

TOWN OF INDEPENDENCE, LOUISIANA**FINANCIAL STATEMENTS****June 30, 2012**

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 JUL 10 2013

TOWN OF INDEPENDENCE, LOUISIANA

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INDEPENDENT AUDITORS' REPORT

**The Honorable Mayor and
Members of the Town Council,
Town of Independence, Louisiana**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the **TOWN OF INDEPENDENCE, LOUISIANA (TOWN)** as of and for the year ended June 30, 2012, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion 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 opinion.

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, and each major fund of the Town as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

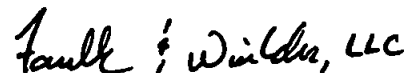
In accordance with *Government Auditing Standards*, we have also issued our report dated April 3, 2013, on our consideration of the TOWN's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 11 and Exhibits B and B-1 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the TOWN's financial statements as a whole. Exhibit C and C-1, are presented for purposes of additional analysis and are not a required part of the financial statements. These financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the TOWN's financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the 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 accompanying supplementary information on pages 79-81 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The information has not been audited by us, and accordingly, we express no opinion on this information.



Certified Public Accountants

Baton Rouge, Louisiana
April 3, 2013

TOWN OF INDEPENDENCE, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our analysis of The Town of Independence's (Town) financial performance provides an overview of the Town's financial activities for the year ended June 30, 2012. The Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes, and currently known facts. This MD&A should be read in conjunction with the financial statements which begin on Exhibit A.

FINANCIAL HIGHLIGHTS

In 2012, the Town of Independence experienced a significant increase in governmental revenues (54%) due to an increase in capital grants, while governmental expenditures decreased slightly (1%). The utility funds' revenues increased significantly (74%) due to an increase in capital grants awarded for sewer system improvements.

The major financial highlights for 2012 are as follows:

Government-wide financial statements

- Assets of the Town's primary government exceeded its liabilities at the close of the year by \$6.1 million (net assets).
- The primary government's total net assets increased by \$763,000 during 2012, primarily due to capital grants.
- Governmental activities' net assets increased by \$94,000.
- Business-type total net assets increased by \$669,000.

Governmental Funds financial statements

- As of the end of the year, the primary government's governmental funds reported a fund balance of \$943,000, a decrease of \$214,000 in comparison to the prior year. Fund balance is restricted for purposes relating to grant programs or dedicated sales tax.

Significant aspects of the Town's financial well being, as of and for the year ended June 30, 2012, are detailed throughout this analysis.

USING THIS ANNUAL REPORT

The Town's financial statements focus on the government as a whole and on major individual funds. Both government-wide and fund perspectives allow the reader to address relevant questions, broaden a basis for comparison from year to year and should enhance the Town's accountability.

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 12 and 13) provide information about the activities of the Town as a whole and present a longer-term view of the Town's finances.

Fund financial statements start on page 14. For governmental activities, these statements depict how services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant funds.

The Town's auditor has provided assurance in their independent auditors' report, located immediately preceding this MD&A, that the financial statements are fairly stated. Varying degrees of assurance are being provided by the auditor regarding the Required Supplemental Information. A user of this report should read the independent auditors' report carefully to ascertain the level of assurance being provided for each part of this report.

Reporting on the Town as a Whole

The analysis of the Town as a whole begins on page 12. The Statement of Net Assets and the Statement of Activities report information about the Town as a whole and its activities in a way to determine if the Town is in better condition, compared to the prior year. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to accounting methods used by most private-sector companies. All of the current year's revenues and expenses are reported regardless of when cash is received or paid. Thus, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods.

These two statements report the Town's net assets and related changes. The Town's financial health, or financial position, can be measured by its net assets—the difference between assets and liabilities. Over time, increases or decreases in the Town's net assets are one indicator of whether its financial health is improving or deteriorating.

In the Statement of Net Assets and the Statement of Activities, the Town's operations are divided into two kinds of activities:

Governmental activities - Most of the Town's basic services are reported here, including public safety, highway and streets, culture and recreation, and general administration. Property and sales taxes, franchise fees and fines finance most of these activities.

Business-type activities - the Town charges a fee to customers to fund the cost of the sewer and water services it provides, along with receiving a dedicated sales tax.

At June 30, 2012, the Town's net assets were \$6.1 million. Restricted net assets are reported separately to show legal constraints from legislation that limits the Town's ability to use those net assets for day-to-day operations.

The analysis of the primary government focuses on the net assets and change in net assets of the Town's governmental activities and is as follows:

Town of Independence, Louisiana
Statements of Net Assets
June 30, 2012 and 2011
(in thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 1,269	\$ 1,331	\$ 782	\$ 612	\$ 2,051	\$ 1,943
Capital assets	1,932	1,605	4,028	3,232	5,960	4,837
Total assets	3,201	2,936	4,810	3,844	8,011	6,780
Current and other liabilities	361	172	471	71	832	243
Long-term liabilities	273	323	804	879	1,077	1,202
Total liabilities	634	495	1,275	950	1,909	1,445
Net assets:						
Invested in capital assets, net of related debt	1,635	1,283	3,178	2,339	4,813	4,837
Restricted and non-spendable	953	845	102	111	1,055	956
Unrestricted	(21)	313	254	444	233	757
Total net assets	\$ 2,567	\$ 2,441	\$ 3,534	\$ 2,894	\$ 6,101	\$ 5,335

Net assets of the Town's governmental activities increased by 4% or \$94,000 during 2012. Unrestricted net assets represent the part of net assets that can be used to finance day-to-day operations without constraints established by legislation or other legal requirements. The Town has a deficit of (\$21,000) in unrestricted net assets of governmental activities. The changes in net assets are discussed later in this analysis.

The net assets of the Town's business activities increased by more than 23% or \$670,000 during 2012. The Town operates sewer and water services, and is in the process of improving their sewer lines.

The results of this year's operations for the primary government as a whole, as reported in the Statement of Activities, are as follows:

Town of Independence
Changes in Net Assets
For the years ended June 30, 2012 and 2011
(in thousands)

	<u>Governmental</u>		<u>Business-type</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Revenues:						
Program revenues:						
Charges for services	\$ 384	\$ 270	\$ 519	\$ 614	\$ 903	\$ 884
Operating grants	77	133	-	-	77	133
Capital grants	730	-	702	47	1,432	47
General revenues:						
Sales taxes	537	472	135	118	672	590
Franchise taxes	69	70	-	-	69	70
Ad valorem taxes	157	153	-	-	157	153
Other general revenues	117	242	1	7	118	249
Total revenues	<u>2,071</u>	<u>1,340</u>	<u>1,357</u>	<u>786</u>	<u>3,428</u>	<u>2,126</u>
Functions/Program Expenses:						
General government	530	474	-	-	530	474
Public safety	782	696	-	-	782	696
Streets and parks	341	297	-	-	341	297
Solid waste	109	94	-	-	109	94
Video bingo	11	91	-	-	11	91
Other	52	204	-	-	52	204
Utility operations	-	-	839	702	839	702
Total expenses	<u>1,825</u>	<u>1,856</u>	<u>839</u>	<u>702</u>	<u>2,664</u>	<u>2,558</u>
Increase in net assets before transfers	246	(516)	518	84	764	(432)
Transfers, net	<u>(152)</u>	<u>228</u>	<u>152</u>	<u>(228)</u>	<u>-</u>	<u>-</u>
Increase in net assets	94	(288)	670	(144)	764	(432)
Beginning net assets, restated	<u>2,473</u>	<u>2,729</u>	<u>2,865</u>	<u>3,038</u>	<u>5,338</u>	<u>5,767</u>
Ending net assets	<u>\$ 2,567</u>	<u>\$ 2,441</u>	<u>\$ 3,535</u>	<u>\$ 2,894</u>	<u>\$ 6,102</u>	<u>\$ 5,335</u>

The increase in net assets of \$764,000 is primarily attributable to the increase in capital grants and contributions for 2012.

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. Traditional users of governmental financial statements will find the fund financial statement presentation more familiar. The focus is on major funds, rather than generic fund types.

Reporting the Town's Most Significant Funds

The analysis of the Town's major funds begins on page 14 with the fund financial statements that provide detailed information about the most significant funds—not the Town as a whole. Some funds are required to be established by State law or by bond covenants. However, the Town Council establishes other funds to control and manage money for particular purposes or meeting legal responsibilities for using certain taxes, grants, and other money. The Town's two kinds of funds—governmental and proprietary—use different accounting approaches.

Governmental funds—Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. Most of the Town's basic services are reported in governmental funds. These funds are reported using an accounting method called 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 determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is described in a reconciliation to the financial statements. The governmental major funds (Exhibits A-2 and A-4) presentation is presented using modified accrual basis and focuses on the major funds of the Town. The Town has three major governmental funds, which are the General Fund, the 1% Sales Tax Fund and the Innovative Housing Fund.

Proprietary funds—When the Town charges customers for the services it provides—whether to outside customers or to other units of the Town—these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the Town's enterprise funds are the same as the business-type activities reported in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds. The Town has two proprietary funds, the Sewer Fund and Water Fund.

Notes to the financial statements—The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are a required part of the basic financial statements and can be found in Exhibit A-9.

Other information—In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning original and final budgetary comparisons to actual results for the year for the Town's budgetary funds.

Financial Analysis of the Government's Funds

The general government operations of the Town are accounted for in the General Fund, Special Revenue Funds, and Capital Project Funds. The focus of these funds, as noted earlier, is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. The following is a summary of general governmental operations for 2012 by fund type:

	1%				(in thousands)	
	General Fund	Sales tax Fund	Innovative Housing	Non-major Funds	2012	2011
Revenues and transfers in	\$ 2,174	\$ 269	\$ 11	\$ 60	\$ 2,514	\$ 2,475
Expenditures and transfers out	<u>2,380</u>	<u>237</u>	<u>1</u>	<u>143</u>	<u>2,761</u>	<u>2,786</u>
Excess (deficiency) of revenues over expenditures	(206)	32	10	(83)	(247)	(311)
Fund balance - beginning, restated	<u>224</u>	<u>121</u>	<u>748</u>	<u>97</u>	<u>1,190</u>	<u>1,468</u>
Fund balance - ending	<u>\$ 18</u>	<u>\$ 153</u>	<u>\$ 758</u>	<u>\$ 14</u>	<u>\$ 943</u>	<u>\$ 1,157</u>

The Town's governmental funds experienced a decrease in fund balance of \$247,000 during 2012 that primarily related to an increase in capital outlay expenditures of \$345,000, compared to the prior year. At year end, fund balances were \$943,000 all of which is restricted.

The General Fund is the primary operating fund of the Town. At the end of the year, the fund balance of the General Fund was \$17,000 compared to the fund balance of \$224,000 in 2011. This decrease in fund balance resulted from a decrease in video bingo revenue and increased expenditures from capital outlay during 2012.

The Town's other major funds are the 1% Sales tax Fund and Innovative Housing Fund. The fund balance of the 1% Sales tax Fund, and Innovative Housing Fund increased by \$42,000 during 2012, collectively. These fund balance increases resulted from increased sales tax revenue in the 1% Sales tax Fund.

Sources of governmental revenues, excluding other financing sources, are summarized below.

<u>Source of Revenue</u>	<u>(In thousands)</u>			
	<u>2012</u>		<u>2011</u>	
Taxes	\$ 767	37%	\$ 625	49%
Intergovernmental	730	35%	84	7%
Licenses and permits	102	5%	182	14%
Fines and forfeitures	100	5%	88	7%
Solid Waste	119	6%	117	9%
Miscellaneous	<u>252</u>	<u>12%</u>	<u>176</u>	<u>14%</u>
Total	<u>\$ 2,070</u>	<u>100%</u>	<u>\$ 1,272</u>	<u>100%</u>

Revenues of the primary government for general governmental fund types for 2012 totaled \$2.1 million; the increase of \$798,000 was primarily attributable to an increase in intergovernmental revenue of \$614,000. As noted above, the Town's activities are largely supported by fines, tax and intergovernmental revenues, which represent 77% of total governmental resources.

Expenditures of the primary government increased in 2012 by \$287,000 or 15%. The change is primarily attributable to an increase in capital outlay spending. General governmental expenditures by functions are summarized as follows:

<u>Function</u>	<u>(In thousands)</u>			
	<u>2012</u>		<u>2011</u>	
General government	\$ 490	23%	\$ 468	25%
Public safety	740	34%	645	34%
Streets and parks	317	15%	405	22%
Solid waste	109	5%	94	5%
Video poker	11	1%	91	5%
Debt service	31	1%	53	3%
Capital outlay	<u>467</u>	<u>11%</u>	<u>122</u>	<u>6%</u>
Total	<u>\$ 2,165</u>	<u>100%</u>	<u>\$ 1,878</u>	<u>100%</u>

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year the Town's General Fund budget was amended which is a customary practice of the Town for changes that occur with financial related matters. The most significant changes during 2012 were as follows:

- An increase in sales taxes of \$259,000,
- An increase in streets and parks expenditures of \$169,000,
- An increase in grants of \$126,000, related to capital outlay expenditures for public safety.

With these adjustments, the actual charges to appropriations (expenditures) were \$387,000 more than the related final budget appropriation of \$1.7 million.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2012, the Town had \$5.9 million invested in a broad range of capital assets, including vehicles, equipment, land, buildings, water and sewer lines, and sewer treatment plants. This amount represents a net increase of \$1,121,000, or 23%, over the prior year. The increase primarily relates to the construction in progress of a new sewer system and improvements currently in progress to the Town's baseball field.

	(in thousands)					
	Governmental Activities		Business-type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Land	\$ 83	\$ 75	\$ 70	\$ 70	\$ 153	\$ 145
Construction in process	336	-	643	-	979	-
Buildings	1,113	1,056	-	-	1,113	1,056
Vehicles and equipment	672	605	462	160	1,134	765
Infrastructure	2,696	2,697	-	-	2,696	2,697
Utility systems	-	-	5,605	5,605	5,605	5,605
Accumulated depreciation	<u>(2,968)</u>	<u>(2,827)</u>	<u>(2,752)</u>	<u>(2,602)</u>	<u>(5,720)</u>	<u>(5,429)</u>
Total assets, net of depreciation	<u>\$ 1,932</u>	<u>\$ 1,606</u>	<u>\$ 4,028</u>	<u>\$ 3,233</u>	<u>\$ 5,960</u>	<u>\$ 4,839</u>

More detailed information about the Town's capital assets is presented in Note 8 to the financial statements.

Debt

At year-end, the Town had \$1.15 million in bonds, notes, and capital leases outstanding versus \$1.22 million last year – a decrease of \$69,000 as shown below:

	<u>Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>End of Year</u>
Governmental activities	\$ 322,572	\$ -	\$ 25,671	\$ 296,901
Business-type activities	<u>893,087</u>	<u>-</u>	<u>43,526</u>	<u>849,561</u>
	<u>\$ 1,215,659</u>	<u>\$ -</u>	<u>\$ 69,197</u>	<u>\$ 1,146,462</u>

The Town retired \$69,000 in debt. More detailed information about the Town's long-term liabilities is presented in Note 9 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The Town's elected and appointed officials considered many factors when setting the fiscal-year 2013 budget and tax rates. One of those factors is the local economy. The major economic industries in the surrounding area are agriculture and manufacturing.

An important factor affecting the budget is the Town's sales tax revenue that approximates 16% of budgeted revenue in the governmental funds. The Town budgeted an increase in overall revenue of \$328,000. The increase relates to an increase in grant funding expected from other governments and an increase in sales tax revenue. Additionally, the Town is projecting an increase in expenditures of \$74,000 that relates primarily to streets and park expenditures in the governmental funds. These increases will not affect the Town's ongoing projects as the Town plans to continue the development of capital projects in progress at the end of 2012. If these estimates are realized during 2013, the Town's budgetary fund balances will decrease by \$95,000, as compared to a \$187,000 increase during 2013.

Contacting the Town's Financial Management

This financial report is designed to provide the citizens, taxpayers, customers, and creditors with a general overview of the Town's finances and to show accountability for the money the Town receives. If you have questions about this report or need additional financial information, contact the Town's Finance Office at (985) 878-4145 or P.O. Box 307, Independence, LA 70755.

TOWN OF INDEPENDENCE, LOUISIANA
STATEMENT OF NET ASSETS

December 31, 2012

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 436,375	\$ 311,622	\$ 747,997
Accounts receivable, net	787,446	323,013	1,110,459
Internal balances	46,001	(46,001)	-
Restricted assets	-	193,426	193,426
Capital assets:			
Nondepreciable	418,453	713,693	1,132,146
Depreciable, net	<u>1,513,326</u>	<u>3,314,173</u>	<u>4,827,499</u>
Total assets	<u>\$ 3,201,601</u>	<u>\$ 4,809,926</u>	<u>\$ 8,011,527</u>
LIABILITIES			
Accounts and contracts payable	\$ 258,682	\$ 322,486	\$ 581,168
Accrued liabilities	66,736	6,315	73,051
Deferred revenues	12,182	37,763	49,945
Payable from restricted assets	-	59,006	59,006
Long-term payables:			
Due within one year	23,508	45,679	69,187
Due in more than one year	<u>273,393</u>	<u>803,882</u>	<u>1,077,275</u>
Total liabilities	<u>634,501</u>	<u>1,275,131</u>	<u>1,909,632</u>
NET ASSETS			
Investment in capital assets, net of related debt	1,634,878	3,178,305	4,813,183
Non-spendable	558,723	-	558,723
Restricted for:			
Debt service	-	101,239	101,239
Culture and recreation	(602,675)	-	(602,675)
Capital projects	152,547	-	152,547
Unrestricted	<u>823,627</u>	<u>255,251</u>	<u>1,078,878</u>
Total net assets	<u>2,567,100</u>	<u>3,534,795</u>	<u>6,101,895</u>
Total liabilities and net assets	<u>\$ 3,201,601</u>	<u>\$ 4,809,926</u>	<u>\$ 8,011,527</u>

Notes on Exhibit A-9 are an integral part of this statement.

TOWN OF INDEPENDENCE, LOUISIANA
STATEMENT OF ACTIVITIES

For the year ended June 30, 2012

	<u>Program Revenues</u>				<u>Net Revenue (Expenses) and Changes in Net Assets</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Functions/Programs							
Primary government:							
Governmental activities							
General government	\$ 530,296	\$ 201,335	\$ -	\$ 729,517	\$ 400,556	\$ -	\$ 400,556
Public safety	781,642	63,528	76,816	-	(641,298)	-	(641,298)
Streets and parks	340,890	-	-	-	(340,890)	-	(340,890)
Solid waste	109,463	119,140	-	-	9,677	-	9,677
Video poker	10,332	-	-	-	(10,332)	-	(10,332)
Other	45,925	-	-	-	(45,925)	-	(45,925)
Interest on long term debt	5,726	-	-	-	(5,726)	-	(5,726)
Total governmental activities	1,824,274	384,003	76,816	729,517	(633,938)	-	(633,938)
Business-type activities:							
Water	284,446	264,217	-	13,000	-	(7,229)	(7,229)
Sewer	554,694	255,173	-	688,920	-	389,399	389,399
Total business-type activities	839,140	519,390	-	701,920	-	382,170	382,170
Total primary government	\$2,663,414	\$ 903,393	\$ 76,816	\$ 1,431,437	(633,938)	382,170	(251,768)
General revenues:							
Taxes:							
Sales and use					537,504	134,382	671,886
Ad valorem					156,665	-	156,665
Franchise					68,672	-	68,672
Beer					3,660	-	3,660
Rental income and other					100,212	-	100,212
Interest income on housing					11,179	-	11,179
Investment earnings					1,925	904	2,829
Transfers					(152,189)	152,189	-
Total general revenues					727,628	287,475	1,015,103
Change in net assets					93,690	669,645	763,335
Net assets - beginning of year, restated					2,473,410	2,865,150	5,338,560
Net assets - end of year					\$ 2,567,100	\$ 3,534,795	\$ 6,101,895

Notes on Exhibit A-9 are an integral part of this statement.

TOWN OF INDEPENDENCE, LOUISIANA

BALANCE SHEET GOVERNMENTAL FUNDS

June 30, 2012

	General Fund	1% Sales Tax (1966)	Innovative Housing	Non-Major Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 120,105	\$ 111,498	\$ 190,018	\$ 14,754	\$ 436,375
Accounts receivable, net	275,488	41,049	468,573	2,336	787,446
Due from other funds	<u>56,254</u>	<u>-</u>	<u>98,961</u>	<u>5,840</u>	<u>161,055</u>
Total assets	<u>\$ 451,847</u>	<u>\$ 152,547</u>	<u>\$ 757,552</u>	<u>\$ 22,930</u>	<u>\$ 1,384,876</u>
LIABILITIES					
Accounts payable	\$ 258,682	\$ -	\$ -	\$ -	\$ 258,682
Accrued liabilities	56,171	-	-	-	56,171
Deferred revenues	12,182	-	-	-	12,182
Due to other funds	<u>106,864</u>	<u>-</u>	<u>-</u>	<u>8,190</u>	<u>115,054</u>
Total liabilities	<u>433,899</u>	<u>-</u>	<u>-</u>	<u>8,190</u>	<u>442,089</u>
FUND BALANCE					
Non-spendable	-	-	558,723	-	558,723
Restricted	28,426	152,547	198,829	14,740	394,542
Unassigned	<u>(10,478)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(10,478)</u>
Total fund balance	<u>17,948</u>	<u>152,547</u>	<u>757,552</u>	<u>14,740</u>	<u>942,787</u>
Total liabilities and fund balance	<u>\$ 451,847</u>	<u>\$ 152,547</u>	<u>\$ 757,552</u>	<u>\$ 22,930</u>	<u>\$ 1,384,876</u>

Notes on Exhibit A-9 are an integral part of this statement.

TOWN OF INDEPENDENCE, LOUISIANA
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET ASSETS

June 30, 2012

Total net assets reported for governmental activities in the statement of net assets are different because:

	<u>Amount</u>
Total fund balances - governmental funds (Exhibit A-2)	\$ 942,787
Capital assets used in governmental activities that are not financial resources and, therefore, are not reported in the governmental funds, net of accumulated depreciation.	1,931,779
Long-term liabilities (e.g. bonds, leases), are not due and payable in the current period and, therefore, are not reported in the governmental funds.	
Accrued interest payable	(670)
Bonds and capital lease payable	(296,901)
Compensated absences payable	(9,895)
 Net assets of governmental activities (Exhibit A)	 \$ 2,567,100

TOWN OF INDEPENDENCE, LOUISIANA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For the year ended June 30, 2012

	General Fund	1% Sales Tax (1966)	Innovative Housing	Non-Major Funds	Total Governmental Funds
REVENUES					
Taxes:					
Sales and use	\$ 268,752	\$ 268,752	\$ -	\$ -	\$ 537,504
Ad valorem	156,665	-	-	-	156,665
Franchise	68,672	-	-	-	68,672
Beer	3,660	-	-	-	3,660
Fines and forfeitures	99,731	-	-	-	99,731
Intergovernmental	729,517	-	-	-	729,517
License and permits	101,604	-	-	-	101,604
Solid waste	119,140	-	-	-	119,140
On-behalf payments from the State	76,816	-	-	-	76,816
Charges for services	63,528	-	-	-	63,528
Investment income	1,516	132	-	277	1,925
Miscellaneous	40,037	-	11,179	60,175	111,391
Total revenues	1,729,638	268,884	11,179	60,452	2,070,153
EXPENDITURES					
Current function:					
General government	481,618	1,853	1,250	5,498	490,219
Public safety	739,834	-	-	-	739,834
Streets and parks	316,747	-	-	-	316,747
Solid waste	109,463	-	-	-	109,463
Video poker	10,332	-	-	-	10,332
Debt service	10,121	-	-	21,276	31,397
Capital outlay	409,993	-	-	56,780	466,773
Total expenditures	2,078,108	1,853	1,250	83,554	2,164,765
Excess (deficiency) of revenues over expenditures	(348,470)	267,031	9,929	(23,102)	(94,612)
OTHER FINANCING SOURCES (USES)					
Transfers in	444,175	-	-	-	444,175
Transfers out	(302,159)	(235,000)	-	(59,205)	(596,364)
Total other financing sources (uses)	142,016	(235,000)	-	(59,205)	(152,189)
Net change in fund balance	(206,454)	32,031	9,929	(82,307)	(246,801)
FUND BALANCE					
Beginning of year, restated	224,402	120,516	747,623	97,047	1,189,588
End of year	\$ 17,948	\$ 152,547	\$ 757,552	\$ 14,740	\$ 942,787

Notes on Exhibit A-9 are an integral part of this statement.

TOWN OF INDEPENDENCE, LOUISIANA

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

For the year ended June 30, 2012

The change in net assets reported for governmental activities in the statement of activities is different because:

		<u>Amount</u>
Net change in fund balance - total governmental funds (Exhibit A-4)		\$ (246,801)
<p>Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation.</p>		
Capital outlay	466,773	
Depreciation expense	<u>(140,280)</u>	326,493
<p>The liability and expense for compensated absences are not reported in governmental funds. Payments for compensated absences are reported as salaries when they occur. The payment consumes current financial resources, and it would take a catastrophic event for this liability to become a current liability.</p>		
Change in accrued compensated absences		26,212
<p>Governmental funds expense items applicable to multiple accounting periods when paid. In the statement of activities, only the portions applicable to the current year are expenses. The remaining are recorded in the statement of net assets as prepaid expenses</p>		
Change in prepaid expenses		(37,885)
<p>The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, payment of principal is an expenditure in the governmental funds but reduces the liability in the statement of activities.</p>		
Principal payments on debt		<u>25,671</u>
Change in net assets of governmental activities (Exhibit A-1)		<u>\$ 93,690</u>

TOWN OF INDEPENDENCE, LOUISIANA

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS

June 30, 2012

	Business-Type Activities - Enterprise Funds		Total Enterprise Funds
	Water Fund	Sewer Fund	
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 44,298	\$ 267,324	\$ 311,622
Accounts receivable, net	24,183	298,830	323,013
Due from other funds	-	23,050	23,050
Total current assets	68,481	589,204	657,685
Restricted assets:			
Restricted cash	62,708	117,564	180,272
Restricted investments	-	13,154	13,154
Total restricted assets	62,708	130,718	193,426
Capital assets.			
Nondepreciable	29,100	684,593	713,693
Depreciable, net	1,022,285	2,291,888	3,314,173
Total assets	\$ 1,182,574	\$ 3,696,403	\$ 4,878,977
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 4,827	\$ 317,659	\$ 322,486
Accrued liabilities	3,131	3,184	6,315
Deferred revenue	19,335	18,428	37,763
Due to other funds	55,356	13,695	69,051
Current portion of long-term debt	16,200	29,479	45,679
Total current liabilities	98,849	382,445	481,294
Noncurrent liabilities:			
Capital lease payable	1,700	22,332	24,032
Sewer revenue bonds	-	779,850	779,850
Customer deposits	59,006	-	59,006
Total long-term liabilities	60,706	802,182	862,888
Total liabilities	159,555	1,184,627	1,344,182
NET ASSETS			
Investment in capital assets, net of related debt	1,033,485	2,144,820	3,178,305
Restricted for debt service	-	101,239	101,239
Unrestricted	(10,466)	265,717	255,251
Total net assets	1,023,019	2,511,776	3,534,795
Total liabilities and net assets	\$ 1,182,574	\$ 3,696,403	\$ 4,878,977

Notes on Exhibit A-9 are an integral part of this statement.

TOWN OF INDEPENDENCE, LOUISIANA

STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS
PROPRIETARY FUNDS

For the year ended June 30, 2012

	Business-Type Activities - Enterprise Funds		Total Enterprise Funds
	Water Fund	Sewer Fund	
OPERATING REVENUES			
Charges for services.			
Water	\$ 261,294	\$ -	\$ 261,294
Sewer	-	255,018	255,018
Other	2,647	-	2,647
Total operating revenues	<u>263,941</u>	<u>255,018</u>	<u>518,959</u>
OPERATING EXPENSES			
Personnel	92,856	78,225	171,081
Depreciation	45,021	105,166	150,187
Maintenance and supplies	40,957	160,876	201,833
Utilities	24,123	73,751	97,874
Insurance	3,961	2,537	6,498
Grants	13,430	-	13,430
Professional services	46,136	60,419	106,555
Treatment plant	4,462	27,886	32,348
General and administrative	3,150	843	3,993
Miscellaneous	8,550	7,458	16,008
Total operating expenses	<u>282,646</u>	<u>517,161</u>	<u>799,807</u>
Operating loss	<u>(18,705)</u>	<u>(262,143)</u>	<u>(280,848)</u>
NONOPERATING REVENUES			
Capital grants and contributions	13,000	688,920	701,920
Sales tax	-	134,382	134,382
Interest	276	155	431
Interest expense	(1,654)	(36,775)	(38,429)
Total nonoperating revenues	<u>11,622</u>	<u>786,682</u>	<u>798,304</u>
Income (loss) before transfers	<u>(7,083)</u>	<u>524,539</u>	<u>517,456</u>
OTHER FINANCING SOURCES			
Transfers in	<u>104,319</u>	<u>47,870</u>	<u>152,189</u>
Net income	<u>97,236</u>	<u>572,409</u>	<u>669,645</u>
NET ASSETS			
Beginning of year, restated	<u>925,783</u>	<u>1,939,367</u>	<u>2,865,150</u>
End of year	<u>\$ 1,023,019</u>	<u>\$ 2,511,776</u>	<u>\$ 3,534,795</u>

Notes on Exhibit A-9 are an integral part of this statement.

TOWN OF INDEPENDENCE, LOUISIANA

**PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS**

For the year ended June 30, 2012

	Business-Type Activities - Enterprise Funds		Total Enterprise Funds
	Water Fund	Sewer Fund	
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 263,084	\$ 9,408	\$ 272,492
Payments to suppliers	(134,964)	(12,229)	(147,193)
Payment to employees	(92,856)	(78,225)	(171,081)
Net cash provided (used) by operating activities	35,264	(81,046)	(43,135)
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES			
Transfers in from other funds	104,319	47,870	152,189
Operating grants	13,000	688,920	701,920
Loans to other funds, net	(10,957)	(34,486)	(45,443)
Net cash provided by noncapital and related financing activities	106,362	702,304	808,666
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchases of capital assets	(179,318)	(766,725)	(946,043)
Interest expense	(1,654)	(36,775)	(38,429)
Proceeds from sales tax collections	-	134,382	134,382
Repayment of capital lease	(16,200)	(27,326)	(43,526)
Net cash used by capital and related financing activities	(197,172)	(696,444)	(893,616)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on investments	276	155	431
Net decrease in cash	(55,270)	(75,031)	(127,654)
CASH			
Beginning of period	162,276	473,073	635,349
End of period	\$ 107,006	\$ 398,042	\$ 507,695
RECONCILIATION OF CASH			
Cash and cash equivalents	\$ 44,298	\$ 267,324	\$ 311,622
Restricted cash	62,708	130,718	193,426
Total cash	\$ 107,006	\$ 398,042	\$ 505,048
RECONCILIATION OF OPERATING (LOSS) GAIN TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating loss	\$ (18,705)	\$ (262,143)	\$ (280,848)
Adjustments for non-cash items			
Depreciation	45,021	105,166	150,187
Change in operating assets and liabilities			
Accounts receivable and other assets	(857)	(245,610)	(246,467)
Accounts payable, accrued liabilities and deferred revenues	9,805	321,541	331,346
Net cash provided (used) by operating activities	\$ 35,264	\$ (81,046)	\$ (45,782)

Notes on Exhibit A-9 are an integral part of this statement.

TOWN OF INDEPENDENCE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement Presentation

The Town of Independence (Town) is a political subdivision of the State of Louisiana. The Town, under the provisions of the Lawrson Act, enacts ordinances, sets policy and establishes programs in such fields as public safety, public works, social welfare, culture and recreation, consumable water distribution and wastewater treatment. The Town operates under a Mayor/Board of Alderman form of government with each elected official serving four year terms.

The financial statements of the Town of Independence, Louisiana (Town) have been prepared in conformity with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The most significant accounting policies established in GAAP and used by the Town are described below.

The Town follows GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Certain significant components in the Statement include the following:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the Town's overall financial position and results of operations,
- Financial statements prepared using accrual basis accounting for all of the Town's activities, including infrastructure (roads, bridges, etc.), and
- Fund financial statements to focus on the major funds.

Reporting Entity

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reporting Entity (continued)

The criteria for determining which component units should be considered part of the Town for financial reporting purposes are as follows:

- Legal status of the potential component unit including the right to incur its own debt, levy its own taxes and charges, expropriate property in its own name, sue and be sued, and the right to buy, sell and lease property in its own name;
- Whether the Town governing authority (the Council and/or Mayor) appoints a majority of board members of the potential component unit;
- Fiscal interdependency between the Town and the potential component unit;
- Imposition of will by the Town on the potential component unit; and
- Financial benefit/burden relationship between the Town and the potential component unit.

Based on criteria established by generally accepted accounting principles, these financial statements present the Town; there are no component units to be included either blended within the Town's funds or discretely presented in these financial statements.

Basis of Presentation

The Town's basic financial statements consist of the government-wide statements of the primary government (the Town) and the fund financial statements (individual major funds). The Town's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America and applied to governmental units. Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide financial statements and the proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The Town has elected not to follow subsequent private-sector guidance.

Government-wide Financial Statements

The government-wide financial statements include the statement of net assets and the statement of activities for all non-fiduciary activities of the Town. As a general rule, the effect of interfund activity has been removed from these statements. The government-wide presentation focuses primarily on the sustainability of the government as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. These statements distinguish between the governmental and business-type activities of the Town.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-wide Financial Statements (continued)

Governmental activities generally are financed through taxes, intergovernmental revenues, fines, and other nonexchange revenues.

Business type activities are financed in whole or part by fees charged to external parties for utility services provided. The Town's sewer and water services are classified as business-type activities.

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

Fund Financial Statements

The fund financial statements are very similar to the traditional government fund statements as prepared by governments prior to the issuance of GASB No. 34. Emphasis is now on the major funds in either the governmental or business-type categories. Non-major funds (by category) or fund type are summarized into a single column in the basic financial statements.

The daily operations of the Town continue to be organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, equity, revenues and expenditures or expenses, as appropriate. Funds are organized into three major categories: governmental, proprietary and fiduciary. The Town does not have any fiduciary funds. An emphasis is placed on major funds within the governmental and proprietary categories.

A fund is considered major if it is the primary operating fund of the Town (the General Fund) or meets the following criteria:

- Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental fund or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Financial Statements (continued)

Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be expended and the means by which spending activities are controlled. The various funds of the primary government presented in the financial statements are described as follows:

Governmental Fund Types

Governmental funds are those through which most governmental functions of the Town are financed. The acquisition, use, and balances of expendable financial resources and related liabilities of the Town are accounted for through governmental funds. Measurement is focused upon determining changes in financial position, rather than net income. The following are the governmental fund types of the Town:

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

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes. The 1% Sales Tax Fund (1966) and Innovative Housing Fund are considered to be major funds. The LCDBG Economic Development Fund is considered to be a non-major fund.

Debt Service Funds - Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs. The Town considers the Excess Revenue Bond Sinking Fund to be a non-major fund.

Capital Projects Funds - Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds). Capital projects funds that are considered non-major include the 2010 Revenue Bond Capital Projects Fund.

(continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Proprietary Fund Types

Enterprise Funds - Enterprise funds are used to account for operations (1) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs and 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 (2) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. ***Proprietary funds distinguish operating revenues and expenses from non-operating items.*** Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The Town considers the Water and Sewer Funds to be major enterprise funds.

Internal Service Funds - Internal service funds are used to account for the financing of goods and services provided by one department or agency to other departments or agencies of the government and to other government units on a cost reimbursement basis. The Town does not have an internal service fund.

Basis of Accounting and Measurement Focus

Government-wide financial statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized in the year for which they are levied. Program revenues for governmental activities include operating and capital grants and contributions, traffic fines, and occupational licenses and permits.

(continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting and Measurement Focus (continued)

Fund financial statements

All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included in the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other uses) in net current assets. Governmental funds are maintained on the modified accrual basis of accounting. Governmental fund revenues resulting from exchange transactions are recognized in the fiscal year in which the exchange takes place and meets the government's availability criteria (susceptible to accrual). "Available" means collectible within the current period or within 60 days after year-end. Charges for services, fines and forfeitures, and most governmental miscellaneous revenues, are recorded as earned since they are measurable and available.

Nonexchange transactions, in which the Town receives value without directly giving value in return, includes sales tax, ad valorem tax, federal and state aid and grants. Ad valorem taxes are recorded in the year the taxes are assessed. Ad valorem taxes are assessed on a calendar year basis, become due on November 15th of each year, and become delinquent after December 31st. The taxes are generally collected in December of the current year and January and February of the following year. Sales taxes are recorded when in the possession of the intermediary collecting agent and are recognized as revenue at that time and are subject to the availability criteria. Federal and state aid and grants are recorded as revenue when the Town is entitled to the funds, generally corresponding to when grant related costs are incurred by the Town, but subject to the availability criteria.

Expenditures are recognized in the accounting period in which the related fund liability is incurred, if measurable, except for (1) unmatured interest on general long-term debt which is recognized when due, and (2) claims and judgments and compensated absences which are recorded as expenditures in the governmental fund type when paid with expendable financial resources. Allocations of costs such as depreciation and amortization are not recognized in the governmental funds.

All proprietary funds are accounted for on a flow of economic resources measurement focus. Proprietary funds are maintained on the accrual basis of accounting wherein revenues are recognized in the accounting period in which they are earned and become measurable, and expenses are recognized in the period incurred, if measurable.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash, Cash Equivalents and Investments

Cash and cash equivalents for the Town includes individual fund's operating cash accounts.

The investment policy of the Town is governed by state statutes that include depository and custodial contract provisions. The Town invests funds in accordance with L.R.S. 39:1211-1245 and 33:2955 which include, but are not limited to, United States Treasury Bonds, Treasury Notes, Treasury Bills, and fully collateralized interest bearing checking accounts and certificates of deposit. Other provisions require depositories to insure or collateralize all deposits in accordance with state law and require securities collateralizing deposits to be held by an independent third party with whom the Town has a custodial agreement. The Town primarily utilizes certificates of deposit to invest idle funds.

For purposes of the Statement of Cash Flows, liquid investments of the enterprise fund with a maturity of three months or less are considered to be cash equivalents.

Accounts Receivable

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. For governmental activities uncollectible amounts due for receivables are recognized as bad debts and directly charged off at the time information becomes available which indicates that the particular receivable is not collectible. In governmental fund types, the uncollectible amount is charged to the revenue reported. In business-type activities, uncollectible amounts due from utility billing receivables are recognized as bad debts through the use of an allowance account or are directly charged off at the time information becomes available which indicates that the particular receivable is not collectible. An allowance for doubtful accounts of \$49,783 was recorded at June 30, 2012.

Interfund receivables/payables

During the course of operations, transactions may occur between individual funds. Those related to short-term borrowings are classified as "due from other funds" or "due to other funds" on the balance sheet. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." The Proprietary Fund owed the General Fund \$46,001 at June 30, 2012.

Capital Assets

The accounting treatment of property, plant, and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

Government-wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation. Major capital outlays for capital assets and improvements are capitalized at the completion of construction projects.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are expensed. Major outlays for capital assets and improvements are capitalized at completion of construction projects.

Prior to the implementation of GASB No. 34, governmental funds' infrastructure assets were not capitalized. The Town has elected to capitalize infrastructure expenditures on a prospective basis.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	7-40 years
Infrastructure	15-40 years
Furniture and equipment	5-10 years
Heavy equipment	5-10 years
Vehicles	5-10 years
Utilities	5-50 years

Fund Financial Statements

In the fund financial statements fixed assets used in governmental fund operations are recorded as capital outlay expenditures of the governmental fund types when purchased. Capital assets used in proprietary fund operations are accounted for in the same manner as in government-wide statements.

(continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences

The Town has the following policy relating to vacation and sick leave:

Employees' are allowed 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, 2012, as the amount is immaterial.

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 are not paid at termination of employment.

Government-wide and Proprietary Fund Net Assets

Government-wide and proprietary fund net assets are divided into three components:

- Invested in capital assets, net of related debt – consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to purchase those assets.
- Restricted net assets – consist of net assets that are restricted by the Town's creditors (for example, through debt covenants), by state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributors.
- Unrestricted – all other net assets are reported in this category.

Governmental Fund Balances

In the governmental fund financial statements, fund balances are classified as follows:

- Nonspendable – Amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.
- Restricted – Amounts that can be spent only for specific purposes because of the Town Code, state or federal laws, or externally imposed conditions by grantors or creditors.
- Committed – Amounts that can be used only for specific purposes determined by a formal action by Town council ordinance or resolution.
- Assigned – Amounts that are designated by the Mayor for a particular purpose but are not spendable until a budget ordinance is passed or there is a majority vote approval (for capital projects or debt service) by Town Council.
- Unassigned – All amounts not included in other spendable classifications.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Restricted Resources

When an expense is incurred that can be paid using either restricted or unrestricted resources (net assets), the Town's policy is to apply the expenditure in the following priority:

1. Restricted fund balance,
2. Committed fund balance,
3. Assigned fund balance, and
4. Unassigned fund balance.

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consist of capital assets, net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use by external parties such as creditors, grantors, or the laws or regulations of other governments.

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

Interfund Transfers

Advances between funds which are not expected to be repaid are accounted for as transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

In those cases where repayment is expected, the advances are accounted for through the various interfund accounts.

Budget Policy and Budgetary Accounting

A proposed budget is prepared and submitted to the Mayor and Town Council prior to the beginning of each fiscal year. A budget summary and notice of a public hearing is published with the public hearing being conducted prior to the commencement of the budget year.

The annual operating budget, prepared on the accrual basis, covers the General Fund, special revenue funds and capital outlay funds. At the end of the fiscal year, unexpended appropriations automatically lapse. Budget amendments are approved by the Town Council and are included in the financial statements.

In connection with budget preparation, a portion of the unreserved fund balance of an individual fund may be designated for expenditures of the subsequent year. Such designation represents the extent to which the fund balance is used to balance the subsequent year's operating budget of that fund, as reflected in the legally adopted budget.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements. They may also affect the reported amounts of revenues and expenses of proprietary funds and the government-wide financial statements during the reporting period. Actual results could differ from those estimates. Estimates are used primarily when accounting for the allowance for uncollectible accounts receivable and depreciation.

NOTE 2 - CASH AND INVESTMENTS

At June 30, 2012, the Town had cash and cash equivalents totaling:

	<u>Government-Wide Statement of Net Assets</u>
Cash and cash equivalents	\$ 635,886
Certificates of deposit	112,111
Restricted cash	<u>193,426</u>
Total interest bearing deposits	<u>\$ 941,423</u>

The Town may invest in United States bonds, treasury notes, or certificates of deposit of state banks organized under the laws of Louisiana and national banks having their principal office in the State of Louisiana or other qualifying federally insured investments.

Custodial credit risk is the risk that in the event of a financial institution failure, the Town's deposits may not be returned to them. To mitigate this risk, state law requires deposits to be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent financial institution. As of June 30, 2012, the Town's deposits were not exposed to any custodial risk.

Other investment policy provisions require depositories to insure or collateralize all deposits in accordance with state law and require securities collateralizing deposits to be held by an independent third party with whom the Town has a custodial agreement.

The government's investments are categorized as either (1) insured or registered for which the securities are held by the government or its agent in the government's name, (2) uninsured and unregistered for which the securities are held by the broker's or dealer's trust department or agent in the government's name, or (3) uninsured and unregistered for which securities are held by the broker or dealer, or by its trust department or agent but not in the government's name.

NOTE 3 - CONCENTRATION OF CREDIT RISK – PROPRIETARY FUNDS

Accounts receivable and related user fees from utility customers were comprised largely of amounts due from residents in the Town. Most customers have made deposits to partially secure their outstanding balance.

NOTE 4 - ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2012 were as follows:

Governmental	
Notes receivable	\$ 479,979
Grants	195,429
Sales and use tax	82,098
User fees	23,569
Franchise fees	16,400
Ad valorem taxes	5,115
Other	<u>9,739</u>
Subtotal	812,329
Less allowance for doubtful accounts	<u>(24,883)</u>
Total governmental receivables, net	<u>\$ 787,446</u>
Business-type	
Grants	\$ 254,787
Sales and use tax	20,524
Utility charges	71,654
Other	<u>948</u>
Subtotal	347,913
Less allowance for doubtful accounts	<u>(24,900)</u>
Total business-type receivables, net	<u>\$ 323,013</u>

Innovative Housing

The Town, through a grant program, received notes from individuals for residential projects. These notes (17) are payable to the Town over a long-term payment schedule. The notes range in maturity, with interest between 1 and 3 % and are secured by the improved real estate.

NOTE 5 - AD VALOREM TAXES

The 1974 Louisiana Constitution (Article 7 Section 18) provided that land and improvements for residential purposes be assessed at 10% of fair market value; other property and electric cooperative properties, excluding land, are to be assessed at 15%; and public service properties, excluding land, are to be assessed at 25% of fair market value. Fair market value is determined by the elected assessor of the parish on all property subject to taxation except public service properties, which are valued by the Louisiana Tax Commission (LRS 47:1957). The correctness of assessments by the assessor is subject to review and certification by the Louisiana Tax Commission. The assessor is required to reappraise all property subject to taxation at intervals of not more than four years.

All property taxes are recorded in governmental funds, and as explained in Note 1, revenues in governmental funds are recognized in the accounting period in which they become available and measurable. Property taxes are considered measurable in the calendar year of the tax levy. Accordingly, the taxes assessed for the calendar year falling within the current fiscal year are recorded as revenue. Property taxes are collected by the tax collector during the fiscal year and are therefore available to liquidate current liabilities.

Taxes are levied by the Town in September or October, and are billed to the taxpayers in November. Billed taxes become delinquent on December 31st. Revenues from ad valorem taxes are budgeted in the year assessed and recognized as revenue when billed. Ad valorem taxes attach as an enforceable lien on property as of January 1st of each year. For the year ended June 30, 2012, taxes of 16.23 mills were levied on property with assessed valuations totaling \$9,816,447, and were dedicated to general government (6.23 mills), police (5 mills) and fire protection (5 mills). Current year total taxes levied were \$159,321. Taxes collected were \$156,665, which includes delinquent taxes collected from prior years.

NOTE 6 - SALES AND USE TAXES

Sales and use taxes of two and one-half percent are levied 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 \$102,622 as of June 30, 2012. The Town collects a one percent sales and use tax that is undedicated and used by the Town's General Fund, with \$268,752 collected in 2012.

Dedicated Sales and Use Taxes

1966 1% Sales and Use Tax (Special Revenue Fund)

The proceeds of the 1966 1% sales and use tax levied by the Town were dedicated for the payment of the 1967 Public Improvement Bonds. Since April 1992, these March 14, 1967 Public Improvement Bonds were paid in full and the sales tax are dedicated for capital improvements. Current year collections were \$268,752 as of June 30, 2012.

NOTE 6 - SALES AND USE TAXES (CONTINUED)

1980 ½ % Sales and Use Tax (Sewer Fund)

The proceeds of the 1980 ½ % sales and use tax levied by the Town were dedicated for the payment of the \$290,000 Public Improvement Bonds. This tax expired January 3, 2005, but collection of the tax continued beyond the date of expiration. On March 31, 2007, a special election was held and the voters approved a proposition to continue to levy this tax for operating the sewer utility service. Current year collections were \$134,382 as of June 30, 2012.

NOTE 7 - RESTRICTED ASSETS

Restricted assets consist of utility customer deposits and cash held in reserve as required in debt service agreements. Restricted assets at June 30, 2012, were as follows:

Customer meter deposits	\$ 62,708
Current debt service	<u>130,718</u>
Total	<u>\$ 193,426</u>

(continued)

NOTE 8 - CAPITAL ASSETS

A summary of changes in governmental capital assets for the year ended June 30, 2012, is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 75,375	\$ 6,875	\$ -	\$ 82,250
Construction in progress	-	336,203	-	336,203
Total capital assets not being depreciated	75,375	343,078	-	418,453
Capital assets being depreciated:				
Buildings	1,056,318	56,780	-	1,113,098
Vehicles and equipment	604,633	66,915	-	671,548
Infrastructure	2,696,451	-	-	2,696,451
Total capital assets being depreciated	4,357,402	123,695	-	4,481,097
Less accumulated depreciation for:				
Buildings	244,784	31,174	-	275,958
Vehicles and equipment	469,176	41,694	-	510,870
Infrastructure	2,113,531	67,412	-	2,180,943
Total accumulated depreciation	2,827,491	140,280	-	2,967,771
Total capital assets being depreciated, net	1,529,911	(16,585)	-	1,513,326
Governmental activities capital assets, net	\$ 1,605,286	\$ 326,493	\$ -	\$ 1,931,779

(continued)

NOTE 8 - CAPITAL ASSETS (CONTINUED)

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

Governmental activities:	
General government	\$ 28,404
Police	27,907
Fire	13,901
Streets	<u>70,068</u>
Total depreciation expense - governmental activities	<u>\$ 140,280</u>

A summary of changes in Business-type capital assets for the year ended June 30, 2012, is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 69,808	\$ -	\$ -	\$ 69,808
Construction in progress - sewer system	<u>-</u>	<u>643,885</u>	<u>-</u>	<u>643,885</u>
Total capital assets not being depreciated	<u>69,808</u>	<u>643,885</u>	<u>-</u>	<u>713,693</u>
Capital assets being depreciated:				
Equipment	92,298	302,159	-	394,457
Vehicles	67,700	-	-	67,700
Water & Sewer Line	1,892,836	-	-	1,892,836
Water Storage Tanks	145,520	-	-	145,520
Water Wells	141,687	-	-	141,687
Sewer Treatment Plant	2,644,972	-	-	2,644,972
Sewer Pumps, Lift Station, etc.	<u>778,712</u>	<u>-</u>	<u>-</u>	<u>778,712</u>
Total capital assets being depreciated	<u>5,763,725</u>	<u>302,159</u>	<u>-</u>	<u>6,065,884</u>
Less accumulated depreciation for:				
Equipment	36,723	9,896	-	46,619
Vehicles	16,569	13,540	-	30,109
Water & Sewer Line	822,473	41,012	-	863,485
Water Storage Tanks	83,161	3,821	-	86,982
Water Wells	138,711	77	-	138,788
Sewer Treatment Plant	880,802	66,124	-	946,926
Sewer Pumps, Lift Station, etc.	<u>623,084</u>	<u>15,718</u>	<u>-</u>	<u>638,802</u>
Total accumulated depreciation	<u>2,601,523</u>	<u>150,188</u>	<u>-</u>	<u>2,751,711</u>
Total capital assets being depreciated, net	<u>3,162,202</u>	<u>151,971</u>	<u>-</u>	<u>3,314,173</u>
Business-type activities capital assets, net	<u>\$ 3,232,010</u>	<u>\$ 795,856</u>	<u>\$ -</u>	<u>\$ 4,027,866</u>

NOTE 9 - LONG-TERM DEBT

At June 30, 2012, long-term debt consisted of the following:

Revenue Bonds:

\$975,000 Revenue Bond dated December 16, 1997. Due in monthly installments of \$4,388 through December 16, 2037. Interest at 4.5%. Payable from a pledge of the Town's income and revenues of the Sewer System. \$ 797,044

\$300,000 Revenue Bond dated March 11, 2010. Due in bi-annual installments of \$27,325 - \$31,160 until January 1, 2025. Interest at 6.0%. Payable from a pledge of the excess of the annual revenues of the Town above statutory, necessary, and usual charges. 270,000

Note Payable:

\$65,150 Note Payable, dated December 31, 2004 originally in the name of the Independence Volunteer Fire Department, Inc. Due in ten annual installments of \$9,032, interest at 6.25%, secured through a pledge and dedication of excess revenues of the Town above statutory, necessary, and usual charges. 26,901

Capital Lease Obligations:

\$61,700 Capital Lease Payable, dated April 15, 2010. Due in 60 monthly installments of \$1,109, interest at 3.54%, and secured through a pledge of the Town's income and revenues of the Sewer System. 34,617

\$53,000 Capital Lease Payable, dated March 8, 2010. Due in 40 monthly installments of \$1,350 principal and \$150 interest, secured through a pledge of the Town's income and revenues of the Water System. 17,900

Total indebtedness \$ 1,146,462

Long-term debt transactions for the year ended June 30, 2012, were as follows:

	<u>Debt Payable</u> <u>07/01/11</u>	<u>Increase in</u> <u>Debt</u>	<u>Debt</u> <u>Retired</u>	<u>Debt Payable</u> <u>06/30/12</u>	<u>Due in</u> <u>one year</u>
Capital Lease Payables	\$ 82,755	\$ -	\$ 30,238	\$ 52,517	\$ 28,485
Note Payables	34,420	-	7,519	26,901	7,507
Revenue Bonds	<u>1,098,484</u>	<u>-</u>	<u>31,440</u>	<u>1,067,044</u>	<u>33,195</u>
Total	<u>\$ 1,215,659</u>	<u>\$ -</u>	<u>\$ 69,197</u>	<u>\$ 1,146,462</u>	<u>\$ 69,187</u>

NOTE 9 - LONG-TERM DEBT

Debt service requirements to maturity

The annual debt service requirements to amortize outstanding long-term debt at June 30, 2012 are as follows:

Maturity	Capital Lease Payable		Revenue Bonds		Note Payable		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 28,485	\$ 2,827	\$ 33,195	\$ 47,611	\$ 7,507	\$ 1,524	\$ 69,187	\$ 51,962
2014	14,427	735	34,985	46,471	7,987	1,044	57,399	48,250
2015	9,605	139	35,811	45,245	8,493	538	53,909	45,922
2016	-	-	36,675	43,981	2,914	182	39,589	44,163
2017	-	-	38,579	42,227	-	-	38,579	42,227
2018-2022	-	-	223,973	181,557	-	-	223,973	181,557
2023-2027	-	-	226,679	123,651	-	-	226,679	123,651
2028-2032	-	-	184,863	78,417	-	-	184,863	78,417
2033-2037	-	-	231,411	31,869	-	-	231,411	31,869
2038	-	-	20,873	199	-	-	20,873	199
Totals	\$ 52,517	\$ 3,701	\$ 1,067,044	\$ 641,228	\$ 26,901	\$ 3,288	\$ 1,146,462	\$ 648,217

NOTE 10 - ON-BEHALF PAYMENTS FOR SALARIES AND BENEFITS

The state makes supplementary salary payments to certain groups of employees. The Town is not legally responsible for these salaries. In 2012, supplementary salaries were paid to the fire (\$33,350) and law enforcement (\$43,466) employees of the Town. The Town is required to pay the payroll taxes and retirement contributions for these on-behalf payments from its budget. Total supplemental pay for 2012 is \$76,816.

NOTE 11 - PENSION PLANS

The Town currently participates in two pension plan: Municipal Employees' Retirement System of Louisiana and Municipal Police Employees' Retirement System of Louisiana. Pertinent information relative to the plans is as follows:

Municipal Employees' Retirement System of Louisiana

Plan Description

Substantially all employees of the Town can elect to be members of the Municipal Employees' Retirement System of Louisiana ("System"), Plan A, a cost sharing, multiple-employer defined benefit pension plan administered by a separate board of trustees. All permanent employees working at least 35 hours per week who are paid wholly or in part from Town funds are eligible to participate in the System.

NOTE 11 - PENSION PLANS (CONTINUED)

Plan Description (continued)

Under Plan A, employees who retire at or after age 60 with at least 10 years of creditable service or at any age with at least 25 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3 percent of their final average salary multiplied for each year of creditable service. Monthly retirement benefits paid under Plan A cannot exceed the lesser of 100 percent of final average salary or \$70 multiplied by total years of creditable service. Final average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average.

Employees who terminate with at least the amount of creditable service stated above and do not withdraw their employee contributions may retire at ages specified above and receive the benefit accrued to their date of termination.

The System also provides death and disability benefits. Benefits are established or amended by state statute.

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 from the Municipal Employees Retirement System of Louisiana, 7937 Office Park Boulevard, Baton Rouge, Louisiana, 70809, or (225) 925-4810.

Funding Policy

Plan members are required by state statute to contribute 9.25 percent of their annual covered salary and the Town is required to contribute at an actuarially determined rate. The current rate is 16.75 percent of annual payroll. The contribution requirements of plan members and the Town are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year.

The Town's contribution to the System under Plan A for the years ended June 30, 2012, 2011 and 2010 was approximately \$7,059, \$16,866 and \$22,423, respectively.

Municipal Police Employees' Retirement System of Louisiana

Plan Description

All full-time police department employees engaged in law enforcement are required to participate in the Municipal Police Employees Retirement System of Louisiana ("System"), a cost sharing, multiple-employer defined benefit pension plan administered by a separate board of trustees. Employees who retire after at least 25 years of creditable service, or at or after age 50 with at least 20 years of creditable service, or at or after age 55 with at least 12 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3.33% of their final-average salary for each year of creditable service, not to exceed 100%.

NOTE 11 - PENSION PLANS (CONTINUED)

Plan Description (continued)

Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified previously and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established by state statute.

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 (225)929-7411.

Funding Policy

Plan members are required by state statute to contribute 7.5 percent of their annual covered salary and the Town is required to contribute at an actuarially determined rate of 25 percent as of June 30, 2012. The contribution requirements of plan members and the Town are established by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Town had contributions of approximately \$12,555 and \$10,667 during 2012 and 2011, respectively. The Town joined in 2011, so there were no contributions in 2010.

NOTE 12 - COMMITMENTS AND CONTINGENCIES

Construction Contracts

At June 30, 2012, the Town had outstanding commitments resulting from construction contracts in progress of approximately \$10,200 and engineering contracts in progress of approximately \$10,500.

Suits and Claims

Various suits and claims arising in the ordinary course of operations are pending against the Town. The majority of the cases are either covered by insurance or other defenses; however, the ultimate effect of such litigation cannot be ascertained at this time. It is the opinion of Town management that the ultimate resolution of any unrecorded litigation will not have a material effect on the financial position of the Town.

(continued)

NOTE 12 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

Risk Management

The Town is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets, errors and omissions; injuries to employees; and natural disasters for which the Town carries commercial insurance. There were no major changes in insurance coverage from the prior year and settlements have not exceeded coverage in the current year or in the past three years.

Grants

The Town receives federal and state grants for specific purposes that are subject to audit by the grantor agencies. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. It is the opinion of the Town management that its compliance with the terms of grants will result in negligible, if any, disallowed costs.

Leases

The Parish entered into an operating lease agreement in 2010 with SDT, Inc. During 2012, rental revenue was \$48,000. The lease expires in September 2017. The approximate minimum future lease income, at June 30, 2012, is \$248,000.

NOTE 13 - INTERFUND TRANSACTIONS

Interfund advances

Interfund advances are considered long-term, as they are not expected to be repaid within the next fiscal year. The interfund advance balances at June 30, 2012 were as follows:

<u>Individual Fund</u>	<u>Advanced to</u>	<u>Advanced from</u>
General Fund:		
Innovative Housing Fund	\$ -	\$ 90,150
Innovative Housing fund:		
General Fund	<u>90,150</u>	<u>-</u>
Total interfund advances	<u>\$ 90,150</u>	<u>\$ 90,150</u>

(continued)

NOTE 13 - INTERFUND TRANSACTIONS (CONTINUED)

Interfund receivable and payable balances

The interfund balances at June 30, 2012 were as follows:

Individual Fund	Receivable	Payable
Primary Government:		
Governmental-type activities:		
General Fund:		
Innovative Housing	\$ -	\$ 8,811
Economic Development	8,190	5,840
Sewer Fund	13,695	2,063
Water Fund	34,369	-
Total General Fund	56,254	16,714
Economic Development Fund:		
General Fund	5,840	8,190
Innovative Housing Fund:		
General Fund	8,811	-
Total governmental-type activities	70,905	24,904
Business-type activities:		
Sewer Fund:		
General Fund	2,063	13,695
Water Fund	20,987	-
Total Sewer Fund	23,050	13,695
Water Fund:		
General Fund	-	34,369
Sewer Fund	-	20,987
Total Water Fund	-	55,356
Total business-type activities	23,050	69,051
Total primary government	\$ 93,955	\$ 93,955

NOTE 13 - INTERFUND TRANSACTIONS (CONTINUED)

Interfund transfers

The interfund transfers at June 30, 2012 were as follows:

<u>Individual Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
Governmental-type activities:		
General Fund:		
1966 Sales Tax Fund	\$ 235,000	\$ -
Excess Revenue Sinking Fund	59,205	-
Sewer Fund	74,970	122,840
Water Fund	<u>75,000</u>	<u>179,319</u>
Total General Fund	<u>444,175</u>	<u>302,159</u>
1966 Sales Tax Fund:		
General Fund	<u>-</u>	<u>235,000</u>
Excess Revenue Sinking Fund:		
General Fund	<u>-</u>	<u>59,205</u>
Total governmental-type activities	<u>444,175</u>	<u>596,364</u>
Business-type activities:		
Sewer Fund:		
General Fund	<u>122,840</u>	<u>74,970</u>
Water Fund:		
General Fund	<u>179,319</u>	<u>75,000</u>
Total business-type activities	<u>302,159</u>	<u>149,970</u>
Total primary government	<u>\$ 746,334</u>	<u>\$ 746,334</u>

NOTE 14 - COMPENSATION OF GOVERNING BODY

During the year ended June 30, 2012, the Mayor and Aldermen received compensation as follows:

Mayor - Michael Ragusa	\$	23,300
Aldermen		
Michael Muscarello		4,650
Dominick Navarra		4,500
Larry Cardaronella		5,100
Louis Joseph		3,450
Dale Brouillette		900
Parnell Baham		<u>4,650</u>
Total	\$	<u>46,550</u>

NOTE 15 - SUBSEQUENT EVENTS

In preparing these financial statements, the Town has evaluated events and transactions for potential recognition or disclosure through the date of the auditor's report which was the date the financial statements were available to be issued.

NOTE 16 - PRIOR PERIOD ADJUSTMENTS

A summary of prior period adjustments made to beginning fund balance were as follows:

	<u>General Fund</u>	<u>Sewer Fund</u>	<u>Water Fund</u>
Beginning fund balance, originally stated	\$ 191,221	\$ 1,908,883	\$ 985,125
To adjust prior year accounts:			
Cash	6,976	14,630	2,750
Receivables	44,299	46,478	(57,840)
Payables	2,926	-	(4,765)
Deferred revenue	(12,657)	(18,440)	(20,033)
Allowance for doubtful accounts	<u>(8,362)</u>	<u>(12,184)</u>	<u>20,545</u>
Beginning fund balance, restated	<u>\$ 224,402</u>	<u>\$ 1,939,367</u>	<u>\$ 925,783</u>

These accounts required adjustments due to errors discovered in 2012.

The 1966 Sales Tax Fund and Innovative housing fund had prior period adjustments of \$255 and (894), respectively, due to a correction of errors.

TOWN OF INDEPENDENCE, LOUISIANA

REQUIRED SUPPLEMENTARY INFORMATION

**TOWN OF INDEPENDENCE, LOUISIANA
GENERAL FUND**

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

For the year ended June 30, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - positive (negative)</u>
REVENUES				
Taxes:				
Sales tax	\$ -	\$ 258,500	\$ 268,752	10,252
Ad valorem	155,000	160,000	156,665	(3,335)
Franchise	75,000	67,500	68,672	1,172
Beer	3,000	3,500	3,660	160
Fines and forfeitures	85,000	83,000	99,731	16,731
Intergovernmental	50,000	176,000	729,517	553,517
Licenses and permits	112,500	110,500	101,604	(8,896)
Video poker	91,200	-	-	-
Solid waste	118,000	118,000	119,140	1,140
On-behalf payments from the State	36,000	75,500	76,816	1,316
Charges for services	7,000	6,419	63,528	57,109
Investment income	500	1,500	1,516	16
Miscellaneous	<u>31,000</u>	<u>31,429</u>	<u>40,037</u>	<u>8,608</u>
Total revenues	<u>764,200</u>	<u>1,091,848</u>	<u>1,729,638</u>	<u>637,790</u>
EXPENDITURES				
Current function				
General government	438,430	453,623	481,618	(27,995)
Public safety	666,825	610,286	739,834	(129,548)
Streets and parks	327,250	496,001	316,747	179,254
Solid waste	100,000	100,000	109,463	(9,463)
Video poker	55,346	10,760	10,332	428
Debt service	28,607	13,309	10,121	3,188
Capital outlay	-	6,689	409,993	(403,304)
Total expenditures	<u>1,616,458</u>	<u>1,690,668</u>	<u>2,078,108</u>	<u>(387,440)</u>
Deficiency of revenues over expenditures	(852,258)	(598,820)	(348,470)	250,350
OTHER FINANCING SOURCES				
Transfers in	<u>890,720</u>	<u>441,944</u>	<u>142,016</u>	<u>(299,928)</u>
Net change in fund balance	<u>\$ 38,462</u>	<u>\$ (156,876)</u>	<u>\$ (206,454)</u>	<u>\$ (49,578)</u>
FUND BALANCE				
Beginning of year, restated			<u>224,402</u>	
End of year			<u>\$ 17,948</u>	

**TOWN OF INDEPENDENCE, LOUISIANA
SALES TAX FUND - 1966**

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

For the year ended June 30, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - positive (negative)</u>
REVENUES				
Sales tax	\$ 235,000	\$ 258,500	\$ 268,752	\$ 10,252
Investment income	100	100	132	32
Total revenues	<u>235,100</u>	<u>258,600</u>	<u>268,884</u>	<u>10,284</u>
EXPENDITURES				
General government	<u>4,500</u>	<u>4,500</u>	<u>1,853</u>	<u>2,647</u>
Excess of revenues over expenditures	<u>230,600</u>	<u>254,100</u>	<u>267,031</u>	<u>7,637</u>
OTHER FINANCING USES				
Transfers out	<u>(235,000)</u>	<u>(235,000)</u>	<u>(235,000)</u>	<u>-</u>
Net change in fund balance	<u>\$ (4,400)</u>	<u>\$ 19,100</u>	32,031	<u>\$ 7,637</u>
FUND BALANCE				
Beginning of year, restated			<u>120,516</u>	
End of year			<u>\$ 152,547</u>	

**TOWN OF INDEPENDENCE, LOUISIANA
INNOVATIVE HOUSING**

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

For the year ended June 30, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - positive (negative)</u>
REVENUES				
Investment income	\$ 10,000	\$ 10,000	\$ 11,179	\$ 1,179
EXPENDITURES				
General government	<u>19,000</u>	<u>19,000</u>	<u>1,250</u>	<u>17,750</u>
Net change in fund balance	<u>\$ (9,000)</u>	<u>\$ (9,000)</u>	9,929	<u>\$ 18,929</u>
FUND BALANCE				
Beginning of year, restated			<u>747,623</u>	
End of year			<u>\$ 757,552</u>	

TOWN OF INDEPENDENCE, LOUISIANA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

For the year ended June 30, 2012

NOTE 1 - BUDGETS

Budget Policy and Budgetary Accounting

A proposed budget is prepared and submitted by the Mayor to the Town Aldermen prior to the beginning of each fiscal year. A budget summary and notice of a public hearing is published with the public hearing being conducted prior to the commencement of the budget year.

The annual operating budget, prepared on the accrual basis, covers the general fund, special revenue funds, capital project funds and enterprise fund. At the end of the fiscal year, unexpended appropriations automatically lapse. Budget amendments are approved by the Town Aldermen and are included in the financial statements.

In connection with budget preparation, a portion of the unreserved fund balance of an individual fund may be designated for expenditures of the subsequent year. Such designation represents the extent to which the fund balance is used to balance the subsequent year's operating budget of that fund, as reflected in the legally adopted budget.

Basis of Accounting

All of the Town's funds budgets are prepared on the accrual basis of accounting, which is described in Note 1 to the Town's financial statements for the year ended June 30, 2012. The Town's basis of budgetary accounting follows generally accepted accounting principles.

TOWN OF INDEPENDENCE, LOUISIANA

SUPPLEMENTARY INFORMATION

TOWN OF INDEPENDENCE, LOUISIANA

COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS

June 30, 2012

	LCDBG Economic Development 1987 Fund	2010 Revenue Bond Capital Projects Fund	Excess Revenue Bond Sinking Fund	Total Non-Major Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 5,808	\$ 8,946	\$ -	\$ 14,754
Accounts receivable, net	2,336	-	-	2,336
Due from other funds	<u>5,840</u>	<u>-</u>	<u>-</u>	<u>5,840</u>
Total assets	<u>\$ 13,984</u>	<u>\$ 8,946</u>	<u>\$ -</u>	<u>\$ 22,930</u>
LIABILITIES				
Due to other funds	\$ 8,190	\$ -	\$ -	\$ 8,190
FUND BALANCE				
Restricted	<u>5,794</u>	<u>8,946</u>	<u>-</u>	<u>14,740</u>
Total liabilities and fund balance	<u>\$ 13,984</u>	<u>\$ 8,946</u>	<u>\$ -</u>	<u>\$ 22,930</u>

TOWN OF INDEPENDENCE, LOUISIANA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS**

For the year ended June 30, 2012

	<u>Economic Development</u>	<u>2010 Revenue Bond Capital Projects Fund</u>	<u>Excess Revenue Sinking Fund</u>	<u>Total Non-Major Governmental Funds</u>
REVENUES				
Investment income	\$ 210	\$ 12	\$ 55	\$ 277
Miscellaneous	<u>8,175</u>	<u>-</u>	<u>52,000</u>	<u>60,175</u>
Total revenues	<u>8,385</u>	<u>12</u>	<u>52,055</u>	<u>60,452</u>
EXPENDITURES				
Current function:				
General government	5,483	15	-	5,498
Debt service	-	-	21,276	21,276
Capital outlay	<u>56,780</u>	<u>-</u>	<u>-</u>	<u>56,780</u>
Total expenditures	<u>62,263</u>	<u>15</u>	<u>21,276</u>	<u>83,554</u>
Excess (deficiency) of revenues over expenditures	(53,878)	(3)	30,779	(23,102)
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>-</u>	<u>-</u>	<u>(59,205)</u>	<u>(59,205)</u>
Net change in fund balance	(53,878)	(3)	(28,426)	(82,307)
FUND BALANCE				
Beginning of year	<u>59,672</u>	<u>8,949</u>	<u>28,426</u>	<u>97,047</u>
End of year	<u>\$ 5,794</u>	<u>\$ 8,946</u>	<u>\$ -</u>	<u>\$ 14,740</u>

TOWN OF INDEPENDENCE, LOUISIANA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

TOWN OF INDEPENDENCE, LOUISIANA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended June 30, 2012

Grantor/State Pass-through/ Program name/ Location of Project	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Grant Amount</u>	<u>Balance July 1</u>	<u>Federal Receipts</u>	<u>Federal Expenditures</u>	<u>Balance June 30</u>
Department of Housing and Urban Development/State of Louisiana/Division of Administration/ * Community Development Block Grant	14.218	700526	\$ 791,300	\$ -	\$ 498,826	\$ 656,946	\$ 158,120
Department of Housing and Urban Development/State of Louisiana/Division of Administration * Grant Disaster Recovery Program Generator Project	14.228	700583	372,865	-	-	365,756	365,756
Department of Transportation/State of Louisiana/ Department of Transportation and Development * Safe Routes to Schools	20.205	H.006608	309,150	-	264,057	308,164	44,107
Department of Transportation/State of Louisiana/ Department of Transportation and Development Street sign replacement	Unknown	H.009107	10,000	-	10,000	10,000	-
				\$ -	\$ 772,883	\$ 1,340,866	\$ 567,983

*Major Program

TOWN OF INDEPENDENCE, LOUISIANA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

The Town's Schedule of Expenditures of Federal Awards presents the activity of the federal financial assistance programs of the Town. All federal financial assistance received directly from federal agencies as well as federal financial assistance passed-through other government agencies are included on the schedule.

Basis of Accounting

The Town's Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in Note 1 to the Town's financial statements for the year ended June 30, 2012.

SPECIAL INDEPENDENT AUDITORS' REPORTS

For the year ended June 30, 2012



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

The Honorable Mayor and
Members of the Town Aldermen,
Independence, Louisiana

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the **TOWN OF INDEPENDENCE, LOUISIANA (TOWN)** as of and for the year ended June 30, 2012, which collectively comprise the Town's basic financial statements and have issued our report thereon dated April 3, 2013. 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

Management of the **TOWN** is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Town's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We identified Items 2012-1, 2012-2, and 2012-3 as deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. We also identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and recommendations that we consider to be significant deficiencies in internal control over financial reporting. These findings are described in the accompanying schedule of findings and recommendations as items 2012-4, 2012-5, 2012-6 and 2012-7.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* as items 2012-8, 2012-9, 2012-10, 2012-11, 2012-12 and 2012-13.

This report is intended solely for the information of the Town Aldermen, management, state and federal granting agencies, and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

Faulk & Winkler, LLC

Certified Public Accountants

**Baton Rouge, Louisiana
April 3, 2013**



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

Honorable Mayor and
Members of the Town Aldermen
Independence, Louisiana

Compliance

We have audited the compliance of the **TOWN OF INDEPENDENCE (TOWN)** with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the TOWN's major federal programs for the year ended June 30, 2012. The TOWN's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of the TOWN's management. Our responsibility is to express an opinion on the TOWN's compliance based on our audit.

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

As described in Item 2012-13 in the accompanying schedule of findings and questioned costs, the TOWN did not comply with requirements regarding compliance with certain aspects that are applicable to federal programs. It is necessary, in our opinion, for the TOWN, to comply with the requirements applicable to these programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the TOWN, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

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

test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the TOWN's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as Items 2012-1 and 2012-2 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as Items 2012-6 and 2012-10 to be significant deficiencies.

The TOWN's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the TOWN's responses and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the TOWN, the Louisiana Legislative Auditor and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statutes 24:513, this report is distributed by the Legislative Auditor as a public document.


Faulk & Wilkins, LLC
Certified Public Accountants

Baton Rouge, Louisiana
April 3, 2013

TOWN OF INDEPENDENCE, LOUISIANA
SCHEDULE OF FINDINGS AND RECOMMENDATIONS

For the year ended June 30, 2012

1) Summary of Auditors' Results:

- A) The type of report issued on the financial statements: **Unqualified opinion.**
- B) Significant deficiencies in internal control were disclosed by the audit of financial statements: **2012-4, 2012-5, 2012-6 and 2012-7.**
Material weaknesses: **2012-1, 2012-2 and 2012-3**
- C) Noncompliance that is material to the financial statements: **2012-8, 2012-9, 2012-10, 2012-11 and 2012-13.**
- D) Significant deficiencies in internal control over major programs: **2012-6 and 2012-10.**
- E) The type of report issued on compliance for major programs: **Qualified opinion.**
- F) Any audit findings which are required to be reported under Section 510 (a) of OMB Circular A-133: **2012-13.**
- G) Major Programs:
 - U.S. Department of Housing and Urban Development**
Department of Housing and Community Affairs
 - 1.) Community Development Block Grant C.F.D.A 14.218
 - 2.) Grant Disaster Recovery Program – Generator Project C.F.D.A 14.228
 - U.S. Department of Transportation**
Federal Highway Administration
 - 1.) Safe Routes to Schools C.F.D.A 20.205
- H) Dollar threshold used to distinguish between Type A and Type B Programs: **\$300,000.**
- I) Auditee qualified as a low-risk auditee under Section 530 of OMB Circular A-111: **No.**

- 2) Findings relating to the financial statements reported in accordance with *Government Auditing Standards*: **2012-1, 2012-3, 2012-4, 2012-5, 2012-6, 2012-7, 2012-8, 2012-9, 2012-10, 2012-11 and 2012-12.**
- 3) Findings and questioned costs relating to federal awards: **2012-1, 2012-2, 2012-6, 2012-10 and 2012-13.**

TOWN OF INDEPENDENCE, LOUISIANA
SUMMARY OF FINDINGS AND RECOMMENDATIONS

For the year ended June 30, 2012

4) FINDINGS – FINANCIAL STATEMENT AUDIT

2012-1 Segregation of Duties

Condition: There is not sufficient segregation of duties to have effective internal control over financial reporting. The finding results from the small number of Town personnel involved in the financial reporting process and restricts a meaningful segregation of duties. The Town relies on its auditors to assist in the preparation of external financial statements and related disclosures. Under U.S. generally accepted auditing standards, the auditors cannot be considered part of the Town's internal control structure; however, design of the internal control structure does not otherwise include procedures to prepare internal financial statements and related disclosures in conformity with U.S. generally accepted accounting principles.

Criteria: Segregation of duties should be adequate within the Town's accounting department to provide effective internal control.

Effect: The segregation of duties is inadequate to provide effective internal control over cash activity.

Cause: The Town's staff size is insufficient to properly segregate duties within the accounting department for 2012.

Recommendation: We recommend that the Town perform the following:

- Obtaining the Mayor's approval for all Town disbursements and purchase orders,
- The unopened monthly bank statements and related bank reconciliations (including all cancelled checks) be reviewed by the external CPA and/or Mayor,
- The Mayor and Town Council review the Town's financial statements, on a monthly basis with comparison to budgeted amounts. Furthermore, a listing of monthly cash disbursements be reviewed with the monthly financial statements.
- Since the Town is satisfied with using its auditing firm to prepare the external financial statements, no change is recommended. However, this matter will continue to be reported.

Management's corrective action plan: Due to the size of the Town, the achievement of adequate segregation of duties is desirable to management but is cost prohibitive at this time. However, the Mayor approves all disbursements of the Town within the range of the council approved budget, except for those disbursements within the designated Police Department budget which are reviewed by the elected chief of police, but approved by the Mayor. Furthermore, the Town has outsourced certain accounting responsibilities to a certified public accounting firm to include preparation of check disbursements and bank reconciliations on a monthly basis. The Town should review internal processes with the external CPA firm for opportunities to enhance internal control.

2012-2 Monthly Financial Reporting

Condition: The Town is not reporting financial activity at the regular monthly meetings.

Criteria: Monthly financial results should be discussed at regular meetings for effective internal control over financial reporting.

Effect: The Town's financial statements are not reviewed and discussed timely, including operating results and budgetary comparisons.

Recommendation: The Town should prepare and review financial results at the regular monthly meeting.

Management's corrective action plan: The Town is presently working with an external CPA firm that will prepare financial statements timely on an interim basis for review with the Town Council where operating results can be discussed.

2012-3 Operating Deficits

Condition: The Town has experienced recurring operating deficits in its General and Utility funds. Observations concerning operations are as follows:

- 1) The 2012 operating deficits are \$348,470 and \$7,083 for the General Fund and Utility funds, respectively.
- 2) The Town charges residents a flat rate for monthly for water, sewer and solid waste collection services.

Furthermore, the Town does not monitor certain information relative to revenue streams, as follows:

- 1) The Town should install a master water meter to track the total volume of water taken into the Town's water system. The information should be compared monthly to the amount of water consumed to determine if any significant water losses are occurring.
- 2) The Town should review licensing revenue for unpaid fees. In particular, fees paid by out-of-state insurance companies should be reviewed for compliance with Town ordinances.
- 3) Expenditures. To the extent revenues are not raised to sufficient levels to support current programs, expenditures should be reduced to eliminate current operating deficits experienced.

Criteria: The Town should avoid recurring operating deficits so that adequate financial condition can be maintained.

Effect: The Town could deplete net worth and experience financial stress.

Cause: The Town has operated with deficits for the last three years.

Recommendation: The Town should consider the following:

- 1) Increase the amount of current utility rates, with consideration to pricing based on volume consumed. The current fee is insufficient to fund current operations of the utility fund.
- 2) Review occupational license activity for unpaid amounts.
- 3) Reduce spending to levels below operating revenues.
- 4) Develop a policy to require minimum fund balance levels and criteria for spending such reserves.

Management's corrective action plan: The Town is reviewing this matter with the external CPA firm. Also, the Town has amended the 2013 budget to eliminate significant deficits for 2013 except for the Water Fund. This fund will be reviewed further in 2013.

2012-4 Fuel Purchases

Condition: The Town purchases fuel for several departments. The Town uses a fuel purchasing card and has a fuel tank. The Town does not have sufficient procedures to monitor fuel purchases and consumption. Furthermore, there are no written procedures or review of consumption. Finally, the Town does not have adequate procedures to monitor or secure usage of the fuel tank for public works.

Management indicated that a recent investigation of fuel card usage resulted in the discovery of fuel purchased at Town expense by four town employees for personal use. Management indicated that the total fuel cost was under \$1,000.

Criteria: Proper controls over fuel purchases and consumption should in place.

Effect: The Town does not have procedures in place to monitor fuel purchases and consumption.

Cause: The Town has not developed adequate procedures to monitor and scrutinize fuel purchases or consumption on an on-going basis.

Recommendation: We recommend the following:

- 1) The Town develops written procedures to govern this activity. The procedures should include, but are not limited to:
 - a. Statement on acceptable use of the card for town activity only.
 - b. Monthly activity reviewed by the Town Clerk or external CPA firm.
 - c. Monthly activity reconciled to odometer readings submitted by card holders.
 - d. A fuel log prepared monthly for fuel tank usage. The log should include the gallons used and a signature of the employee using fuel. At the conclusion of each month, the fuel log should be reconciled with fuel purchased for the period to establish a control over this activity.

Management's corrective action plan: The Town recalled all fuel purchase credit cards in 2012 and is initiating a new program. Furthermore, the Town will develop written procedures for administering fuel purchases. Finally, the Town is reviewing the personal fuel purchases with Town legal counsel for appropriate action and has sought restitution from these employees.

2012-5 Travel and Credit Cards

Condition: We observed the following regarding travel and credit card activity.

- The Town does not have a written travel and credit card policy.
- Certain purchases lacked an original invoice to support the purchase.
- For meal purchases, a business purpose was not documented.
- For a meal purchase made, alcoholic beverages were purchased.
- The Town incurred a small late charge on delinquent payment for one statement reviewed.

Criteria: The Town should have a written policy regarding travel and use of credit cards. The policy should include required records to retain to support purchases, documentation of business purpose of purchases, prohibited purchases and late fee avoidance.

Effect: The Town made purchases that are not properly supported or don't comply with state statutes.

Cause: The Town has not developed adequate policies.

Recommendation: We recommend the following:

- 1) The Town develop written operating procedures regarding travel and credit card usage.
- 2) Alcoholic purchases should be prohibited, as stipulated by state law.
- 3) A business purpose should be documented, in particular meal purchases.
- 4) Payment on the credit card statement should be timely to avoid late fees.

Management's corrective action plan: The Town will develop a written policy to govern travel and credit card usage.

2012-6 Receivables

Condition: The Town has various amounts owed for utility services and loans provided under the innovative housing grant program. The Town does not have an adequate policy for monitoring collection of loans owed for innovative housing and addressing the collection of delinquent account balances.

Secondly, there are significant balances owed for utility services that are over 30 days old was approximately \$36,000.

Criteria: Amounts owed to the Town should be collected timely.

Effect: Lack of collection of receivables negatively impacts the Town's cash flows and cash position.

Cause: The Town lacks procedures to enforce the timely collection of receivables.

Recommendation: We recommend the Town review current practices and develop a policy for the timely collection of receivables, including service cut-off, customer deposit amount and legal assistance for collection purposes.

Management's corrective action plan: The Town is closely monitoring payments and amounts owed during 2013 and will develop a written policy for administration of receivables.

2012-7 Written Policies

Condition: The Town does not have a written procedure manual for accounting procedures, town policy or matters relating to state ethics. This matter was reported in 2011.

Criteria: A written set of policies and procedures is a good business practice.

Effect: Lack of written instruction can lead to inconsistent practices.

Cause: The Town does not have a comprehensive written policy and procedure manual.

Recommendation: We recommend the Town develop a comprehensive policy and procedures manual to provide guidance on financial, accounting and ethics matters.

Management's corrective action plan: The Town will develop a comprehensive policy and procedures manual during 2013.

5) FINDINGS – NONCOMPLIANCE WITH STATE LAWS AND REGULATIONS

2012-8 Timeliness of Audit Submission

Condition: The Town did not submit financial statements within six months of the entity's fiscal year as a result of additional time needed to perform recordkeeping necessary to close the fiscal year.

Criteria: LSA-RS24:513 requires the engagement to be completed within six months of the close of the fiscal year.

Effect: The Town's financial statements were not filed timely.

Recommendation: The Town should implement accounting procedures to maintain accurate accounting records on an interim basis so that the year end close can be performed timely and the audit can be conducted within the six month requirement.

Management's corrective action plan: The Town has hired an external CPA firm to assist with the interim accounting records and related financial statements. As such, the audit for 2013 is expected to be submitted timely.

2012-9 Asset Inventory

Condition: The Town did not conduct a physical inventory of capital assets during 2012 as required by the Louisiana asset management law.

Criteria: The physical inventory is required by state law and is a good business practice.

Effect: Lack of a physical inventory does not provide for adequate control over management of the Town's capital assets.

Cause: The Town does not have procedures in place to annually conduct the inventory.

Recommendation: We recommend the Town, as part of the annual financial statement closing process, conduct a physical inventory of capital assets owned.

Management's corrective action plan: The Town will conduct the required inventory during 2013.

2012-10 Public Bid Law

Condition: The Town violated public bid law in the renovation of the SDT building.

Criteria: For any public works project in excess of \$25,000, the governmental entity should solicit at least three bids.

Effect: The Town did not solicit three bids for the renovation of the SDT building.

Recommendation: The Town should develop purchasing procedure that adheres to the state public bid law.

Management's corrective action plan: The Town will closely scrutinize purchases during 2013 to comply with the public bid law.

2012-11 Budget Law

Condition: The Town's General Fund had expenditures in excess of 5% of the final appropriated operating budget for 2012.

Criteria: State budget laws require amendment of the budget when expenditures are expected to be in excess of 5% of the current appropriation.

Effect: The Town is not in compliance with the Louisiana budget law.

Cause: The Town did not amend the General Fund budget for 2012 as required.

Recommendation: The Town should amend the budget in accordance with state statute. Additionally, the budget should be monitored on a continual basis.

Management's corrective action plan: Management will continuously monitor the actual revenue and expenditures throughout the year along with a comparison to the currently enacted budget. To the extent an amendment is required, the Town will propose such an adjustment.

2012-12 Ethics Violations

Condition: There were two ethics violations reported by officials of the Town, as follows:

- At the November 2012 Ethics meeting, the Board found a violation of La. R.S. 42:1112B(1) of the Code of Governmental Ethics regarding a historic district loan approved by the Mayor to a third party purchasing property of family members of the Mayor.
- A matter was reported in the 2011 audit concerning a possible violation of the code of governmental ethics by a councilman doing business with the Town as a subcontractor of a Town vendor. The official's business billed the contractor \$1,369 for glass services. At the November 2011 meeting, the Board found the arrangement to be in violation of La. R.S. 42:1111C (2) (d).

Criteria: All elected officials are required to abide by the Louisiana Code of Governmental Ethics.

Effect: The Code of Governmental Ethics was violated to two occasions.

Recommendation: The Town's elected officials and employees should comply with the Code of Governmental Ethics. Furthermore, the Town should consider providing educational information annually to the town representatives to enhance understanding of such matters along with an annual certification regarding compliance with this code.

Management's corrective action plan: The Mayor followed the guidance of the acting Town attorney in the loan matter and did not willfully violate the ethics code. However, any such matter dealing with family members in the future will be reviewed thoroughly by legal counsel before any action is taken.

6) FINDINGS – FEDERAL AWARD PROGRAMS

2012-13 Grants

Condition: The Town did not comply with certain aspects related to federal compliance as follows:

- Federal grants received by the Town require payment of vendors within 3 days of receipt of federal funds. (CFDA Nos. 14.218, 14.228, 20.205)
- The Town did not have documentation to support compliance with the Davis Bacon Act and review of the Excluded Parties List System for the Sewer improvement and safe routes to schools grants. (CFDA Nos. 14.218, 20.205)
- Submission of the single audit within 9 months of year end.

Criteria: Cash management, Davis-Bacon, audit submission and Procurement procedures (EPLS) compliance requirements are a condition of receiving federal funds.

Effect: The Town did not consistently comply with these requirements.

Cause: The Town experienced a delay in determining when funds were received and disbursing amounts owed to vendors. Furthermore, the Town did not retain documents to support compliance with Davis-Bacon and federal procurement procedures. Finally, the Town was late in filing the 2012 audit with federal agencies.

Recommendation: The Town should comply with these federal requirements.

Management's corrective action plan: The Town will incorporate federal funding, cash management, labor monitoring and federal procurement into the policy and procedure manual that will be developed. Furthermore, the Town will submit the single audit, if required, for 2013 timely.

TOWN OF INDEPENDENCE, LOUISIANA

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

For the year ended June 30, 2012

2011-1 Procedures Manual

The Town did not take any action during 2012 concerning this matter. This matter has been reported as Item 2012-7.

2011-2 Ethics

The Town did not develop a written ethics policy nor required certification letters from board members and employees attesting to compliance during 2012. This matter has been reported as Item 2012-7.

2011-3 Delinquent Historic District Loans

The Town experienced delinquent payment on loans received under this innovative housing grant program. This matter has been reported as Items 2012-6.

2011-4 Lack of Segregation of Duties

This matter has been reported as Item 2012-1.

2011-5 Travel Expenses

This matter has been reported as Item 2012-5.

2011-6 Certain Expenditures

The Town incurred certain expenditures related to costs related to a Christmas parade and party, decorations for Christmas and Halloween, had a crawfish boil for its firefighters and made a donation of \$1,000 to a summer baseball league. None observed in 2012, so matter is considered resolved.

2011-7 Gas Credit Card Purchases

This matter has been reported as Item 2012-4.

2011-8 Local Government Budget Act

The Town's 1% sales tax fund (1982) budget did not fall within the 5% variance between actual revenues and expenditures compared to budget amounts as required by state law. This matter has been reported as Item 2012-11.

2011-9 Possible Ethics Violation

One of the Board of Alderman entered into a subcontract with a contractor who was doing work for the Town. This matter was investigated by the State Ethics Board. This matter has been reported as Item 2012-12.

2011-10 Capital Assets

The Town does not tag all assets or physically inventory assets annually. This matter has been reported as Item 2012-9.

FAULK & WINKLER, LLC
Certified Public Accountants • Business Advisors
**INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED-UPON PROCEDURES**

To the Honorable Mayor and
Members of the Town Alderman
Independence, Louisiana

We have performed the procedures included in the *Louisiana Government Audit Guide* and enumerated below as they are a required part of the audit engagement. We are required to perform each procedure and report the results, including any exceptions. Management is required to provide a corrective action plan that addresses all exceptions noted. For any procedures that do not apply, we have marked "not applicable."

Management of the Town of Independence (Town) is responsible for its financial records, establishing internal controls over financial reporting, and compliance with applicable laws and regulations. These procedures were agreed to by management of the Town and the Legislative Auditor, State of Louisiana, solely to assist the users in assessing certain controls and in evaluating management's assertions about the Town's compliance with certain laws and regulations during the year ended June 30, 2012 included in the *Louisiana Compliance Questionnaire*.

This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Credit Cards

1. Obtain from management a listing of all active credit cards (and bank debit cards if applicable) for the period under examination, including the card numbers and the names of the persons who maintained possession of the cards.

[Note: There are three types of credit cards: (1) general (e.g., VISA, MasterCard, etc.), (2) store (e.g., Wal Mart, Office Depot, Sam's Club, etc.); and (3) gasoline (e.g., Fuelman, Exxon, etc.)].

Observation

We obtained a list of all active credit cards during the period. The list included three VISA credit cards issued to the Town, Mayor Michael Ragusa, and Police Chief Frank Edwards. Additionally, there was one Lowes store account, and twenty-two Fueltrac Voyager cards.

2. Obtain and review the entity's written policies and procedures for credit cards (and debit cards if applicable) and determine if the following is addressed:
 - How cards are to be controlled
 - Allowable business uses
 - Documentation requirements
 - Required approvers
 - Monitoring card usage

Observation

The Town does not have written policies and procedures in place regarding how cards are controlled, the allowable business uses, documentation requirements, approvers, or monitoring of card usage. Fueltrac Voyager cards are kept in the vehicle at all times. Users are assigned pin numbers to make fuel purchases with each card. The Lowes store account requires a purchase order to make a purchase.

3. Obtain the monthly statements for all credit cards (general, stores, and gasoline) used during the period under examination and select for detailed review, the two largest (dollar amount) statements for each card. (Note: For a debit card, select the two monthly bank statements with the largest dollar amount of debit charges):
 - A. Obtain the entity's supporting documentation for the purchases/charges shown on the selected monthly statements:
 - Determine if each purchase is supported by:
 - An original itemized receipt (i.e., identifies precisely what was purchased)
 - Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating)
 - Other documentation as may be required by policy (e.g., purchase order, authorization, etc.)

Observation

1. The May 2012 statement for VISA Card issued to "Town of Independence" lacked any approval documentation.
2. The July 2011 statement for VISA card issued to "Town of Independence: Michael Ragusa" had a purchase for a hotel stay in Pineville, LA and lacked documentation of business purpose and approval.
3. The August 2011 statement lacked approval documentation and an original receipt to support a \$276.30 purchase at Casino Magic – Bossier City.
4. The Fuelman Voyager itemized statements did not include original receipts to support purchases, documentation of business purpose, or any record of review and approval by management.

- Determine if each purchase is:
 - In accordance with thresholds or guidelines established in the policies and procedures.
 - For an appropriate and necessary business purpose relative to the entity.

Observation

There are no written policies and procedures to use in determining if purchases were within guidelines and thresholds that would be established in those documents. The August 2011 VISA statement has dinner receipts that include alcohol purchases of \$58.50.

- Determine if any purchases were made for personal purposes. If there are purchases made for personal purposes, determine the date(s) of reimbursement.

Observation

The August 2011 statement for the same VISA card included alcohol purchases of \$58.50 that are determined to be personal purchases since state law prohibits this purchase by public entities.

- Determine if any purchases effectively circumvented the entity's normal procurement/purchasing process and/or the Louisiana Public Bid Law (i.e., large or recurring purchases requiring the solicitation of bids or quotes).

Observation

Credit card purchases followed the Town's normal procurement/purchasing process and/or the Louisiana Public Bid Law.

- B. Determine if there was any duplication of expenses by comparing all travel and related purchases to the appropriate person's expense reimbursement report(s).

Observation

Based on the sample of expenditures reviewed, there was no apparent duplication of expenses observed.

- C. Determine if each monthly credit card statement (including supporting documentation) was reviewed and approved, in writing, by someone other than the person making the purchases. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality.)

Observation

The Lowes store purchases were approved by an individual independent of the individual making such purchases. The VISA cards and Fuelman Voyager cards lacked adequate documentation to determine if review and approval was conducted properly.

- D. Determine if finance charges and/or late fees were assessed on the monthly statements.

Observation

The VISA card issued to "Town of Independence: Michael Ragusa" incurred \$27 in late charges.

Travel and Expense Reimbursement

1. Obtain and review the entity's written policies and procedures for travel and expense reimbursement and determine if the following is addressed:

- Allowable expenses
- Dollar thresholds by category of expense
- Documentation requirements
- Required approvers

Observation

The Town does not have written policies and procedures regarding non-travel expense reimbursement. The Personnel handbook outlines travel expense reimbursements to include reimbursements for expenses necessarily incurred in the performance of municipal purpose and states that reimbursement will not be given for any lodging and/or meals furnished at no cost to the employee. Dollar thresholds include using the federal rate for mileage allowance, \$15 per meal for travel exceeding twelve hours, commercial air fare up to the price of coach/economy class accommodations, conference registration fees, and tips for baggage handling not to exceed \$1 per bag. Documentation requirements are the reimbursements forms with necessary support data to be completed and signed. The department head must approve the reimbursement form before forwarding it to the mayor for approval.

2. Obtain a listing of all travel and related expense reimbursements during the period under examination and select for review, the one person who was reimbursed the most money:

Observation

Reimbursements were given to Police Chief Frank Edwards, John Henson, and Mayor Michael Ragusa. Frank Edwards had the highest dollar amount of reimbursements.

- A. Obtain all of the expense reimbursement reports of the selected person, including the supporting documentation, and select the three largest (dollar) expense reports to review in detail (Note: If there are only three or less expense reports, review all (100%) of them.):

- Determine if each expenditure is:
 - Reimbursed in accordance with written policy (e.g., rates established for meals, mileage, lodging, etc.)

- In accordance with thresholds or guidelines established in the policies and procedures
- For an appropriate and necessary business purpose relative to the travel

Observation

Reimbursements were for police supplies and a police chief lunch. There are no expense reimbursement policies, thresholds, and guidelines in place for these types of purchases. No travel reimbursements were claimed.

- Determine if each expenditure is supported by:
 - An original itemized receipt (i.e., identifies precisely what was purchased) [Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) generally does not require a receipt.]
 - Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating)
 - Other documentation as may be required by policy (e.g., authorization for travel, conference brochure, certificate of attendance, etc.)

Observation

The April reimbursement for the Tangipahoa Parish Police Chief's luncheon did not include an itemized receipt. The credit card receipt included a total along with a list of attendees and a note stating "no alcohol was purchased". The May reimbursement had a \$20 receipt form Sentry Safe without a purchase order attached. All other reimbursements included a purchase order outlining the purpose of each purchase.

- Determine if any of the expenditures were for personal purposes (e.g., extended hotel stays before or after training class, meals for spouses, entertainment, etc.).

Observation

Based on the sample of expenditures reviewed, there was no apparent personal purchases observed.

- Determine if each expense report (including documentation) was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Observation

The purchase orders were approved by the assistant town clerk.

- B. Determine if there was any duplication of expenses by comparing the expense reports to charges/purchases made on credit card(s).

Observation

Based on the sample of expenditures reviewed, there was no apparent duplication of expenses observed.

We were not engaged to perform, and did not perform, an audit, the objective of which would be the expression of an opinion on management's assertions. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of management of the Town and the Legislative Auditor, State of Louisiana, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Faulk & Winkler, LLC

Certified Public Accountants

**Baton Rouge, Louisiana
April 3, 2013**

TOWN OF INDEPENDENCE, LOUISIANA

**SCHEDULES
(SUPPLEMENTARY FINANCIAL INFORMATION)**

TOWN OF INDEPENDENCE, LOUISIANA

WATER AND SEWER SYSTEM SCHEDULE

June 30, 2012
(Without Audit)

Records maintained by the Town of Independence indicated the number of residential and commercial users for both water and sewer systems at June 30, 2012 were as follows:

	<u>Water</u>	<u>Sewer</u>
Residential	718	684
Commercial	59	59
Governmental	2	2
School	5	5

At June 30, 2012, the aging of accounts receivable for the Enterprise Funds was as follows:

Current	\$ 44,414
31-60 days	15,808
61-90 days	5,115
91-120 days	2,251
Over 120 days	<u>4,066</u>
Total outstanding	<u>\$ 71,654</u>

(continued)

Schedule 1
(Continued)

At June 30, 2012, the Town was charging the following rates for usage of their water and sewer systems:

Description	Total	Water	DHH		Fire		Police		Sewer	Tax
			Fee	Garbage	Serv I	Serv II				
Residential (1)	55.00	15.00	0.27	13.73	3.50	2.50	20.00	-	-	
Residential (2)	110.00	30.00	0.54	27.46	7.00	5.00	40.00	-	-	
Residential (3)	165.00	45.00	0.81	41.19	10.50	7.50	60.00	-	-	
Residential (4)	220.00	60.00	1.08	54.92	14.00	10.00	80.00	-	-	
Residential (5)	275.00	75.00	1.35	68.65	17.50	12.50	100.00	-	-	
Residential (6)	330.00	90.00	1.62	82.38	21.00	15.00	120.00	-	-	
Residential (8)	440.00	120.00	2.16	109.84	28.00	20.00	160.00	-	-	
Outside - Water (1)	38.27	38.00	0.27	-	-	-	-	-	-	
Outside - Water (2)	76.54	76.00	0.54	-	-	-	-	-	-	
Outside - Water (3)	114.81	114.00	0.81	-	-	-	-	-	-	
Outside - Water & Sewer	90.27	38.00	0.27	-	-	-	52.00	-	-	
Outside - No Sewr w/ Garb	52.00	38.00	0.27	13.73	-	-	-	-	-	
Outside - No Sewr w/o Garb	38.27	38.00	0.27	-	-	-	-	-	-	
Inside / No Garbage	41.27	15.00	0.27	-	3.50	2.50	20.00	-	-	
Commercial - Washateria	130.00	60.00	0.27	13.73	3.50	2.50	50.00	-	-	
Commercial Rate (1)	130.00	60.00	0.27	13.73	3.50	2.50	50.00	-	-	
Commercial Rate (2)	260.00	120.00	0.54	27.46	7.00	5.00	100.00	-	-	
Car Wash	130.00	60.00	0.27	13.73	3.50	2.50	50.00	-	-	
Car Wash - C&G	130.00	60.00	0.27	13.73	3.50	2.50	50.00	-	-	
Comm Washateria/ w garb	130.00	60.00	0.27	13.73	3.50	2.50	50.00	-	-	
Head Start	285.50	9.00	0.27	13.73	3.50	2.50	256.50	-	-	
French Settlement	100.27	100.00	0.27	-	-	-	-	-	-	
Mater Dolorosa	440.52	177.75	0.27	-	3.50	2.50	256.50	-	-	
Indy Middle School	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	-	-	
Indy High School	543.64	280.87	0.27	-	3.50	2.50	256.50	-	-	
Lallie Kemp Hospital	1,033.77	750.00	0.27	-	-	-	283.50	-	-	
Housing Authority	3,190.00	870.00	15.66	796.34	203.00	145.00	1,160.00	-	-	
Tax-exempt	-	-	-	-	-	-	-	-	-	
LA Medical & Surgical	-	-	-	-	-	-	-	-	-	
Industrial (Base Rate)	486.27	240.00	0.27	-	3.50	2.50	200.00	40.00	-	

Delinquent fee \$5.00

TOWN OF INDEPENDENCE, LOUISIANA

SCHEDULE OF INSURANCE IN FORCE

June 30, 2012
(Without Audit)

<u>Insurance Company</u>	<u>Coverage</u>	<u>Amount</u>	<u>Expiration Date</u>
First Louisiana Insurance	Buildings	\$ 1,202,185	09/16/13
	Contents	142,595	09/16/13
	Pumping Equipment	5,962	09/16/13
	Tower \$3	64,210	09/16/13
	75K W Generator	78,000	09/16/13
	Lift Stations	778,230	09/16/13
EMC Insurance Company	Public official bond Per Employee	100,000	05/07/13
Progressive Insurance Company	Commercial Auto Policy Comprehensive and Collision	30,650	05/14/13
Audubon Insurance Company	Commercial Coverage Comprehensive and Collision	205,821	
LA Mucicipal Risk Management Agency	Automobile liability Uninsured Motorist, BI & PD	500,000	05/01/13
	Commercial General Liability Premises / Operations	500,000	05/01/13
	Products / Completed Operations	500,000	05/01/13
	Law Enforcement Officers Comprehensive Liability, Personal Injury	500,000	05/01/13
	Public Officials Liability Errors & Omissions	500,000	05/01/13
	Auto Physical Damage	130,000	05/01/13

Town of Independence

Mayor Michael A. Ragusa

Arlene S. Hall
Town Clerk

Frank Edwards III
Chief of Police

John Henson
Maintenance Supervisor

P.O. Box 35
Independence, LA 70443

April 17, 2013

Larry Cardaronella
Mayor Pro-Tem

Aldermen
Calvin Batiste
Angelo Mannino Jr.
Jimmy Gregory Jr.
Mike Muscarillo

Ms. Joy S. Irwin, CPA
Assistant Legislative Auditor and
Director of Advisory Services
Louisiana Legislative Auditor
State of Louisiana
P.O. Box 94397
Baton Rouge, LA 70804-9397

Dear Ms. Irwin:

The following is submitted concerning corrective action taken or planned by the Town relative to the observations made in the agreed-upon procedures report prepared by Faulk & Winkler, LLC for the year ended June 30, 2012.

Credit cards

Written Policies

The auditor reported that the Town does not have written policies regarding how credit cards (including fuel cards) are controlled, allowable expenditures, documentation requirements, approval and monitoring activity

Management's corrective action plan: Management has drafted a written policy regarding credit card activity to address the matter reported. Management has drafted a comprehensive manual and will get Council approval within the next 90 days.

Furthermore, the Town has suspended the use of fuel credit cards until policy and procedures are in place that is satisfactory to the current administration.

Approval and documentation

The auditor listed 4 observations regarding documentation and approval on credit card activity. The observation included the need for documented approval and maintaining original receipts.

Management's corrective action plan: As stipulated above, the Town has drafted a comprehensive policy and procedure manual to address the matter cited. Additionally, the Town has hired a new Town Clerk that will monitor credit card activity prospectively for policy compliance and documentation of activity.

Credit cards – alcohol purchase and late charges

The Town had one purchase of alcohol for \$58.50. Furthermore, the Town incurred \$27 in late fees during the year ended June 30, 2012

Management's corrective action plan: The manual described above includes a provision for prohibiting alcoholic purchases. Furthermore, the Town does not expect to incur late fees on credit cards prospectively. The Town will monitor this matter going forward, but does not expect similar purchases in the future

Travel and Expense Reimbursement

Written Policies

The auditor reported that the Town does not have written policies regarding travel and entertainment related activity except the information included in the Town's employee handbook

Management's corrective action plan: Management has drafted a written policy regarding travel and entertainment activity to address the matter reported. Management has drafted a comprehensive manual and will get Council approval within the next 90 days.

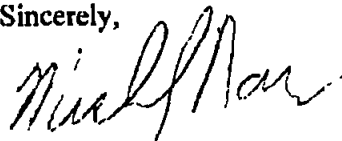
Expenditure documentation

Certain purchases were made that did not include an itemized receipt to support the expenditure.

Management's corrective action plan: Management will adhere to established policies proposed and monitor travel reimbursements for proper receipts.

If you have any questions, please notify me.

Sincerely,



Michael Ragusa, Mayor