

See auditor's report.

Schedule of Compensation Paid Elected Officials

Town of Independence
 Schedule of Compensation Paid Elected Officials
 June 30, 2005

Schedule 9

Name	Title	Term of Office	Compensation Paid	
Philip F. Domiano, Mayor P.O. Box 812 Independence, LA 70443	Mayor	July 1, 2004 - June 30, 2008	\$	10,800
	Sewer Commissioner		\$	8,820
	Street Commissioner		\$	34,679
	Water Commissioner		\$	8,820
Jessie C. Pingno P.O. Box 191 Independence, LA 70443	Police Chief	July 1, 2004 - June 30, 2008	\$	32,041
Raymond Alexia P.O. Box 1395 Independence, LA 70443	Fire Chief	July 1, 2004 - June 30, 2005	\$	29,967
Louis L. Joseph P.O. Box 621 Independence, LA 70443	Alderman	July 1, 2004 - June 30, 2008	\$	3,000
Joseph Guzzardo P.O. Box 545 Independence, LA 70443	Alderman	July 1, 2004 - June 30, 2008	\$	3,063
Parnell R. Baham P.O. Box 1282 Independence, LA 70443	Alderman	July 1, 2004 - June 30, 2008	\$	3,000
Steve "Eddie" Anthony P.O. Box 723 Independence, LA 70443	Alderman	July 1, 2004 - June 30, 2005	\$	3,125
Richard Navarra P.O. Box 857 Independence, LA 70443	Alderman	July 1, 2004 - June 30, 2008	\$	2,500

See auditor's report.

Water and Sewer Rate Schedule

Town of Independence, Louisiana
Water and Sewer Rate Schedule
June 30, 2005

Schedule 10

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 Washateria	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 Elementary 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, 2005

Schedule 11

Aged Accounts Receivable:

As of June 30, 2005, accounts receivable from water and sewer billings were aged as follows:

Current	Over 30 Days	Over 60 Days	Over 90 Days	Total
\$ 25,224	\$ 4,881	\$ 1,311	\$ 1,256	\$ 32,672

Water and Sewer Users

As of June 30, 2005, water and sewer users were composed of the following:

	Water	Sewer
Residential	745	662
Non-Residential	48	48
Total Users	793	710

See auditor's report.

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

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



Hannis T. Bourgeois, LLP

Certified Public Accountants

Randy J. Bonneau, CPA*
Joseph D. Richard, Jr., CPA*
Ronnie E. Stamper, CPA*
Fernand P. Genre, CPA*
Stephen M. Huggins, CPA*
Monica L. Zumo, CPA*
Ronald L. Gagnet, CPA*
Douglas J. Nelson, CPA*
Celeste D. Viator, CPA*
Russell J. Resweber, CPA*
Laura E. Monroc, CPA*
R. David Wascom, CPA
*A Professional Accounting Corporation

1175 Del Este Avenue, Suite B
Denham Springs, LA 70726
Phone: (225) 665-8297
Fax: (225) 667-3813

Members American Institute of
Certified Public Accountants

2322 Tremont Drive, Suite 200
Baton Rouge, LA 70809

www.htbcpa.com

September 21, 2005

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, 2005, which collectively comprise the Town of Independence's basic financial statements, and have issued our report thereon dated September 21, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Town's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Town's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying schedule of findings and questions costs as item 05-01.

Compliance and Other Matters

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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

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

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 the reportable condition described above is not 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, 2005

Findings and Recommendations

Compliance Finding

None

Internal Control Findings

05-01 – Lack of Segregation of Duties

Finding:

It was noted in our prior year audit and again in the 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 , the Mayor and Board of Alderman are aware of this situation and will remain active in the review and oversight functions related to the Town's finances.

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, 2005

<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>				
	None			
<u>Internal Control Finding</u>				
05-01	Lack of Segregation of Duties	Mayor and Alderman will remain active in the review and oversight of financial affairs	Phillip Domiano	December 31, 2005

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, 2005

Ref.#	Fiscal Year Findings Initially Occurred	Description of Findings	Corrective Action Taken		Additional Explanation
			Partial Corrective Action Taken	Plan Corrective Action -	
<u>Compliance Findings</u>					
03-02	June 30, 2002	The town has not strictly enforced its water and sewer disconnect policies.	Yes	The town has begun to enforce these policies	
04-01	June 30, 2004	Town sponsored Christmas party	Yes	No such party sponsored in 2005	
<u>Internal Control Findings</u>					
04-02	June 30, 2004	Deposits not made timely	Yes	Deposits now made daily	
04-03	June 30, 2004	Lack of segregation of duties	Partial	Mayor and Board of Aldermen will continue to be active in oversight of the Town's finances but the small office size remains an issue	
04-04	June 30, 2004	Time cards not being signed	Yes	Time cards now being signed by employee and employer	
<u>Management Letter Suggestions</u>					
03-01	June 30, 2001	Vehicle decals on Mayor's public vehicle	Yes	Vehicle decals are now in place	

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