

TOWN OF INDEPENDENCE, LOUISIANA
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

Town of Independence, Louisiana
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For the Year Ended June 30, 2020

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Independent Auditor's Report

The Honorable Jim Paine, Mayor
and Members of the Board of Aldermen
Independence, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Independence, Louisiana, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town of Independence, Louisiana's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Independence, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, the schedules of the Town's proportionate share of the net pension liability, and the schedules of Town contributions on pages 6 – 12, 59 – 60, 61 – 62, and 63 – 64, respectively, 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Independence, Louisiana's basic financial statements. The combining and individual non-major fund financial statements; the schedule of compensation of paid elected officials; the schedule of compensation, benefits, and other payments to agency head; the schedule of insurance coverage in force; the water and sewer rate schedule; and the schedule of water and sewer information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

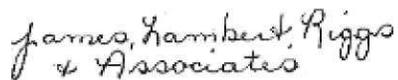
The combining and individual non-major fund financial statements; the schedule of compensation of paid elected officials; and the schedule of compensation, benefits, and other payments to agency head are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual non-major fund financial statements; the schedule of compensation of paid elected officials; and the schedule of compensation, benefits, and other payments to agency head are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

The schedule of insurance coverage in force; the water and sewer rate schedule; and the schedule of water and sewer information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2020, on our consideration of the Town of Independence, Louisiana'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Independence, Louisiana's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Independence, Louisiana's internal control over financial reporting and compliance.



James, Lambert, Riggs and Associates, Inc.
Hammond, Louisiana

December 18, 2020

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Required Supplemental Information (Part I):

Management's Discussion and Analysis

Town of Independence, Louisiana
Management's Discussion and Analysis
For the Year Ended June 30, 2020

As management of the Town of Independence, Louisiana (the "Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the year ended June 30, 2020. This Management Discussion and Analysis (the "MD&A") is designed to provide an objective and easy to read analysis of the Town's financial activities based on currently known facts, decisions, or conditions. It is designed to be read in conjunction with the financial statements and to provide readers with a broad overview of Town finances. It is also intended to provide readers with an analysis of the short and long-term activities of the Town based on information presented in this financial report, as well as fiscal policies that have been adopted by the Town. Specifically, this section is designed to assist the reader in focusing on significant financial issues, provide an overview of the Town's financial activity, identify changes in the Town's financial position, identify any material deviations from the financial plan (the approved budget), and identify individual fund issues or concerns.

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

Financial Highlights

- Total assets for the year were \$13,443,624 at June 30, 2020, and exceeded liabilities in the amount of \$6,851,579 (i.e., net position). \$6,561,057 was invested in capital assets, \$433,190 was restricted for debt service, and (\$159,728) was unrestricted.
- The Town's total revenues for the year decreased from the prior year by 7.28% from \$2,835,068 to \$2,628,564.
- Expenditures for the year decreased by \$128,605 from the prior year from \$3,051,692 to \$2,923,087.
- Total net position decreased by \$294,523.

Town of Independence, Louisiana
Management's Discussion and Analysis (Continued)
For the Year Ended June 30, 2020

Overview of the Financial Statements

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

- Government-Wide Financial Statements,
- Fund Financial Statements,
- Notes to the Financial Statements,
- Required Supplementary Information and
- Other Supplemental Information, which is in addition to the financial statements themselves.

Government-Wide Financial Statements

Government-wide financial statements required by GASB Statement 34 provide readers with a concise "entity-wide" Statement of Net Position and Statement of Activities, seeking to give the user of the financial statements a broad overview of the Town's financial position and results of operations in a manner similar to a private-sector business.

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

The government-wide financial statements further assist the reader in their evaluation by distinguishing functions of the Town into *Governmental Activities* that are principally supported by taxes and intergovernmental revenues, and *Business-Type Activities* from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (Water and Sewer).

Government-Wide Financial Analysis

The purpose of financial analysis is to help determine whether the Town is in a healthier financial state due to the current year's activities. In this analysis, data from two of the basic financial statements, the Statement of Net Position and the Statement of Activities, are presented on the next page in condensed format. Following these statements is a separate schedule summarizing and analyzing budget changes for the current fiscal year.

Town of Independence, Louisiana
Management's Discussion and Analysis (Continued)
For the Year Ended June 30, 2020

Condensed Statement of Net Position

	<u>2020</u>	<u>2019</u>	<u>\$ Change</u>	<u>% Change</u>
Assets:				
Current and Other Assets	\$ 1,133,067	\$ 970,495	\$ 162,572	16.75%
Capital Assets	<u>12,310,557</u>	<u>12,793,408</u>	<u>(482,851)</u>	-3.77%
Total Assets	<u>13,443,624</u>	<u>13,763,903</u>	<u>(320,279)</u>	-2.33%
Deferred Outflows of Resources	<u>360,479</u>	<u>468,360</u>	<u>(107,881)</u>	-23.03%
Liabilities:				
Current Liabilities	360,366	426,822	(66,456)	-15.57%
Long-Term Debt	5,596,078	5,749,499	(153,421)	-2.67%
Net Pension Liability	<u>954,060</u>	<u>851,252</u>	<u>102,808</u>	12.08%
Total Liabilities	<u>6,910,504</u>	<u>7,027,573</u>	<u>(117,069)</u>	-1.67%
Deferred Inflows of Resources	<u>42,020</u>	<u>58,587</u>	<u>(16,567)</u>	-28.28%
Net Position:				
Net Investment in Capital Assets	6,561,057	6,895,101	(334,044)	-4.84%
Restricted Net Position	450,250	506,281	(56,031)	-11.07%
Unrestricted Net Position	<u>(159,728)</u>	<u>(255,279)</u>	<u>95,551</u>	-37.43%
Total Net Position	<u>\$ 6,851,579</u>	<u>\$ 7,146,103</u>	<u>\$ (294,524)</u>	-4.12%

At June 30, 2020, assets exceeded liabilities by \$6,851,579 (net position). The Town had a negative Unrestricted Net Position of (\$159,728) compared to negative (\$255,279) for the prior year. The Town's net position is comprised of \$1,254,894 from Governmental Activities and \$5,596,685 from Business-Type Activities, as shown on Exhibit A.

The largest portion of the Town's net position (96%) reflects its investment in capital assets (e.g., land, buildings, machinery & equipment, vehicles, infrastructure, etc.), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's net position (7%) represents resources that are subject to external restrictions on how they may be used. At the end of the current fiscal year, the Town reported negative balances in unrestricted net position for both years.

Town of Independence, Louisiana
Management's Discussion and Analysis (Continued)
For the Year Ended June 30, 2020

Condensed Statement of Activities

	2020	2019	\$ Change	% Change
Revenues:				
Program Revenues:				
Charges for Services	\$ 1,180,550	\$ 1,242,418	\$ (61,868)	-4.98%
Grants and Contributions	48,454	206,364	(157,910)	-76.52%
General Revenues	1,399,560	1,386,286	13,274	0.96%
Total Revenues	2,628,564	2,835,068	(206,504)	-7.28%
Expenses:				
Governmental Activities	1,788,358	1,804,009	(15,651)	-0.87%
Business-Type Activities	1,134,730	1,247,683	(112,953)	-9.05%
Total Expenses	2,923,088	3,051,692	(128,604)	-4.21%
Change in Net Position	(294,524)	(216,624)	(77,900)	35.96%
Net Position:				
Beginning of the Year, Original	7,146,103	7,362,727	(216,624)	-2.94%
Prior Period Adjustment	-	-	-	-
Beginning of the Year, Restated	7,146,103	7,362,727	(216,624)	-2.94%
End of the Year	\$ 6,851,579	\$ 7,146,103	\$ (294,524)	-4.12%

While the Statement of Net Position shows the change in financial position of net position, the Statement of Activities provides answers to the nature and scope of these changes. "Program Revenues" decreased by \$206,504 to \$2,628,564. The decrease in revenues is due a decrease in Sewer Grants of \$160,380 and a decrease in Water Grants of \$10,234. Charges for services decreased by \$61,868 due to a reduction in water and sewer rates on Major Commercial and Industrial customers.

Total expenses decreased by \$128,605 to \$2,923,087. Business-Type Expenses decreased by \$112,954 due primarily to less repairs and maintenance. Governmental Activities expenditures decreased by \$15,651 due increases and decreases in various expenditure accounts.

Fund Financial Statements

For governmental activities, these statements depict how services were financed with a short-term focus as well as what remains for future spending. Fund financial statements provide more detail than the government-wide statements for the Town's most significant funds. Non-significant funds are consolidated into a single category for the purposes of displaying financial information. The fund financial statements should be viewed as providing detailed information about a specific fund rather than Town as a whole. Some funds are required to be established by state law or certain bond covenants. Other funds are established by the Town Aldermen to manage money for particular purposes or meeting legal responsibilities for using restricted money such as certain tax and grant revenue.

Town of Independence, Louisiana
Management's Discussion and Analysis (Continued)
For the Year Ended June 30, 2020

Governmental Funds – these funds provide a short-term view for the reader of the financial statements. These funds are designed to provide the user with information on short-term inflows and outflows of spendable resources as well as balances of those resources near the end of the year. Governmental funds are presented using an accounting method called modified accrual. Modified accrual measures cash and all other financial assets that are easily converted to cash. The financial information displayed in governmental funds assists the user in determining if the Town has sufficient financial resources to operate in the short term. The Town of Independence has two major funds, which are the general fund and the Innovative Housing Fund. Governmental funds are reconciled back to the fund balance displayed in the governmental activities in Exhibit F.

Proprietary Funds – these funds account for business-type activities and their accounting is similar to commercial accounting. The proprietary funds account for customer revenue the town collects in connection with services it provides. These funds fall under the business-type activities column under to government wide financial statements. Proprietary funds are accounted for using the full accrual accounting basis. The Town currently has one proprietary fund.

Notes to the Financial Statements – The notes provide additional information that is necessary to fully understand the data provided in the government-wide and fund financial statements.

Other Information – Required supplementary information (budget vs. actual schedules) is also presented in these financial statements. This information should be read in conjunction with the financial statements.

Financial Analysis of the Government's Funds

The general government operations of the Town are accounted for in the General Fund and Special Revenue 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. A summary of general governmental operations of 2020 by fund type is as follows:

	General Fund	Innovative Housing	Non-Major Funds	2020
Revenues and Transfers In	\$ 1,549,455	\$ 4,143	\$ 18	\$ 1,553,616
Expenditures and Transfers Out	<u>1,534,378</u>	<u>23,890</u>	<u>-</u>	<u>1,558,268</u>
Excess (Deficiency) of				
Revenues over Expenditures	15,077	(19,747)	18	(4,652)
Fund Balance - Beginning	<u>(68,108)</u>	<u>249,427</u>	<u>(2,033)</u>	<u>179,286</u>
Fund Balance - Ending	<u>\$ (53,031)</u>	<u>\$ 229,680</u>	<u>\$ (2,015)</u>	<u>\$ 174,634</u>

The General Fund is the primary operating fund of the Town. At the end of the year, the Town reported a negative fund balance of (\$53,031).

The Town's other major fund, the Innovative Housing Fund, decreased by \$19,747 during 2020, which was the result of transfers to the general fund and proprietary fund.

Non-Major Funds increased by \$18 due to interest income.

Town of Independence, Louisiana
Management's Discussion and Analysis (Continued)
For the Year Ended June 30, 2020

Revenues of the primary government for the general governmental fund types for 2020 totaled \$1,538,247. The Town's activities are largely supported by tax revenues, solid waste fees, and licenses and permits, which represent 75.95% of the total governmental resources. Sources of governmental revenues, excluding other financial sources, are summarized below.

Source of Revenue	2020		2019	
Taxes	\$ 844,626	54.91%	\$ 794,910	52.32%
Solid Waste	141,428	9.19%	141,986	9.34%
License and Permits	182,258	11.85%	189,715	12.49%
Fines and Forfeitures	104,974	6.82%	101,182	6.66%
Intergovernmental	13,536	0.88%	5,575	0.37%
Rental	109,832	7.14%	113,424	7.46%
Other	141,593	9.20%	172,662	11.36%
Total	<u>\$ 1,538,247</u>	<u>100.00%</u>	<u>\$ 1,519,454</u>	<u>100.00%</u>

Expenditures of the primary government for governmental fund types decreased in 2020 by \$142,048. The change is attributable to a significant decrease in capital outlay. General governmental expenditures by functions are summarized as follows:

Function	2020		2019	
General Government	\$ 245,218	15.98%	\$ 297,405	17.74%
Public Safety	824,471	53.73%	784,951	46.82%
Public Works	259,935	16.94%	259,916	15.50%
Solid Waste	120,435	7.85%	120,063	7.16%
Health and Recreation	22,813	1.49%	33,921	2.02%
Debt Service	43,336	2.82%	46,786	2.79%
Capital Outlay	18,170	1.18%	133,384	7.96%
Total	<u>\$ 1,534,378</u>	<u>100.00%</u>	<u>\$ 1,676,426</u>	<u>100.00%</u>

General Fund Budgetary Highlights

For the general fund, actual revenues and other sources were \$11,455 more than final budgeted amounts. Actual expenditures were \$7,578 more than final budgeted amounts. The net change in fund balance was \$3,877 more than final budgeted amounts.

For the general fund, original budgeted revenues and other financing sources were \$1,524,700 and final budgeted revenues and other financing sources were \$1,538,000.

Significant variations from the general fund's original budget amounts and final budget amounts are as follows:

- Sales taxes were increased by \$31,600 to account for an anticipated increase in sales tax.
- Police fines and forfeitures were decreased by \$37,200.
- Other Revenues increased by \$29,500.
- Public works expenditures increased by \$46,684 to account for an increase in salaries and animal control spending.

Town of Independence, Louisiana
Management's Discussion and Analysis (Continued)
For the Year Ended June 30, 2020

Capital Asset and Debt Administration

Capital Assets

The Town's investment in capital assets for its governmental and business type activities as of June 30, 2020 amounts to \$12,310,556 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery and equipment, park facilities, roads, and water and sewer infrastructure and current construction in process. A summary of capital assets at year-end includes the following:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Land	\$ 100,150	\$ 100,150	\$ 69,808	\$ 69,808
Buildings and Equipment	2,517,163	2,498,993	661,258	638,469
Infrastructure	3,051,049	3,051,049	-	-
Utility Systems	-	-	14,951,326	14,942,626
Accumulated Depreciation	<u>(3,822,747)</u>	<u>(3,705,898)</u>	<u>(5,217,451)</u>	<u>(4,801,789)</u>
Net Capital Assets	<u>\$ 1,845,615</u>	<u>\$ 1,944,294</u>	<u>\$ 10,464,941</u>	<u>\$ 10,849,114</u>

The increase in buildings and equipment is due primarily to renovations to the train depot and other equipment purchased for the Town. Additional information on the Town's capital assets can be found in the footnotes of this report.

Long-Term Debt

At the end of the current fiscal year, the Town had total bonded debt outstanding of \$5,735,314. Of this amount, \$218,000 comprises debt backed by a pledge of the excess revenues of the General Fund and other governmental funds and \$5,517,314 payable from a pledge of the Town's sewer and water revenues.

Economic Factors and Next Year's Budget

The following factors were considered in preparing the Town's budget for the 2021 fiscal year:

For 2020, the Town transferred \$15,369 from the Innovative Housing Fund to the General Fund. The General Fund's Deficit Fund Balance decreased by \$15,077 to \$53,031.

Requests for Information

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

**Basic Financial Statements –
Government-Wide Financial Statements**

Town of Independence, Louisiana
Statement of Net Position
June 30, 2020

Exhibit A

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash & Cash Equivalents	\$ 54,345	\$ 18,447	\$ 72,792
Receivables, Net	9,124	92,006	101,130
Franchise Tax Receivables	16,664	-	16,664
Due From Other Governments	138,870	32,214	171,084
Internal Balances	(187,000)	187,000	-
Restricted Cash and Cash Equivalents	17,091	531,569	548,660
Notes Receivable, Net	198,367	-	198,367
Prepaid Insurance	15,597	8,773	24,370
Land	100,150	69,808	169,958
Capital Assets, Net	1,745,465	10,395,134	12,140,599
Total Assets	2,108,673	11,334,951	13,443,624
Deferred Outflows of Resources			
Pension Related	286,936	73,543	360,479
Total Deferred Outflows of Resources	286,936	73,543	360,479
Liabilities			
Accounts Payable	60,644	12,507	73,151
Accrued Liabilities	12,806	5,412	18,218
Due to Other Governments	-	2,191	2,191
MERS	3,220	-	3,220
MPERS	7,785	-	7,785
Accrued Interest Payable	3,969	-	3,969
Non-Current Liabilities:			
Due Within One Year	37,952	115,470	153,422
Due in More Than One Year	186,043	5,410,035	5,596,078
Payable from Restricted Assets:			
Utility Meter Deposits	-	98,410	98,410
Net Pension Liability, MPERS	642,610	-	642,610
Net Pension Liability, MERS	154,853	156,597	311,450
Total Liabilities	1,109,882	5,800,622	6,910,504
Deferred Inflows of Resources			
Pension Related	30,833	11,187	42,020
Total Deferred Inflows of Resources	30,833	11,187	42,020
Net Position			
Net Investment in Capital Assets	1,621,620	4,939,437	6,561,057
Restricted for:			
Debt Service	17,091	433,159	450,250
Unrestricted	(383,817)	224,089	(159,728)
Total Net Position	\$ 1,254,894	\$ 5,596,685	\$ 6,851,579

The accompanying notes are an integral part of this statement.

Town of Independence, Louisiana
Statement of Activities
For the Year Ended June 30, 2020

Exhibit B

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenues & Change in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General Government	\$ 318,862	\$ 57,574	\$ -	\$ -	\$ (261,288)	\$ -	\$ (261,288)
Public Safety	1,000,123	104,974	48,450	-	(846,699)	-	(846,699)
Public Works	315,789	-	-	-	(315,789)	-	(315,789)
Solid Waste	120,435	141,428	-	-	20,993	-	20,993
Health and Recreation	22,813	-	-	-	(22,813)	-	(22,813)
Debt Service Interest	10,336	-	-	-	(10,336)	-	(10,336)
Total Governmental Activities	1,788,358	303,976	48,450	-	(1,435,932)	-	(1,435,932)
Business-Type Activities:							
Sewer	666,884	434,747	-	4	-	(232,133)	(232,133)
Water	467,846	441,827	-	-	-	(26,019)	(26,019)
Total Business-Type Activities	1,134,730	876,574	-	4	-	(258,152)	(258,152)
Total	\$ 2,923,088	\$ 1,180,550	\$ 48,450	\$ 4	(1,435,932)	(258,152)	(1,694,084)
General Revenues:							
Sales & Property Taxes					836,217	167,395	1,003,612
Licenses and Permits					182,258	-	182,258
Utility Franchise Fees					8,409	-	8,409
Intergovernmental					13,536	-	13,536
Rental Income					109,832	-	109,832
Miscellaneous					35,569	3,915	39,484
Transfers In and (Out)					(8,521)	8,521	-
Sale of Fixed Assets					-	-	-
Pension Contributions from Non-Employer Contributing Entities					35,359	7,070	42,429
Total General Revenues					1,212,659	186,901	1,399,560
Change in Net Position					(223,273)	(71,251)	(294,524)
Net Position - Beginning of the Year					1,478,167	5,667,936	7,146,103
Net Position - End of the Year					\$ 1,254,894	\$ 5,596,685	\$ 6,851,579

The accompanying notes are an integral part of this statement.

**Basic Financial Statements –
Fund Financial Statements**

Town of Independence, Louisiana
Balance Sheet – Governmental Funds
 June 30, 2020

Exhibit C

		<u>Special Revenue Fund</u>		
	<u>General Fund</u>	<u>Innovative Housing Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Cash and Cash Equivalents	\$ 25,047	\$ 27,655	\$ 1,643	\$ 54,345
Receivables, Net	9,124	-	-	9,124
Franchise Tax Receivables	16,664	-	-	16,664
Due From Other Governments	138,870	-	-	138,870
Restricted Cash	17,091	-	-	17,091
Notes Receivable, Net	-	198,367	-	198,367
Due from Other Funds	-	3,658	-	3,658
Prepaid Insurance	15,597	-	-	15,597
Total Assets	<u>\$ 222,393</u>	<u>\$ 229,680</u>	<u>\$ 1,643</u>	<u>\$ 453,716</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts Payable	\$ 60,644	\$ -	\$ -	\$ 60,644
Accrued Liabilities	12,806	-	-	12,806
MERS	3,220	-	-	3,220
MPERS	7,785	-	-	7,785
Due to Other Funds	187,000	-	3,658	190,658
Accrued Interest Payable	3,969	-	-	3,969
Total Liabilities	<u>275,424</u>	<u>-</u>	<u>3,658</u>	<u>279,082</u>
Fund Balances (Deficits):				
Nonspendable	15,597	202,025	-	217,622
Restricted for:				
Debt Service	17,091	-	-	17,091
Unassigned	<u>(85,719)</u>	<u>27,655</u>	<u>(2,015)</u>	<u>(60,079)</u>
Total Fund Balances (Deficits)	<u>(53,031)</u>	<u>229,680</u>	<u>(2,015)</u>	<u>174,634</u>
Total Liabilities and Fund Balances	<u>\$ 222,393</u>	<u>\$ 229,680</u>	<u>\$ 1,643</u>	<u>\$ 453,716</u>

The accompanying notes are an integral part of this statement.

Town of Independence, Louisiana
 Reconciliation of the Governmental Funds Balance Sheet to the
 Statement of Net Position
 For the Year Ended June 30, 2020

Exhibit D

Fund Balances - Total Governmental Funds (Exhibit C) \$ 174,634

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

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

Governmental Capital Assets	5,668,362
Less: Accumulated Depreciation	(3,822,747)

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

Governmental Bonds & Capital Leases	(223,995)
Compensated Absences Payable	-

In accordance with Governmental Accounting Standards Board Statement No. 68, the net pension liability related to pension plans, deferred outflows of resources, and deferred inflows of resources are not recorded in the governmental funds.

Net Pension Liability:

Municipal Employees Retirement System of Louisiana	(154,853)
Municipal Police Employees Retirement System of Louisiana	(642,610)

Deferred Outflows of Resources	286,936
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Deferred Inflows of Resources	(30,833)
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Net Position of Governmental Activities (Exhibit A) \$ 1,254,894

The accompanying notes are an integral part of this statement.

Town of Independence, Louisiana
Statement of Revenues, Expenditures, and Changes in
Fund Balances - Governmental Funds
For the Year Ended June 30, 2020

Exhibit E

	General Fund	Special Revenue Fund Innovative Housing Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues:				
Taxes:				
Sales Taxes	\$ 669,579	\$ -	\$ -	\$ 669,579
Property Taxes	166,638	-	-	166,638
Utility Franchise	8,409	-	-	8,409
Solid Waste Fees	141,428	-	-	141,428
Licenses and Permits	182,258	-	-	182,258
Fines and Forfeitures	104,974	-	-	104,974
Rental Income	109,832	-	-	109,832
Charges for Services	57,574	-	-	57,574
Intergovernmental	13,536	-	-	13,536
On-Behalf Payments from State	48,450	-	-	48,450
Workers Comp Credit	-	-	-	-
Other Revenues	30,921	-	-	30,921
Interest Income	487	4,143	18	4,648
Total Revenues	<u>1,534,086</u>	<u>4,143</u>	<u>18</u>	<u>1,538,247</u>
Expenditures:				
Current:				
General Government	216,164	-	-	216,164
Municipal Court	29,054	-	-	29,054
Public Safety	824,471	-	-	824,471
Public Works	259,935	-	-	259,935
Solid Waste	120,435	-	-	120,435
Health and Recreation	22,813	-	-	22,813
Debt Service				
Principal	33,000	-	-	33,000
Interest	10,336	-	-	10,336
Capital Outlay	18,170	-	-	18,170
Total Expenditures	<u>1,534,378</u>	<u>-</u>	<u>-</u>	<u>1,534,378</u>
Excess (Deficiency) of Revenues Over Expenditures	(292)	4,143	18	3,869
Other Financing Sources (Uses):				
Capital Lease Proceeds	-	-	-	-
Transfers In / (Out)	15,369	(23,890)	-	(8,521)
Sale of Fixed Assets	-	-	-	-
Total Other Financing Sources (Uses)	<u>15,369</u>	<u>(23,890)</u>	<u>-</u>	<u>(8,521)</u>
Change in Fund Balances	15,077	(19,747)	18	(4,652)
Fund Balances (Deficits):				
Beginning of the Year	(68,108)	249,427	(2,033)	179,286
End of the Year	<u>\$ (53,031)</u>	<u>\$ 229,680</u>	<u>\$ (2,015)</u>	<u>\$ 174,634</u>

The accompanying notes are an integral part of this statement.

Town of Independence, Louisiana
 Reconciliation of the Statement of Revenues, Expenditures, and Changes in
 Fund Balances of the Governmental Funds to the Statement of Activities
 For the Year Ended June 30, 2020

Exhibit F

Net Change in Fund Balances - Total Governmental Funds (Exhibit E) \$ (4,652)

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

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

Capital Outlay	18,170
Depreciation Expense	(116,849)

Losses on the disposal of assets reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.

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.

Change in Accrued Compensated Absences	-
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In accordance with Governmental Accounting Standards Board Statement No. 68, the net pension liability related to pension plans is not required to be recorded in the governmental fund financial statements. Adjustments to pension expense related to changes in deferred outflows of resources and deferred inflows of resources are reflected in the statement of activities.

Net Change in Pension Expense	(188,301)
Contributions from Non-Employer Contributing Entities	35,359

The issuance of long-term debt (e.g. leases) provides current financial resources to governmental funds and increases long-term liabilities in the statement of net position. Repayment of capital lease obligations is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Payment of Long-Term Debt	33,000
Capital Lease Proceeds	-

Change in Net Position of Governmental Activities (Exhibit B) \$ (223,273)

The accompanying notes are an integral part of this statement.

Town of Independence, Louisiana
Statements of Net Position – Proprietary Funds
June 30, 2020 and 2019

Exhibit G

Assets	Business-Type Activities - Enterprise Funds		Total (Memorandum Only)	
	Sewer	Water	2020	2019
Current Assets:				
Cash and Cash Equivalents	\$ 7,564	\$ 10,883	\$ 18,447	\$ 48,893
Customer Accounts Receivable, Net	12,881	79,125	92,006	100,619
Due from Other Governments	32,214	-	32,214	27,000
Due from General Fund	187,000	-	187,000	131,680
Due from Water Fund	141,077	-	141,077	-
Prepaid Insurance	8,773	-	8,773	8,491
Total Current Assets	389,509	90,008	479,517	316,683
Non-Current Assets:				
Restricted Cash:				
Customer Deposits	-	99,525	99,525	92,212
Construction	-	-	-	-
Debt Service	264,227	167,817	432,044	253,231
Total Non-Current Assets	264,227	267,342	531,569	345,443
Capital Assets:				
Property, Plant, and Equipment, at Cost	9,712,465	5,900,121	15,612,586	15,581,096
Less: Accumulated Depreciation	(3,227,969)	(1,989,483)	(5,217,452)	(4,801,790)
Land	40,708	29,100	69,808	69,808
Total Capital Assets	6,525,204	3,939,738	10,464,942	10,849,114
Total Assets	7,178,940	4,297,088	11,476,028	11,511,240
Deferred Outflows of Resources				
Pension Related	30,153	43,390	73,543	106,547
Total Deferred Outflows of Resources	30,153	43,390	73,543	106,547

The accompanying notes are an integral part of this statement.

Town of Independence, Louisiana
Statements of Net Position – Proprietary Funds (Continued)
June 30, 2020 and 2019

Exhibit G

	Business-Type Activities - Enterprise Funds		Total (Memorandum Only)	
	Sewer	Water	2020	2019
Liabilities				
Current Liabilities (Payable from Current Assets):				
Accounts Payable	\$ 6,253	\$ 6,254	\$ 12,507	\$ 26,552
Accrued Liabilities	1,543	3,869	5,412	4,476
Due to General Fund	-	-	-	29,426
Due to Sewer Fund	-	141,077	141,077	-
Current Portion of Capital Lease	-	8,192	8,192	8,192
Due to Other Governments	1,096	1,095	2,191	1,922
Total Current Liabilities (Payable from Current Assets)	8,892	160,487	169,379	70,568
Current Liabilities (Payable from Restricted Assets):				
Utility Customer Deposits	-	98,410	98,410	86,557
Current Portion of Long-Term Debt	67,610	39,668	107,278	103,838
Total Current Liabilities (Payable from Restricted Assets)	67,610	138,078	205,688	190,395
Non-Current Liabilities:				
Capital Lease	-	-	-	8,191
Revenue Bonds	3,031,506	2,378,529	5,410,035	5,517,313
Net Pension Liability	64,205	92,392	156,597	148,224
Total Non-Current Liabilities	3,095,711	2,470,921	5,566,632	5,673,728
Total Liabilities	3,172,213	2,769,486	5,941,699	5,934,691
Deferred Inflows of Resources				
Pension Related	4,587	6,600	11,187	15,160
Total Deferred Inflows of Resources	4,587	6,600	11,187	15,160
Net Position				
Net Investment in Capital Assets	3,426,088	1,513,349	4,939,437	5,211,580
Restricted	196,617	129,264	325,881	258,886
Unrestricted	409,588	(78,221)	331,367	197,470
Total Net Position	\$ 4,032,293	\$ 1,564,392	\$ 5,596,685	\$ 5,667,936

The accompanying notes are an integral part of this statement.

Town of Independence, Louisiana
Statements of Revenues, Expenses, and Changes in Net Position –
Proprietary Funds
For the Years Ended June 30, 2020 and 2019

Exhibit H

	Business-Type Activities -		Total	
	Enterprise Funds		(Memorandum Only)	
	Sewer	Water	2020	2019
Operating Revenues:				
Charges for Services	\$ 434,638	\$ 441,461	\$ 876,099	\$ 941,216
Other Revenue	109	366	475	266
Total Operating Revenues	<u>434,747</u>	<u>441,827</u>	<u>876,574</u>	<u>941,482</u>
Operating Expenses:				
Depreciation and Amortization	257,035	158,627	415,662	407,021
Salaries and Employee Benefits	85,264	68,877	154,141	184,007
Repairs and Maintenance	40,064	35,542	75,606	160,026
Utilities and Telephone	57,386	21,452	78,838	88,135
Supplies	862	10,967	11,829	3,867
Professional Fees	29,834	29,834	59,668	64,664
Environmental Testing	32,968	2,153	35,121	33,386
Insurance	25,321	10,986	36,307	47,138
Bad Debt	-	-	-	-
Vehicle Expense	2,259	7,684	9,943	6,565
Miscellaneous	16,129	24,177	40,306	43,500
Pension Expense	22,237	22,237	44,474	33,217
Total Operating Expenses	<u>569,359</u>	<u>392,536</u>	<u>961,895</u>	<u>1,071,526</u>
Operating Income / (Loss)	(134,612)	49,291	(85,321)	(130,044)
Non-Operating Revenues /				
(Expenses):				
Non-Employer Contributions	3,535	3,535	7,070	6,840
Investment Income	977	1,563	2,540	2,756
Grant Revenue	-	4	4	170,614
Sales and Use Tax	167,395	-	167,395	151,487
Sales of Fixed Asset	-	-	-	-
Other Income	1,100	275	1,375	786
Transfer In- Innovative Housing	4,260	4,261	8,521	-
Interest Expense	(97,525)	(75,310)	(172,835)	(176,157)
Total Non-Operating				
Revenues / (Expenses)	<u>79,742</u>	<u>(65,672)</u>	<u>14,070</u>	<u>156,326</u>
Change in Net Position	(54,870)	(16,381)	(71,251)	26,282
Net Position - Beginning of Year	<u>4,087,163</u>	<u>1,580,773</u>	<u>5,667,936</u>	<u>5,641,654</u>
Net Position - End of the Year	<u>\$ 4,032,293</u>	<u>\$ 1,564,392</u>	<u>\$ 5,596,685</u>	<u>\$ 5,667,936</u>

The accompanying notes are an integral part of this statement.

Town of Independence, Louisiana
Statements of Cash Flows – Proprietary Funds
For the Years Ended June 30, 2020 and 2019

Exhibit I

	Business-Type Activities		Total	
	Enterprise Funds		(Memorandum Only)	
	Sewer	Water	2020	2019
Cash Flows from Operating Activities:				
Receipts from Customers and Users	\$ 435,953	\$ 461,087	\$ 897,040	\$ 928,150
Payments to Suppliers	(212,795)	(148,368)	(361,163)	(461,917)
Payments to Employees	(91,938)	(68,851)	(160,789)	(190,144)
Net Cash Provided by / (Used in) Operating Activities	<u>131,220</u>	<u>243,868</u>	<u>375,088</u>	<u>276,089</u>
Cash Flows From Noncapital Financing Activities:				
Transfer In From Other Funds	4,260	4,261	8,521	-
Increase / (Decrease) in Amounts Due to Other Funds, Net	(5,177)	(79,567)	(84,744)	(51,628)
Net Cash Provided by / (Used in) Noncapital Financing Activities	<u>(917)</u>	<u>(75,306)</u>	<u>(76,223)</u>	<u>(51,628)</u>
Cash Flows From Capital and Related Financing Activities:				
Capital Grants, F.E.M.A Non-Employer Contributions	3,395	3,674	7,069	178,240
Proceeds from Sales Tax Collections	162,181	-	162,181	151,487
Proceeds from Capital Lease	-	-	-	-
Proceeds from Non-Operating Revenues	1,106	274	1,380	-
Principal Paid on Capital Lease	-	(8,192)	(8,192)	-
Interest Paid on Debt	(97,525)	(75,310)	(172,835)	(176,157)
Principal Paid on Debt	(65,364)	(38,475)	(103,839)	(108,706)
Payments for Capital Assets	(16,845)	(14,644)	(31,489)	(309,485)
Net Cash Provided by / (Used in) Capital and Related Financing Activities	<u>(13,052)</u>	<u>(132,673)</u>	<u>(145,725)</u>	<u>(264,621)</u>
Cash Flows From Investing Activities:				
Interest Earned on Investments	977	1,563	2,540	2,756
Net Cash Provided by / (Used in) Investing Activities	<u>977</u>	<u>1,563</u>	<u>2,540</u>	<u>2,756</u>
Net Increase / (Decrease) in Cash	118,228	37,452	155,680	(37,404)
Cash and Cash Equivalents - Beginning of the Year	<u>153,563</u>	<u>240,773</u>	<u>394,336</u>	<u>431,740</u>
Cash and Cash Equivalents - End of the Year	<u>\$ 271,791</u>	<u>\$ 278,225</u>	<u>\$ 550,016</u>	<u>\$ 394,336</u>
Reconciliation of Cash Accounts:				
Unrestricted Cash and Cash Equivalents	\$ 7,564	\$ 10,883	\$ 18,447	\$ 48,893
Restricted Cash and Cash Equivalents	264,227	267,342	531,569	345,443
Cash and Cash Equivalents - End of the Year	<u>\$ 271,791</u>	<u>\$ 278,225</u>	<u>\$ 550,016</u>	<u>\$ 394,336</u>

(Continued)

Town of Independence, Louisiana
Statements of Cash Flows – Proprietary Funds (Continued)
For the Years Ended June 30, 2020 and 2019

Exhibit I

	Business-Type Activities Enterprise Funds		Total (Memorandum Only)	
	Sewer	Water	2020	2019
	Reconciliation of Operating Income / (Loss) to Net Cash Provided by / (Used in) Operating Activities:			
Operating Income / (Loss)	\$ (134,612)	\$ 49,291	\$ (85,321)	\$ (130,044)
Adjustments to Reconcile Operating Loss to Net Cash Provided by (Used in) / Operating Activities:				
Depreciation and Amortization	257,035	158,627	415,662	407,021
Changes in Assets and Liabilities:				
(Increase) / Decrease in Accounts Receivable	1,208	5,887	7,095	(13,939)
(Increase) / Decrease in Internal Balances	-	-	-	-
(Increase) / Decrease in Prepaid Insurance	(282)	-	(282)	(6,114)
(Increase) / Decrease in Deferred Outflows	13,531	19,473	33,004	67,027
Increase / (Decrease) in Accounts Payable	(7,949)	7,690	(259)	(8,522)
Increase / (Decrease) in Accrued Liabilities	435	501	936	703
Increase / (Decrease) in Due to Unclaimed Properties	-	-	-	-
Increase / (Decrease) in Prior Year M.E.R.S. Liabilities	-	-	-	-
Increase / (Decrease) in Net Pension Liability	3,433	4,940	8,373	(51,475)
Increase / (Decrease) in Deferred Inflows	(1,579)	(2,394)	(3,973)	10,825
Increase / (Decrease) in Meter Deposits	-	(147)	(147)	607
Net Cash Provided By / (Used In) Operating Activities	<u>\$ 131,220</u>	<u>\$ 243,868</u>	<u>\$ 375,088</u>	<u>\$ 276,089</u>
Supplemental Disclosure of Cash Flow Information:				
Interest Paid			<u>\$ 172,835</u>	<u>\$ 176,157</u>

The accompanying notes are an integral part of this statement.

Notes to the Financial Statements

Town of Independence, Louisiana
Notes to Financial Statements
For the Year Ended June 30, 2020

Narrative Profile

The Town of Independence, Louisiana (the “Town”) is a political subdivision of the State of Louisiana and was incorporated under the provisions of the Lawrason Act. The Town operates under a Mayor / Board of Aldermen form of government. The Mayor is elected for a four-year term. The Board of Aldermen consists of five Aldermen, each elected from a separate district in the Town and each serving a four-year term of office. The Mayor and each member of the Board of Aldermen are compensated for their service to the Town. The Town provides the following services: public safety (police and fire), streets, drainage, water distribution, wastewater treatment sanitation, culture / recreation, public improvements, planning and zoning, and general and administrative services. Other services include providing water and sewer services.

The accounting and reporting policies of the Town conform to generally accepted accounting principles as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes (LRS) 24:513 and to the guidance set forth in the *Louisiana Governmental Audit Guide*, and to the industry audit guide, *Audits of State and Local Governmental Units*.

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 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 of the Town.

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity

As the municipal governing authority, for reporting purposes, the Town is considered a separate 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.

The Town’s basic financial statements include the accounts of all Town operations. The criteria for including organizations as component units within the Town’s reporting entity, as set forth in Section 2100 of GASB’s *Codification of Governmental Accounting and Financial Reporting Standards*, include whether:

1. The organization is legally separate (can sue and be sued in their own name), incur its own debt, levy its own taxes and charges, expropriate property in its own name, and the right to buy, sell and lease property.
2. The Town appoints a voting majority of the organization’s board.
3. Fiscal interdependency between the Town and potential component units
4. Imposition of will by the Town on the potential component unit and
5. The organization has the potential to impose a financial benefit / burden on the Town.

Based on the aforementioned criteria, the Town has no component units.

Town of Independence, Louisiana
Notes to Financial Statements (Continued)
For the Year Ended June 30, 2020

B. Basic Financial Statements – Government-Wide Financial Statements

The Town's basic financial statements include both government-wide (reporting the Town as a whole) and fund financial statements (reporting the Town's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. 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. The Town's public safety (police and fire), streets, drainage, sanitation, culture / recreation, public improvements, planning and zoning and general and administrative services are classified as governmental activities. The Town's water and sewer utility services are classified as business-type activities.

Statement of Net Position – In the government-wide Statement of Net Position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, (b) and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Town's net position are reported in three parts – invested in capital assets, net of related debt; restricted net position; and unrestricted net position. The Town first utilizes restricted resources to finance qualifying activities.

Statement of Activities – The government-wide Statement of Activities reports both the gross and net cost of each of the Town's functions and business-type activities. The functions are also supported by general revenues (property, sales and use taxes, certain intergovernmental revenues, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues and operating and capital grants and contributions. Program revenues must be directly associated with the function (police, public works, etc.) or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reports capital-specific grants and contributions.

The Town does not allocate indirect costs.

This government-wide focus is more on the sustainability of the Town as an entity and the change in the Town's net position resulting from the current year's activities.

C. Basic Financial Statements - Fund Financial Statements

The financial transactions of the Town are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, fund equity, revenues and expenditures / expenses. Funds are organized into three major categories: governmental, proprietary and fiduciary. The Town does not have any fiduciary funds.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Non-major funds by category are summarized into a single column. GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures / expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The non-major funds are combined in a column in the fund financial statements.

Town of Independence, Louisiana
Notes to Financial Statements (Continued)
For the Year Ended June 30, 2020

Major Funds are determined by the following criteria:

- Total assets and deferred outflows of resources, liabilities and deferred inflows of resources, 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 and deferred outflows of resources, liabilities and deferred inflows of resources, 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.

Governmental Funds – Most governmental functions are financed through the governmental funds. The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The Town reports these governmental funds and fund types:

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

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are restricted by legal and regulatory provisions to finance specific activities. The Innovative Housing Fund is considered to be a major fund.

Debt Service Funds – Debt Service funds are used to account for, and the payment of, general long-term debt principal, interest, and related costs associated with long-term debt. The Town has no debt service funds.

Capital Projects Fund – accounts for all financial resources used for the acquisition or construction of major capital facilities. The 2010 Revenue Bond Capital Projects Fund and the LCDBG Economic Development Fund are considered to be non-major funds.

The activities reported in these funds are reported as governmental activities in the government-wide financial statements.

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

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

Town of Independence, Louisiana
Notes to Financial Statements (Continued)
For the Year Ended June 30, 2020

items generally are the result of providing services in connection with that particular funds purpose. Operating expenses include cost of sales and services, administrative services, depreciation and other items. All revenues and expenses not meeting this definition are considered non-operating. The Town's Water Enterprise Fund and Sewer Enterprise Fund account for the operations of providing water services and sewer services, respectively.

D. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All government funds, including General and Special Revenue Funds, are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet in the funds statements. Capital assets and long-term liabilities are included in the government-wide statements. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net fund balances.

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

The fund financial statements of the General and Special Revenue Funds are maintained and reported on the modified accrual basis of accounting. Under this method of accounting, revenues are recognized in the period in which they become measurable and available. The Town considers most revenues "available" if they are collected within 60 days after the fiscal year end. With respect to real and personal property tax revenue and other local taxes, the term "available" is limited to collection within forty-five days of the fiscal year end. Levies made prior to the fiscal year end, but which are not available are deferred. Interest income is recorded as earned. Federal and state reimbursement-type grants are recorded as revenue when related eligible expenditures are incurred. Expenditures, other than accrued interest on long-term debt, are recorded when the fund liability is incurred.

The Statement of Net Position, the Statement of Activities, and financial statements of the proprietary funds are presented on the accrual basis of accounting. Under this method of accounting, revenues are recognized when earned and expenses are recorded when liabilities are incurred without regard to receipt or disbursement of cash.

E. Budgets and Budgetary Accounting

Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in one way or another in the process of establishing the annual budgets of state and local governments, and have a keen interest in following the actual financial process of their governments over the course of the year. Many governments revise their budgets over the course of the year for a variety of reasons. As a result, the Town's original budget is shown along with the comparison of the final budget and actual results.

Town of Independence, Louisiana
Notes to Financial Statements (Continued)
For the Year Ended June 30, 2020

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

1. The Town Clerk prepares a proposed budget and submits this budget to the Mayor and Board of Aldermen no later than fifteen days prior to the beginning of each fiscal year.
2. A summary of the proposed budget is published and the public notified that the proposed budget is available for public inspection. At the same time, a public hearing is called.
3. A public hearing is held on the proposed budget at least ten days after publication of the call for the hearing.
4. After holding the public hearing and completion of all action necessary to finalize and implement the budget, the budget is adopted through passage of an ordinance prior to the commencement of the fiscal year for which the budget is being adopted.
5. Budgetary amendments involving the transfer of funds from one department, program, or function to another or involving increases in expenditures resulting from revenues exceeding amounts estimated require the approval of the Board of Aldermen.
6. At the end of the year, any unexpended appropriations automatically lapse. In connection with budget preparation, a portion of unreserved fund balance of an individual fund may be designated for expenditures of the subsequent year. Such designations represent the extent to which the fund balance is used to balance the subsequent year's operating budget.
7. The budgets are integrated into the accounting system, and the budgetary data, as presented in the financial statements for all funds with annual budgets, compare the expenditures with the amended budgets. All budgets are presented on the modified accrual basis of accounting. Accordingly, the Budgetary Comparison Schedules for the General and Special Revenue Funds present actual expenditures in accordance with the accounting principles generally accepted in the United States of America on a basis consistent with the legally adopted budgets as amended. Unexpended appropriations on annual budgets lapse at the end of each fiscal year.

F. Cash, Cash Equivalents, and Investments

Cash includes cash on hand, demand deposits, and interest bearing demand deposits. Under state law, the Town may deposit funds in demand deposits, interest bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana. Under state law, the Town's investment options include, but are not limited to, United States Treasury Bonds, Treasury notes, or fully collateralized certificates. These are classified as investments if their original maturities exceed 90 days; however, if the original maturities are 90 days or less, they are classified as cash. Investments are stated at cost. The Town has not formally adopted deposit and investment policies that limit the government's allowable deposits or investments and address the specific types of risk to which the government is exposed.. Interest Rate Risk: The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value arising from increasing interest rates.

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.

Town of Independence, Louisiana
Notes to Financial Statements (Continued)
For the Year Ended June 30, 2020

For purposes of the statement of cash flows, liquid investments of the enterprise funds with a maturity of three months or less are considered to be cash equivalents.

G. Receivables

In 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 the 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 that a receivable is not collectible. Allowances for uncollectible accounts receivable are based on historical trends and the periodic aging of accounts receivable. An allowance for doubtful accounts of \$24,200 was recorded in the proprietary funds at June 30, 2020.

H. Short-Term Interfund Receivables / Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as due from / due to other funds on the balance sheet. Short-term interfund loans are classified as interfund receivables / payables. Interfund receivables and payables between funds within governmental activities are eliminated in the statement of net position. Any residual balances between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

I. Capital Assets

Capital outlays are recorded as expenditures of the governmental funds and as assets in the government-wide financial statements to the extent the Town's capitalization threshold of \$1,000 is met. In accordance with GASB Statement No. 34, infrastructure has been capitalized retroactively to 1980. Although an exception exists for local governments with annual revenues of less than \$10 million, the Town has elected to report its infrastructure retroactively. Interest incurred during construction is capitalized on a government-wide basis.

Capital outlays of the proprietary funds are recorded as fixed assets and depreciated over their estimated useful lives on a straight-line basis on both the fund basis and the government-wide basis. All fixed assets are valued at historical cost or estimated historical cost if actual cost was not available. Donated fixed assets are valued at their estimated fair market value on the date donated. Infrastructure is capitalized by estimate using current replacement cost for a similar asset and deflating this cost using price indices to the acquisition year. The Town does not capitalize historical treasures or works of art. The Town maintains many items and buildings of historical significance. The Town does not require that the proceeds from the sale of historical treasures or works of art be used to acquire other items for the collection.

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

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 Position. Depreciation is provided over the assets' useful lives using the straight-line method of depreciation.

Town of Independence, Louisiana
Notes to Financial Statements (Continued)
For the Year Ended June 30, 2020

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

J. Long-Term Obligations

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

K. Compensated Absences

The Town's policy is to allow employees' vacation pay based on employee classification and length of service. Vacation pay is non-cumulative with any unpaid amounts paid to employees upon separation from Town's service. In governmental funds, the cost of vacation pay is recognized when payments are made to employees. At June 30, 2020, \$480 was recorded as unused vacation pay in the Water and Sewer Enterprise Fund.

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

L. Pension Plans

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Town's two pension plans and additions to / deductions from the plans' fiduciary net position have been determined on the accrual basis, which is the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

M. Net Position

In the government-wide and proprietary fund statements, equity is classified as net position and displayed in three components:

1. Net Investment in Capital Assets – consists of the historical cost of capital assets, including any restricted capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Town of Independence, Louisiana
Notes to Financial Statements (Continued)
For the Year Ended June 30, 2020

2. Restricted – this component of net position consists of assets that have constraints that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation.
3. Unrestricted – all other net position is reported in this category.

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

N. Fund Balance

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

1. Nonspendable Fund Balance – amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact.
2. Restricted Fund Balance – amounts that can be spent only for specific purposes because of the Town Charter, state or federal laws, or externally imposed conditions by grantors, creditors, or citizens.
3. Committed Fund Balance – amounts that can be used only for the specific purposes determined by a formal action by Board of Aldermen ordinances or resolutions.
4. Assigned Fund Balance – amounts that are constrained by the Town’s intent that they will be used for specific purposes. The Board of Aldermen is the only body authorized to assign amounts for a specific purpose and is the highest level of decision-making.
5. Unassigned Fund Balance – all amounts not included in other spendable classifications.

The Town considers restricted fund balances to be spent for governmental expenditures first when both restricted and unrestricted resources are available. When an expense is incurred that can be paid from either restricted or unrestricted resources (net position), the Town’s policy is to apply the expenditure in the following priority: restricted, committed, assigned, and then unassigned fund balance.

O. Interfund Transactions

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 Position. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

P. Dedication of Proceeds of Flow of Funds – Sales and Use Tax

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 uncollected by Tangipahoa Parish in June and July (which represent sales for May and June) and received by the Town in July and August have been accrued as of June 30, 2020.

Town of Independence, Louisiana
Notes to Financial Statements (Continued)
For the Year Ended June 30, 2020

- 1966 1% Sales and Use Tax

The proceeds of the 1966 1% sales and use tax levied by the Town (current collections were \$334,789 for the year ended June 30, 2020) were dedicated for the payment of the 1967 Public Improvement Bonds. As of April 1, 1992, these March 14, 1967 Public Improvement Bonds were paid in full and the sales tax is no longer dedicated for payment of these bonds and are now used for general government expenditures. Accordingly, the entire fund balance was transferred to the General Fund in a prior year. On January 11, 2010, the Town issued \$300,000.00 of Taxable Revenue Bonds, Series 2010 to fund improvements to a building owned by the Town and leased to a commercial business. These bonds are secured by a pledge and dedication of the excess of annual revenues of the Town including the proceeds of the 1966 1% sales and use tax.

- 1982 1% Sales and Use Tax

The proceeds of the 1982 1% sales and use tax levied by the Town (current collections were \$334,789 for the year ended June 30, 2020) were originally dedicated for the following purpose: constructing, acquiring, extending, improving, operating and / or maintaining sewers and sewerage disposal works for the Town, constructing, paving, widening, and improving streets in the Town and for construction, acquiring, extending, improving, operating and / or maintaining waterworks facilities.

On October 2, 2010, voters of the Town approved a proposition to amend the original sales tax dedication to include any lawful corporate purposes of the Town. As a result of this proposition, the remaining balances in the 1982 Sales Tax Fund were transferred to the General Fund through a residual equity transfer. On January 11, 2010, the Town issued \$300,000.00 of Taxable Revenue Bonds, Series 2010 to fund improvements to a building owned by the Town and leased to a commercial business. These bonds are secured by a pledge and dedication of the excess of annual revenues of the Town including the proceeds of the 1982 1% sales and use tax.

- 1980 ½ % Sales and Use Tax (Enterprise Fund)

The proceeds of the 1980 ½ % sales and use tax levied by the Town (current collections were \$167,395 for the year ended June 30, 2020) 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. As of March 9, 2005, these \$290,000 Public Improvement Bonds were paid in full and the sales tax is no longer dedicated for payment of these bonds. On July 9, 2013, the Town issued \$2,632,000.00 of Sewer Revenue Bonds, Series 2014 to fund improvements to the Town's sewer system. These bonds are secured by a pledge and dedication of the excess of annual revenues of the Town including the proceeds of the 1980 1/2% sales and use tax.

Q. Estimates

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

Town of Independence, Louisiana
Notes to Financial Statements (Continued)
For the Year Ended June 30, 2020

2. Stewardship, Compliance, and Accountability

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund and all special revenue funds. The Town was in compliance with the Louisiana Local Government Budget Act.

Total expenditures for the General Fund exceeded the final budgeted amount by \$7,578 or .50%. This did not result in a budget violation.

B. Deposits, Investment Laws, and Regulations

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

C. Deficit Fund Equity

As of June 30, 2020, the General Fund had a deficit fund balance of \$53,031.

D. Compliance with Bond Covenants

On June 30, 2020, the Town was not in compliance with the requirements of the outstanding \$1,150,000 Water Revenue Bonds, Series 2015; and the \$1,425,000 Water Revenue Bonds, Series 2015 as the reserve funds required for these bonds were underfunded. All other bond covenants were complied with.

3. Cash, Cash Equivalents, and Investments

On June 30, 2020, the Town had cash and cash equivalents (book balances) totaling \$621,453. These deposits are stated at cost, which approximates market.

	Statement of Net Position
Cash and Cash Equivalents	\$ 72,792
Restricted Cash and Cash Equivalents	548,660
Total Interest-Bearing Deposits	\$ 621,452

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk. As of June 30, 2020, \$371,203 of the Town's cash was exposed to custodial credit risk. However, these deposits are secured from risk by the pledge of securities owned by the fiscal agent bank. These securities are being held in the name of the pledging fiscal agent bank in a custodial bank that is mutually acceptable to the Town and the fiscal agent bank.

Under state law, these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities, plus the federal deposit insurance, must at all times equal the amount on deposit with the fiscal agent. LRS 39:1229 imposes a requirement on the

Town of Independence, Louisiana
Notes to Financial Statements (Continued)
For the Year Ended June 30, 2020

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

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.

4. Restricted Cash

Restricted cash is related to utility customer deposits and reserve amounts required in debt service agreements. Restricted cash at June 30, 2020 was as follows:

	Governmental Activities	Business- Type Activities	Total
Debt Service	\$ 17,091	\$ 432,044	\$ 449,135
Customer Meter Deposits	-	99,525	99,525
Total	<u>\$ 17,091</u>	<u>\$ 531,569</u>	<u>\$ 548,660</u>

5. Receivables

As of June 30, 2020, the accounts receivable and due from other governments for governmental activities were as follows:

	General Fund	Special Revenue Funds	Total Governmental Funds
Receivables:			
Franchise Fees	\$ 16,664	-	\$ 16,664
Rent Receivable	6,000	-	6,000
Police Grant Receivable	3,124	-	3,124
Total Governmental Fund Receivables, Net	<u>\$ 25,788</u>	<u>\$ -</u>	<u>\$ 25,788</u>
Due From Other Governments:			
Sales and Use Tax	\$ 128,854	-	\$ 128,854
Tax on Insurance Premiums	8,306	-	8,306
Beer Tax	1,710	-	1,710
Total Due From Other Governments	<u>\$ 138,870</u>	<u>\$ -</u>	<u>\$ 138,870</u>

Town of Independence, Louisiana
Notes to Financial Statements (Continued)
For the Year Ended June 30, 2020

As of June 30, 2020, the accounts receivable and due from other governments for business-type activities were as follows:

Accounts Receivable:	
Utility Charges	\$ 116,206
Other	-
Less: Uncollectible Allowance	<u>(24,200)</u>
Total Proprietary Fund Receivables, Net	<u>\$ 92,006</u>
Due From Other Governments:	
Sales and Use Tax	\$ 32,214
Grants	-
Less: Uncollectible Allowance	<u>-</u>
Total Due From Other Governments	<u>\$ 32,214</u>

6. 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.

7. Notes Receivable – Innovative Housing Grant Program

The Town, through a grant program, received mortgage notes from individuals for residential and small business projects. These notes (10 outstanding as of June 30, 2020) are payable to the Town over a long-term payment schedule. The notes ranges in maturity, with interest between 1 and 3 percent and are secured by the improved real estate. As of June 30, 2020, the total outstanding balance of the notes was \$198,367.

Town of Independence, Louisiana
Notes to Financial Statements (Continued)
For the Year Ended June 30, 2020

8. Capital Assets

The following is a summary of changes in capital assets for the governmental activities for the year ended June 30, 2020:

	Balance June 30, 2019	Increases	Decreases	Balance June 30, 2020
Capital Assets Not Being Depreciated:				
Land	\$ 100,150	\$ -	\$ -	\$ 100,150
Total Capital Assets Not Being Depreciated	100,150	-	-	100,150
Capital Assets:				
Building	1,823,890	13,925	-	1,837,815
Vehicles and Equipment	675,103	4,245	-	679,348
Infrastructure	3,051,049	-	-	3,051,049
Total Capital Assets	5,550,042	18,170	-	5,568,212
Less: Accumulated Depreciation:				
Building	528,013	46,392	-	574,405
Vehicles and Equipment	523,925	36,891	-	560,816
Infrastructure	2,653,960	33,566	-	2,687,526
Total Accumulated Depreciation	3,705,898	116,849	-	3,822,747
Total Governmental Capital Assets, Net	<u>\$ 1,944,294</u>	<u>\$ (98,679)</u>	<u>\$ -</u>	<u>\$ 1,845,615</u>

Depreciation expense was charged to governmental functions as follows:

Governmental Activities:	
General Government	\$ 32,052
Public Safety	28,943
Public Works	<u>55,854</u>
Total	<u>\$ 116,849</u>

Town of Independence, Louisiana
Notes to Financial Statements (Continued)
For the Year Ended June 30, 2020

The following is a summary of changes in capital assets for business-type activities for the year ended June 30, 2020:

	Balance June 30, 2019	Increases	Decreases	Balance June 30, 2020
Capital Assets Not Being Depreciated:				
Land	\$ 69,808	\$ -	\$ -	\$ 69,808
Total Capital Assets Not Being Depreciated	69,808	-	-	69,808
Capital Assets:				
Vehicles and Equipment	638,469	22,789	-	661,258
Water & Sewer Lines	9,230,299	-	-	9,230,299
Water Storage Tanks	1,753,115	-	-	1,753,115
Water Wells	432,698	-	-	432,698
Sewer Treatment Plan	2,672,651	-	-	2,672,651
Sewer Pumps and Lift Stations	853,863	8,700	-	862,563
Total Capital Assets	15,581,095	31,489	-	15,612,584
Less: Accumulated Depreciation:				
Vehicles and Equipment	440,672	55,889	-	496,561
Water & Sewer Lines	1,760,215	215,956	-	1,976,171
Water Storage Tanks	265,916	50,318	-	316,234
Water Wells	172,065	7,352	-	179,417
Sewer Treatment Plan	1,411,008	66,782	-	1,477,790
Sewer Pumps and Lift Stations	751,913	19,365	-	771,278
Total Accumulated Depreciation	4,801,789	415,662	-	5,217,451
Total Business-Type Capital Assets, Net	<u>\$ 10,849,114</u>	<u>\$ (384,173)</u>	<u>\$ -</u>	<u>\$ 10,464,941</u>

9. Capital Lease

On July 17, 2017 the Town entered into a lease purchase agreement to purchase a Utility Cab Tractor. The lease is for 48 months with sixteen payments of \$2,047.90 paid quarterly. The lease contains a bargain purchase agreement of \$100 at the end of the lease. At June 30, 2020, the Town recorded an asset of \$32,768 with accumulated depreciation of \$9,557. The balance of this lease payable is \$8,191.60 with a current maturity of the lease is \$8,191.60.

In November 2018, the Town entered into a lease purchase agreement with Bancorp South Equipment Finance for the purchase of a Bush Hog 3510 Cutter. . The lease is for 36 months with 36 monthly payments at an interest rate of 4.5%. Title is passed to the Town at the expiration of the lease for no further consideration. At June 30, 2020, the Town recorded an asset of \$11,600 with accumulated depreciation of \$2,900. The balance of the lease is \$5,995 with a current maturity of \$3,952 at June 30, 2020.

Town of Independence, Louisiana
Notes to Financial Statements (Continued)
For the Year Ended June 30, 2020

Amortization schedules of the outstanding Capital Leases including interest expense of \$239.54 is as follows:

Utility Cab Tractor Year End	Lease Payments	Bush Hog Cutter Year End	Lease Payments
06/30/21	\$ 8,192	06/30/21	\$ 3,952
06/30/22	-	06/30/22	\$ 2,043
06/30/23	-	06/30/23	
	<u>\$ 8,192</u>		<u>\$ 5,995</u>

10. Long-Term Debt

The Town's long-term debt is segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities. The following is a summary of long-term liabilities of the Town for the year ended June 30, 2020:

	Total Debt 6/30/2019	Increase in Debt	Debt Retired	Total Debt 6/30/2020	Due in One Year
Revenue Bonds	\$ 5,767,151	\$ -	\$ 124,837	\$ 5,642,314	\$ 129,277
Limited Tax Bonds	105,000	-	12,000	93,000	12,000
Total	<u>\$ 5,872,151</u>	<u>\$ -</u>	<u>\$ 136,837</u>	<u>\$ 5,735,314</u>	<u>\$ 141,277</u>

Governmental Activities:

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

\$ 125,000

\$150,000 Limited Tax Bonds, Series 2015 dated January 29, 2015; Due in bi-annual installments of interest and principal payments not exceeding \$14,963 through March 1, 2027; Interest at 2.75%; Payable from a pledge of excess revenues of the Town above statutory, necessary and usual charges.

93,000

Total Governmental Activities

\$ 218,000

Town of Independence, Louisiana
Notes to Financial Statements (Continued)
For the Year Ended June 30, 2020

An amortization schedule of the outstanding long-term debt of the Governmental Activities including interest expense of \$29,946 is as follows:

Governmental Activities
Revenue & Limited Tax Bonds

<u>Year End</u>	<u>Series 2010</u>	<u>Series 2015</u>	<u>LPFA</u>	<u>Total</u>
06/30/21	\$ 28,267	\$ 14,558	\$ -	\$ 42,825
06/30/22	29,150	15,228	-	44,378
06/30/23	28,950	14,870	-	43,820
06/30/24	28,700	14,513	-	43,213
06/30/25	29,400	15,155	-	44,555
2026-2027	-	29,155	-	29,155
Total	<u>\$ 144,467</u>	<u>\$ 103,479</u>	<u>\$ -</u>	<u>\$ 247,946</u>

Business-Type Activities:

\$975,000 Sewer 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 revenues of the Sewer System	\$ 634,021
\$1,425,000 Water Revenue Bonds dated January 21, 2015; Due in monthly installments of \$4,974 through January 21, 2055; Interest at 2.75%; Payable from a pledge of the Town's revenues of the Water System.	1,328,881
\$1,150,000 Water Revenue Bonds dated May 21, 2015; Due in monthly installments of \$4,508 through January 21, 2055; Interest at 3.50%; Payable from a pledge of the Town's revenues of the Water System.	1,089,317
\$2,632,000 Sewer Revenue Bonds dated, April 28, 2015; Due in monthly installments of \$9,186 through April 16, 2055; Interest at 2.75%; Payable from a pledge of the Town's revenues of the Water System.	2,465,095
Total Business-Type Activities	<u>\$ 5,517,314</u>

Town of Independence, Louisiana
Notes to Financial Statements (Continued)
For the Year Ended June 30, 2020

An amortization schedule of the outstanding long-term debt of the Business-Type Activities including interest expense of \$3,175,140 is as follows:

Year End	Business Activities					
	Sewer			Water		
	Series 2015	Revenue Bond	Revenue Bond	Series 2015 A	Series 2015 B	Totals
06/30/21	\$ 110,232	\$ 9,612	\$ 43,044	\$ 54,096	\$ 59,688	\$ 276,672
06/30/22	110,232	9,612	43,044	54,096	59,688	276,672
06/30/23	110,232	9,612	43,044	54,096	59,688	276,672
06/30/24	110,232	9,612	43,044	54,096	59,688	276,672
06/30/25	110,232	9,612	43,044	54,096	59,688	276,672
2026 - 2055	3,279,079	119,094	532,662	1,617,986	1,760,273	7,309,094
Total	\$ 3,830,239	\$ 167,154	\$ 747,882	\$ 1,888,466	\$ 2,058,713	\$ 8,692,454

Bond Compliance Requirements

\$2,632,000 Sewer Revenue Bonds, Series 2014

These bonds were approved via a board resolution on July 9, 2013. These bonds shall mature no later than forty years and bear an interest rate not exceeding 2 ¾% per annum. The bonds shall be paid solely from the income and revenues derived by the Town from the operation of the sewer system, after paying reasonable and necessary expenses of operating and maintaining the system. The bond resolutions require the revenues earned from operations of the system be deposited in a “Sewer Revenue Fund.” After payment of all reasonable and necessary costs and expenses of maintaining the system, certain monthly payments must be made from the Sewer Revenue Fund as follows:

Each month, there will be set aside into a fund called the “Sewer Revenue Bond and Interest Sinking Fund” (Sinking Fund) an amount to pay promptly and fully the principal of and the interest on the Bond except with regard to the Bond during the first year, a sum equal to 1/12 of the interest falling due on the first payment date. The payments will continue monthly until April 2055, unless the bonds are called in advance of their maturity dates, in which event it is possible to reduce the required payments into the Sinking Fund.

There shall also be set aside into a “Sewer Revenue Bond Reserve Fund” (Reserve Fund) an amount equal to 5% of the amount paid into the Sinking Fund until the Reserve Fund has accumulated an amount equal to the highest principal and interest falling due in any fiscal year payable from the Sinking Fund.

There shall also be set aside into a “Sewer Depreciation and Contingency Fund” (Contingency Fund) an amount equal to 5% of the amount paid into the sinking fund. When a sum equal to the Reserve Fund requirement has been accumulated in the Reserve Fund, an amount equal to 10% of the amount being paid monthly into the Sinking Fund shall be paid into the Contingency Fund.

Funds will also be set aside into a “Sewer Short-Lived Assets Fund” (Asset Fund) in an amount equal to \$1,353 over the life of the Bonds to provide maintenance and replacement of short-lived assets.

Town of Independence, Louisiana
Notes to Financial Statements (Continued)
For the Year Ended June 30, 2020

The Town was not in compliance with the bond covenant. The Short-Lived Assets Fund is underfunded..

\$1,150,000 Water Revenue Bonds, Series 2015A

These bonds were approved via a board resolution dated August 13, 2013. These bonds will be payable over a period of time not exceeding forty years and bear an interest rate not exceeding 4 ¼% per annum. The Bonds shall be paid solely from the income and revenues derived by the Town from the operation of the water system, after paying reasonable and necessary expenses of operating and maintaining the system. The bond resolutions require the revenues earned from operations of system be deposited in a “Water System Revenue Fund.” After payment of all reasonable and necessary costs and expenses of maintaining the system, certain monthly payments must be made from the Water System Revenue Fund as follows:

Each month, there will be set aside into a fund called the “Waterworks Revenue Bond and Interest Sinking Fund” (Sinking Fund) an amount to pay promptly and fully the principal of and the interest on the Bond except with regard to the Bond during the first year the a sum equal to 1/12 of the interest falling due on the first payment date. The payments will continue monthly until May 2055, unless the bonds are called in advance of their maturity dates, in which event it is possible to reduce the required payments into the Sinking Fund.

There shall also be set aside into a “Water Revenue Bond Reserve Fund” (Reserve Fund) an amount equal to 5% of the amount paid into the Sinking Fund until the Reserve Fund has accumulated an amount equal to the highest principal and interest falling due in any fiscal year payable from the Sinking Fund.

There shall also be set aside into a “Waterworks Depreciation and Contingency Fund” (Contingency Fund) an amount equal to 5% of the amount paid into the Sinking Fund. When a sum equal to the Reserve Fund requirement has been accumulated in the Reserve Fund, an amount equal to 10% of the amount being paid monthly into the Sinking Fund shall be paid into the Contingency Fund.

The Town was not in compliance with the bond covenant. The Reserve Fund is underfunded.

\$1,425,000 Water Revenue Bonds, Series 2015B

These bonds were approved via a board resolution dated July 9, 2013. These bonds will be payable over a period of time not exceeding forty years and bear an interest rate not exceeding 2 ¾% per annum. The Bonds shall be paid solely from the income and revenues derived by the Town from the operation of the water system, after paying reasonable and necessary expenses of operating and maintaining the system. The bond resolutions require the revenues earned from operations of system be deposited with the Town’s fiscal agent bank in a “Water System Revenue Fund.” After payment of all reasonable and necessary costs and expenses of maintaining the system, certain monthly payments must be made from the Water System Revenue Fund as follows:

Each month, there will be set aside into a fund called the Water Revenue Bond and Interest Sinking Fund (Sinking Fund) an amount to pay promptly and fully the principal of and the interest on the Bond except with regard to the Bond during the first year a sum equal to 1/12 of the interest falling due on the first payment date. The payments will continue monthly until January 2055, unless the

Town of Independence, Louisiana
Notes to Financial Statements (Continued)
For the Year Ended June 30, 2020

bonds are called in advance of their maturity dates, in which event it is possible to reduce the required payments into the Sinking Fund.

There shall also be set aside into a "Water Revenue Bond Reserve Fund" (Reserve Fund) an amount equal to 5% of the amount paid into the Sinking Fund until the Reserve Fund has accumulated an amount equal to the highest principal and interest falling due in any fiscal year payable from the Sinking Fund.

There shall also be set aside into a "Waterworks Depreciation and Contingency Fund" (Contingency Fund) an amount equal to 5% of the amount paid into the sinking fund. When a sum equal to the Reserve Fund requirement has been accumulated in the Reserve Fund, an amount equal to 10% of the amount being paid monthly into the Sinking Fund shall be paid into the Contingency Fund.

Funds will also be set aside into a "Waterworks System Short-Lived Assets Fund" (Asset Fund) in an amount equal to \$1,833 over the life of the Bonds to provide maintenance and replacement of short-lived assets.

The Town was not in compliance with the bond covenant. The Reserve Fund is underfunded.

Town of Independence, Louisiana
Notes to Financial Statements (Continued)
For the Year Ended June 30, 2020

\$300,000 Revenue Bonds

These bonds were approved via a board resolution dated December 14, 2009. These bonds will be payable over a period of time not exceeding 15 years and bear an interest rate not exceeding 7.0% per annum. The Bonds shall be paid from the excess revenues of the Town. The bond resolutions require the revenues from the tax be deposited with in a "Town of Independence – Excess Revenue Bond Sinking Fund". The Town will deposit a sum equal to the principal and / or interest falling due on the Bonds in that calendar year, together with such additional proportionate sum as may be required to pay said principal and interest as the same become due and any amount required to pay charges of the Paying agent.

The Town was in compliance with the bond covenant.

\$150,000 Limited Tax Bonds, Series 2015

These bonds were approved via a board resolution dated November 11, 2014. These bonds will be payable over a period of time not exceeding 11 ½ years and bear an interest rate not exceeding 2 ¾% per annum. The Bonds shall be paid solely from tax revenues derived by the Town's 6.23 mill property tax. The bond resolutions require the revenues from the tax be deposited with in a "Town of Independence Limited Tax Bonds (2015) Sinking Fund." The Town will deposit a sum equal to the principal and / or interest falling due on the Bonds in that calendar year, together with such additional proportionate sum as may be required to pay said principal and interest as the same become due and any amount required to pay charges of the Paying agent.

The Town was in compliance with the bond covenants.

\$975,000 Sewer Revenue Bonds

The Town, through its governing authority, adopted a resolution on March 11, 1997, authorizing the issuance of \$975,000 Sewer Revenue Bonds and entering into certain covenants in connection with the security and payment of said bonds. The proceeds of these bonds are to be used to finance a portion of the cost of acquiring and constructing improvements, extensions, and replacements to the Town's sewerage system.

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

Each month, there will be set aside into a fund called the "Sewer Revenue Bond and Interest Sinking Fund" an amount constituting 1/12 of the next maturing installment of principal and interest on the outstanding bonds. The payments will continue monthly until December 2037, unless bonds are called in advance of their maturity dates, in which event it is possible to reduce the required payments into the sinking fund.

There shall also be set aside into a "Sewer Reserve Fund" an amount equal to 5% of the principal and interest payments required during the current fiscal year until such fund reaches an amount of \$60,000. On January 1, 2005, the reserve requirement was reduced to \$52,650. Such amounts may be used only for the payment of maturing bonds and interest coupons for which sufficient funds are

Town of Independence, Louisiana
Notes to Financial Statements (Continued)
For the Year Ended June 30, 2020

not on deposit in the Bond and Interest Redemption Fund and as to which there would otherwise be default.

Funds will also be set aside into a Sewer Depreciation and Contingency Fund at the rate of \$318 per month. Money in this fund may be used for the making of repairs or replacements to the system that are necessary to keep it in operating condition.

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

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

The Town was in compliance with the bond covenant.

Employee Pension Plans

A. Municipal Employees' Retirement System of Louisiana

General Information about the Pension Plan

Plan Description – Employees of the Town are eligible for participation in the Municipal Employees' Retirement System of Louisiana (the "System") – a cost-sharing, multiple-employer defined benefit pension plan administered by a Board of Trustees and established by Act 356 of the 1954 Regular Session of the Louisiana Legislature. The System issues a publicly available financial report that can be obtained at www.mersla.com/annual-reports. The report may also be obtained by writing to the Municipal Employees' Retirement System of Louisiana, 7937 Office Park Boulevard, Baton Rouge, LA 70809, or by calling (225) 925-4810.

Benefits Provided – The System provides retirement, disability, and death benefits under two separate plans – Plan "A" and Plan "B." The Town was enrolled in Plan "B."

Under Plan "A" Retirement benefits are generally determined as 3.0% of the employee's final compensation multiplied by the employee's years of creditable service. Employees with 25 years of service are eligible to retire at any age. Employees with a minimum of 10 years of service are eligible to retire at age 60. Employees are eligible for disability benefits under age 60 with 5 years of service. Survivor's benefits are available upon the death of a member who has credit for 5 or more years of service who is not eligible for normal retirement benefits. Under state law, cost of living increases to benefits are allowable only if sufficient funds are available from investment income in excess of normal requirements. Cost of living increases cannot exceed 2% of the retiree's original benefit for each full calendar year since retirement.

Town of Independence, Louisiana
Notes to Financial Statements (Continued)
For the Year Ended June 30, 2020

Under Plan “B” Retirement benefits are generally determined as 2.0% of the employee’s final compensation multiplied by the employee’s years of creditable service. Employees with 30 years of service are eligible to retire at any age. Employees with a minimum of 10 years of service are eligible to retire at age 60. Employees are eligible for disability benefits with 10 years of service at any age. Survivor’s benefits are available upon the death of a member who has credit for 5 or more years of service who is not eligible for normal retirement benefits. Under state law, cost of living increases to benefits are allowable only if sufficient funds are available from investment income in excess of normal requirements. Cost of living increases cannot exceed 2% of the retiree’s original benefit for each full calendar year since retirement.

Contributions – Per Act 788 of the 1978 Regular Session of the Louisiana Legislature, contribution rates for employees are established by state law and employer contribution rates are actuarially determined each year by the System’s Board of Trustees.

Under Plan “B” Employees are required to contribute 5.00% of their annual pay. The Town’s contractually required contribution rate for the year ended June 30, 2020, was 14.00 % of annual payroll. Contributions to the System from the Town were \$45,988 for the year ended June 30, 2020.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2020, the Town reported a liability of \$311,450 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town’s proportion of the net pension liability was based on a projection of the Town’s June 30, 2020 contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

For the year ended June 30, 2020, the Town recognized pension expense of \$88,452. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	\$ 13,814
Changes of Assumptions	18,986	-
Changes of Experience	-	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	32,804	-
Changes in Proportion and Differences Between Town Contributions and Proportionate Share of Contributions	-	8,436
Town Contributions Subsequent to the Measurement Date	33,886	-
	<u>\$ 146,267</u>	<u>\$ 22,250</u>

Town of Independence, Louisiana
Notes to Financial Statements (Continued)
For the Year Ended June 30, 2020

\$33,886 is reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended:		
June 30, 2020	\$	70,686
June 30, 2021		12,226
June 30, 2022		4,368
June 30, 2023		2,850
Thereafter		-

Actuarial Assumptions – The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary Increases:	
1-4 Years of Service	7.40%
More Than 4 Years of Service	4.90%
Investment Rate of Return	7.00%

Mortality rates were based on the RP-2000 Employee Table for active members, the RP-2000 Healthy Annuitant Table for healthy annuitants, and the RP-2000 Disabled Lives Mortality Tables for disabled annuitants for Males or Females, as appropriate.

The actuarial assumptions used in the June 30, 2019 valuation were verified by combining data from the System with three other Louisiana statewide pension plans which have similar compositions in order to produce a credible experience. The data collected for this study covered the period July 1, 2009 to June 30, 2014.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and an adjustment for the effect of rebalancing / diversification.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Town of Independence, Louisiana
Notes to Financial Statements (Continued)
For the Year Ended June 30, 2020

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public Equity	50.00%	2.15%
Public Fixed Income	35.00%	1.51%
Alternatives	15.00%	0.64%
Total	100.00%	4.30%
Inflation		2.70%
Expected Arithmetic Nominal Return		7.00%

Discount Rate – The discount rate used to measure the total pension liability was 7%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from participating employers will be made at the actuarially determined rates approved by the Louisiana Public Retirement Systems’ Actuarial Committee (“PRSAC”) taking into consideration the recommendation of the System’s actuary. Based on those assumptions, the System’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Town’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the Town’s proportionate share of the net pension liability calculated using the discount rate of 7%, as well as what the Town’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (6%) or one percentage-point higher (8%) than the current rate:

	1.0% Decrease <u>6.000%</u>	Current Discount Rate <u>7.000%</u>	1.0% Increase <u>8.000%</u>
Town’s Proportionate Share of the Net Pension Liability	\$ 116,590,094	\$ 87,481,335	\$ 62,863,172

Pension Plan Fiduciary Net Position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued System financial report.

B. Municipal Police Employees’ Retirement System of Louisiana

General Information about the Pension Plan

Plan Description – Police officers of the Town participate in the Municipal Police Employees’ Retirement System of Louisiana (the “Police System”) – a cost-sharing, multiple-employer defined benefit pension plan administered by a Board of Trustees and established by Act 189 of the 1973 Regular Session of the Louisiana Legislature. The Police System issues a publicly available financial report that can be obtained

Town of Independence, Louisiana
Notes to Financial Statements (Continued)
For the Year Ended June 30, 2020

at www.lampers.org/auditreports.htm. The report may also be obtained by writing to the Municipal Police Employees' Retirement System of Louisiana, 7722 Office Park Boulevard, Suite 200, Baton Rouge, LA 70809-7601, or by calling (225) 99-7411.

Benefits Provided – The Police System provides retirement, disability, and death benefits.

For employees that became members of the Police System prior to January 1, 2013, retirement benefits are determined as 3 1/3% of the employee's average final compensation based on the 36 consecutive months of highest pay multiplied by the employee's years of creditable service, not to exceed 100%. Employees with 25 years of service are eligible to retire at any age. Employees with a minimum of 20 years of service are eligible to retire at age 50. Employees with a minimum of 12 years of service are eligible to retire at age 55.

For employees that became members of the Police System after to January 1, 2013, retirement benefits are divided into two sub-plans – Hazardous Duty and Non Hazardous Duty. Under the Hazardous Duty sub-plan, a member is eligible for regular retirement after he has been a member of the System and has 25 years of creditable service at any age or has 12 years of creditable service at age 55. Under the Non-Hazardous Duty sub-plan, a member is eligible for regular retirement after he has been a member of the System and has 30 years of creditable service at any age, 25 years of creditable service at age 55, or 10 years of creditable service at age 60. Under both sub-plans, a member is eligible for early retirement after he has been a member of the System for 20 years of creditable service at any age, with an actuarially reduced benefit from age 55. Under both plans, retirement benefits are determined as 3% (for Hazardous Duty members) and 2 1/2% (Non Hazardous Duty members) of the employee's average final compensation based on the highest 60 consecutive months of pay multiplied by the employee's years of creditable service, not to exceed 100%.

Cost of living increases cannot exceed 3% of the retiree's current benefit. The Fire System is authorized to provide an additional 2% cost of living increase, computed on the member's original benefit, to all regular retirees, disability, survivors, and beneficiaries who are 65 years of age or older on the cut-off date which determines eligibility.

Contributions – Per Act 189 of the 1973 Regular Session of the Louisiana Legislature, contribution rates for employees are established by state law and employer contribution rates are actuarially determined each year by the Police System's Board of Trustees. Employees are required to contribute 10.00% of their annual pay. The Town's contractually required contribution rate for the year ended June 30, 2020, was 32.25% of annual payroll. Contributions to the Police System from the Town were \$104,249 for the year ended June 30, 2020.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2020, the Town reported a liability of \$642,610 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's June 30, 2020 contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2020, the Town's proportion was .070759%, compared to 0.065900%, at June 30, 2019 and 0.063511% at June 30, 2018.

Town of Independence, Louisiana
Notes to Financial Statements (Continued)
For the Year Ended June 30, 2020

For the year ended June 30, 2020, the Town recognized pension expense of \$146,709. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	\$ 19,770
Changes of Assumptions	36,011	-
Changes of Experience	1,348	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	41,749	-
Changes in Proportion and Differences Between Town Contributions and Proportionate Share of Contributions	55,384	-
Town Contributions Subsequent to the Measurement Date	79,720	-
	\$ 214,212	\$ 19,770

\$79,720 is reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended:

June 30, 2020	66,332
June 30, 2021	12,556
June 30, 2022	25,414
June 30, 2023	10,420
Thereafter	-

Actuarial Assumptions – The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Salary Increases, Including Inflation &

	Service Years	Growth Rate
Merit	1-2	9.75%
	3-23	4.75%
	Over 23	4.25%
Investment Rate of Return	7.125%, Net of Investment Expense	

Town of Independence, Louisiana
Notes to Financial Statements (Continued)
For the Year Ended June 30, 2020

Mortality rates were based on the RP-2000 Employee Table for active members, the RP-2000 Healthy Annuitant Table for healthy annuitants, and the RP-2000 Disabled Lives Mortality Tables for disabled annuitants for Males or Females, as appropriate.

The actuarial assumptions used in the June 30, 2019 valuation were based on the assumptions used in the June 30, 2019 actuarial funding valuation, and were based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014. In cases where benefit structures were changed after the study period, assumptions were based on estimates of future experience. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and an adjustment for the effect of rebalancing / diversification. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity	48.50	3.28%
Fixed Income	33.50	0.80%
Alternatives	18.00	1.06%
Other	-	-
Total	100.00%	5.14%
Inflation		2.75%
Expected Nominal Return		7.89%

Discount Rate – The discount rate used to measure the total pension liability was 7.125%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from participating employers will be made at the actuarially determined rates approved by the Louisiana Public Retirement Systems’ Actuarial Committee (“PRSAC”) taking into consideration the recommendation of the Police System’s actuary. Based on those assumptions, the Police System’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Town’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the Town’s proportionate share of the net pension liability calculated using the discount rate of 7.125%, as well as what the Town’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (6.125%) or one percentage-point higher (8.125%) than the current rate:

Town of Independence, Louisiana
Notes to Financial Statements (Continued)
For the Year Ended June 30, 2020

	1.0% Decrease (6.125%)	Current Discount Rate (7.125%)	1.0% Increase (8.125%)
Town's Proportionate Share of the Net Pension Liability	\$1,265,376,513	\$ 908,167,473	\$ 608,504,802

Pension Plan Fiduciary Net Position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued Police System financial report.

11. Interfund Transactions

Interfund Receivable and Payable Balances

The primary purpose of interfund receivables / payables is to loan monies between funds to cover current expenditures. All interfund receivables / payables are considered short-term, and are expected to be repaid within the next year. Individual fund balances due from / to other funds at June 30, 2020, were as follows:

	Due From	Due To
General Fund:		
Due from Enterprise Fund	\$ -	\$ 187,000
Due to Innovative Housing	-	-
Innovative Housing:		
Due from General Fund	-	-
Due from Economic Development	3,658	-
Economic Development:		
Due to Innovative Housing	-	3,658
Enterprise Fund:		
Due from General Fund	187,000	-
Due to General Fund	-	-
Total All Funds	\$ 190,658	\$ 190,658

Town of Independence, Louisiana
Notes to Financial Statements (Continued)
For the Year Ended June 30, 2020

Interfund Transfers

The following is a summary of the operating transfers between funds during the fiscal year ending June 30, 2020.

	Transfers In	Transfers Out
General Fund	\$ 15,369	\$ -
Proprietary Fund	8,521	-
Special Revenue Funds:		
Innovative Housing Fund	-	23,890
Economic Development Fund	-	-
Total All Funds	\$ 23,890	\$ 23,890

12. Tax Revenues

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, as explained in Note 1. Revenues in governmental funds are recognized in the period in which they become available and measureable. Ad valorem taxes attach as an enforceable lien on property on January 1 of each year. Taxes are levied by the Town during the year and are billed to the taxpayers in November. Billed taxes become delinquent on December 31 of each year. Revenues from ad valorem taxes are budgeted in the year billed and recognized as revenue when billed. The Town bills and collects its own property taxes using the assessed values determined by the Tax Assessor of Tangipahoa Parish.

For the year ended June 30, 2020, taxes of 16.23 mills were levied on property with taxable assessed valuations totaling \$6,632,889 and were dedicated to general government (6.23 mills), police protection (5.00 mills), and fire protection (5.00 mills). Current year taxes levied were \$107,652.97. At June 30, 2020, taxes receivable were \$0 and the allowance for uncollectible ad valorem taxes was \$0.

Town of Independence, Louisiana
Notes to Financial Statements (Continued)
For the Year Ended June 30, 2020

13. On-Behalf Payments for Salaries and Benefits

In accordance with GASB Statement No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*, the Town reports in its financial statements on-behalf salary and fringe benefit payments made by the state to certain Town employees.

The State of Louisiana makes supplementary salary payments to certain groups of employees. The Town is not legally responsible for these salaries. Therefore, the basis for recognizing the revenue and expenditure payments is the actual state contribution. For fiscal year 2020, the state paid supplemental salaries to the police employees of the Town. The Town is required to pay from its own budget the payroll taxes and retirement contributions on these on-behalf payments.

On-behalf payments recorded as revenues and expenditures in the financial statements are as follows:

	State Supplemental Salaries
Policemen Supplemental Pay	\$ 48,450
Total On-Behalf Payments	\$ 48,450

14. Commitments and Contingencies

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.

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 prior year.

Grants

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

Town of Independence, Louisiana
Notes to Financial Statements (Continued)
For the Year Ended June 30, 2020

15. Subsequent Events

In preparing these financial statements, the Town has evaluated events and transactions for potential recognition or disclosure through December 18, 2020.

During 2020, Congress passed the CARES Act during the COVID-19 outbreak. The CARES Act created therein the Coronavirus Relief Fund which provides for eligible and qualified reimbursement of payments incurred by state and local governments impacted by the COVID-19 outbreak. On October 9, 2020, the Town of Independence Administration applied for this funding and was approved on November 11, 2020 for the amount of \$157,317.40.

Required Supplemental Information (Part II)

Town of Independence, Louisiana
Statement of Revenues, Expenditures, and Changes in Fund Balance –
Budget and Actual – General Fund
For the Year Ended June 30, 2020

Schedule 1

	Original Budget	Final Budget	Actual Amounts	Final Budget Variance - Favorable / (Unfavorable)
Revenues:				
Taxes:				
Sales Taxes	\$ 601,200	\$ 632,800	\$ 669,579	\$ 36,779
Property Taxes	173,700	173,700	166,638	(7,062)
Utility Franchise	8,200	8,400	8,409	9
Solid Waste Fees	143,600	141,400	141,428	28
Licenses and Permits	196,000	193,700	182,258	(11,442)
Fines and Forfeitures	135,000	97,800	104,974	7,174
Rental Income	108,400	108,400	109,832	1,432
Charges for Services	58,400	57,600	57,574	(26)
Intergovernmental	13,300	13,300	13,536	236
On-Behalf payments from State	54,000	48,500	48,450	(50)
Worker's Comp Credit	-	-	-	-
Other Revenues	7,400	36,900	30,921	(5,979)
Interest Income	500	500	487	(13)
Total Revenues	1,499,700	1,513,000	1,534,086	21,086
Expenditures:				
Current:				
General Government	227,626	234,100	216,164	17,936
Municipal Court	29,500	28,900	29,054	(154)
Public Safety	821,743	823,500	824,471	(971)
Public Works	204,216	250,900	259,935	(9,035)
Solid Waste	121,300	120,400	120,435	(35)
Health and Recreation	29,500	24,000	22,813	1,187
Debt Service	42,440	45,000	-	45,000
Principal	-	-	33,000	(33,000)
Interest	-	-	10,336	(10,336)
Capital Outlay	-	-	18,170	(18,170)
Total Expenditures	1,476,325	1,526,800	1,534,378	(7,578)
Excess (Deficiency) of Revenues Over Expenditures	23,375	(13,800)	(292)	13,508
Other Financing Sources:				
Capital Lease Proceeds	-	-	-	-
Transfers In	25,000	25,000	15,369	(9,631)
Sale of Fixed Assets	-	-	-	-
Total Other Financing Sources	25,000	25,000	15,369	(9,631)
Change in Fund Balances	48,375	11,200	15,077	3,877
Fund Balances:				
Beginning of the Year,	(68,107)	(68,107)	(68,108)	-
End of the Year	\$ (19,732)	\$ (56,907)	\$ (53,031)	\$ 3,877

See independent auditor's report.

Town of Independence, Louisiana
Statement of Revenues, Expenditures, and Changes in Fund Balance –
Budget and Actual – Innovative Housing Fund
For the Year Ended June 30, 2020

Schedule 2

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Final Budget Variance - Favorable / (Unfavorable)</u>
Revenues:				
Investment Interest	\$ 4,400	\$ 4,300	\$ 4,143	\$ (157)
Total Revenues	<u>4,400</u>	<u>4,300</u>	<u>4,143</u>	<u>(157)</u>
Expenditures:				
General Government	<u>500</u>	<u>500</u>	<u>-</u>	<u>500</u>
Total Expenditures	<u>500</u>	<u>500</u>	<u>-</u>	<u>500</u>
Excess of Revenues over Expenditures	3,900	3,800	4,143	343
Other Financing Sources (Uses):				
Operating Transfers Out	<u>(25,000)</u>	<u>(33,500)</u>	<u>(23,890)</u>	<u>9,610</u>
Total Other Financing Sources (Uses)	<u>(25,000)</u>	<u>(33,500)</u>	<u>(23,890)</u>	<u>9,610</u>
Change in Fund Balance	(21,100)	(29,700)	(19,747)	9,953
Fund Balance - Beginning of the Year	<u>249,428</u>	<u>249,428</u>	<u>249,428</u>	<u>-</u>
Fund Balance - End of the Year	<u>\$ 228,328</u>	<u>\$ 219,728</u>	<u>\$ 229,681</u>	<u>\$ 9,953</u>

See independent auditor's report.

Town of Independence, Louisiana
 Schedule of the Town's Proportionate Share of the Net Pension Liability –
 Municipal Employees' Retirement System of Louisiana
 For the Year Ended June 30, 2020

Schedule 3-A

	* Last 5 Fiscal Years Ending June 30				
	2020	2019	2018	2017	2016
Town's Proportion of the Net Pension Liability	0.356019%	0.348529%	0.386929%	0.521281%	0.000000%
Town's Proportionate Share of the Net Pension Liability	\$ 311,450	\$ 294,797	\$ 334,784	\$ 213,658	\$ -
Town's Covered-Employee Payroll	\$ 258,128	\$ 272,163	\$ 271,951	\$ 305,452	\$ 93,120
Town's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	120.66%	108.32%	123.10%	69.95%	0.00%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.14%	65.60%	63.49%	62.11%	66.18%

* The amounts presented for each fiscal year were determined as of June 30 of the prior fiscal year

See independent auditor's report.

Town of Independence, Louisiana
Schedule of the Town's Proportionate Share of the Net Pension Liability –
Municipal Police Employees' Retirement System of Louisiana
For the Year Ended June 30, 2020

Schedule 3-B

	* Last 5 Fiscal Years Ending June 30				
	2020	2019	2018	2017	2016
Town's Proportion of the Net Pension Liability	0.070759%	0.065900%	0.063511%	0.005447%	0.015900%
Town's Proportionate Share of the Net Pension Liability	\$ 642,610	\$ 556,455	\$ 554,478	\$ 510,565	\$ 124,560
Town's Covered-Employee Payroll	\$ 209,810	\$ 220,972	\$ 237,833	\$ 189,602	\$ 152,193
Town's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	306.28%	251.82%	233.14%	269.28%	81.84%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.00%	71.88%	70.08%	66.00%	70.73%

* The amounts presented for each fiscal year were determined as of June 30 of the prior fiscal year

See independent auditor's report.

Town of Independence, Louisiana
Schedule of the Town's Contribution –
Municipal Employees' Retirement System of Louisiana
For the Year Ended June 30, 2020

Schedule 4-A

	Last 4 Fiscal Years Ending June 30				
	2020	2019	2018	2017	2016
Contractually Required Contribution	\$ 33,886	\$ 38,103	\$ 35,353	\$ 68,476	\$ 18,391
Contributions in Relation to the Contractually Required Contribution	<u>(33,886)</u>	<u>(38,103)</u>	<u>(35,353)</u>	<u>(68,476)</u>	<u>(18,391)</u>
Contribution Deficiency / (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's Covered-Employee Payroll	\$ 258,128	\$ 272,164	\$ 271,951	\$ 305,452	\$ 93,120
Contributions as a Percentage of Covered-Employee Payroll	13.13%	14.00%	13.00%	22.42%	19.75%

See independent auditor's report.

Town of Independence, Louisiana
Schedule of the Town's Contribution –
Municipal Police Employees' Retirement System of Louisiana
For the Year Ended June 30, 2020

Schedule 4-B

	Last 4 Fiscal Years Ending June 30				
	2020	2019	2018	2017	2016
Contractually Required Contribution	\$ 79,720	\$ 71,264	\$ 62,636	\$ 60,248	\$ 44,897
Contributions in Relation to the Contractually Required Contribution	<u>(79,720)</u>	<u>(71,264)</u>	<u>(62,636)</u>	<u>(60,248)</u>	<u>(44,897)</u>
Contribution Deficiency / (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's Covered-Employee Payroll	\$ 209,810	\$ 220,974	\$ 203,694	\$ 189,125	\$ 152,193
Contributions as a Percentage of Covered-Employee Payroll	38.00%	32.25%	30.75%	31.86%	29.50%

See independent auditor's report.

Other Supplemental Information

Town of Independence, Louisiana
 Combining Balance Sheet – Non-Major Governmental Funds
 June 30, 2020

Schedule 5

	<u>LCDBG Economic Development 1987 Fund</u>	<u>2010 Revenue Bond Capital Projects Fund</u>	<u>Total Non-Major Governmental Funds</u>
Assets			
Cash and Cash Equivalents	\$ 1,635	\$ 8	\$ 1,643
Due from Other Funds	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 1,635</u>	<u>\$ 8</u>	<u>\$ 1,643</u>
 Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts Payable	\$ -	\$ -	\$ -
Due to Other Funds	<u>3,658</u>	<u>-</u>	<u>3,658</u>
Total Liabilities	<u>3,658</u>	<u>-</u>	<u>3,658</u>
 Deferred Inflows of Resources:			
Unearned Revenue	<u>-</u>	<u>-</u>	<u>-</u>
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
 Fund Balances:			
Restricted for Economic Development	<u>(2,023)</u>	<u>8</u>	<u>(2,015)</u>
Total Fund Balances	<u>(2,023)</u>	<u>8</u>	<u>(2,015)</u>
 Total Liabilities, Deferred Inflows of Resources, and Fund Balances	 <u>\$ 1,635</u>	 <u>\$ 8</u>	 <u>\$ 1,643</u>

See independent auditor's report.

Town of Independence, Louisiana
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances –
 Non-Major Governmental Funds
 For the Year Ended June 30, 2020

Schedule 6

	<u>LCDBG Economic Development 1987 Fund</u>	<u>2010 Revenue Bond Capital Projects Fund</u>	<u>Total Non-Major Governmental Funds</u>
Revenues:			
Donations	\$ -	\$ -	\$ -
Rental Income	-	-	-
Investment Interest	<u>18</u>	<u>-</u>	<u>18</u>
Total Revenues	18	-	18
Expenditures:			
General Government:			
Fireworks	-	-	-
Professional Fees	-	-	-
Public Works	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	-	-	-
Excess of Revenues over Expenditures	18	-	18
Other Financing Sources (Uses):			
Interstate Clearing	-	-	-
Operating Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	-	-	-
Change in Fund Balance	18	-	18
Fund Balances - Beginning of the Year	<u>(2,041)</u>	<u>8</u>	<u>(2,033)</u>
Fund Balances - End of the Year	<u><u>\$ (2,023)</u></u>	<u><u>\$ 8</u></u>	<u><u>\$ (2,015)</u></u>

See independent auditor's report.

Town of Independence, Louisiana
Schedule of Compensation of Paid Elected Officials
For the Year Ended June 30, 2020

Schedule 7

<u>Name</u>	<u>Title</u>	<u>Term of Office</u>	<u>Salary</u>	<u>Supplemental Pay</u>
Angelo Mannino	Mayor	July 1, 2016 - June 30, 2020	\$ 14,667	\$ -
Frank Edwards	Police Chief	July 1, 2016 - June 30, 2020	38,072	6,000
Jim Paine	Board of Aldermen	July 1, 2016 June 30, 2020	3,600	-
Jimmy Gregory	Board of Aldermen	July 1, 2016 - June 30, 2020	3,600	-
Larry Cardaronella	Board of Aldermen	July 1, 2016 - June 30, 2020	3,600	-
Luciano Suarez	Board of Aldermen	July 1, 2016 June 30, 2020	3,600	-
Calvin Batiste	Board of Aldermen	July 1, 2016 - June 30, 2020	3,600	-
Total			<u>\$ 70,739</u>	<u>\$ 6,000</u>

See independent auditor's report.

Town of Independence, Louisiana
 Schedule of Compensation, Benefits, and Other Payments to Agency Head
 For the Year Ended June 30, 2020

Schedule 8

Agency Head: Honorable Angelo Manino, Mayor

Purpose	Amount
Salary	\$ 14,667
Benefits - Health Insurance	-
Benefits - Other Insurance	-
Social Security & Medicare	1,122
Benefits - Retirement	2,053
Deferred Compensation	-
Benefits - Other - Supplemental Pay	-
Car Allowance	-
Vehicle Provided by Government	-
Vehicle Rental	-
Cell Phone	-
Dues	-
Per Diem	-
Reimbursements	-
Travel	-
Registration Fees	-
Conference Travel	-
Housing	-
Unvouchered Expenses	-
Special Meals	-
Mayor Meetings	-
	\$ 17,842

See independent auditor's report.

Town of Independence, Louisiana
Schedule of Insurance Coverage in Force
For the Year Ended June 30, 2020

Schedule 9

<u>Insurance Company</u>	<u>Coverage</u>	<u>Amount</u>	<u>Expiration Date</u>
Landmark American	Buildings	2,765,246	04/11/21
	Contents	348,675	04/11/21
	Pumping Equipment	59,136	04/11/21
	Tower 3	-	04/11/21
	75k W Generator	-	04/11/21
	Lift Stations	-	04/11/21
	Sewer Treatment plant	670,000	04/11/21
	Equipment	43,192	04/11/21
EMC Insurance Company	Public Official Bond		
	Per Employee	100,000	05/07/21
LA Municipal Risk Management Agency	Automobile Liability	500,000	05/01/21
	Uninsured Motorist, BI & PD		
	Commercial General Liability	500,000	05/01/21
	Premises/Operations		
	Products/Completed Operations		
	Law Enforcement Officer	500,000	05/01/21
	Comprehensive Liability, Personal Injury		
	Public Officials	500,000	05/01/21
	Liability Errors & Omissions		
Rod & Prejan	Auto Physical Damage	102,500	07/18/21

See independent auditor's report.

Town of Independence, Louisiana
Water and Sewer Rate Schedule
 June 30, 2020

Schedule 10

<u>Customer Type</u>	<u>Number</u>	<u>Sewer</u>	<u>Water</u>	<u>Garbage</u>	<u>Fire</u>	<u>Police</u>	<u>DHH</u>
Residential	677			15.73	3.50	2.50	1.00
0-5,000 GL		24.00	21.00				
Over 5,000 GL		3.00 / 1,000 GL	3.00 / 1,000 GL				
Commercial	61			15.73	3.50	2.50	1.00
0-2,500 GL		33.00	32.00				
2,501-5,000 GL		66.00	64.00				
Over 5,000 GL		3.00 / 1,000 GL	3.00 / 1,000 GL				
Schools	6			-	3.50	2.50	1.00
0 - 4,000 GL		256.00	253.00				
Over 4,000 GL		4.00 / 1,000 GL	4.00 / 1,000 GL				
Major Commercial/Industrial	1			-	-	-	1.00
0 - 50,000 GL		750.00	500.00				
Over 50,000 GL		3.00 / 1,000 GL	3.00 / 1,000 GL				
Church	12			15.73	3.50	2.50	1.00
0 - 4,000 GL		20.00	15.00				
Over 4,000 GL		3.00 / 1,000 GL	3.00 / 1,000 GL				
Total	<u>757</u>						

See independent auditor's report.

Town of Independence, Louisiana
Schedule of Water and Sewer Information
 June 30, 2020

Schedule 11

Accounts Receivable:

As of June 30, 2020, accounts receivable from water and sewer billings were as follows:

<u>Water, Sewer, Garbage, Fire & Police Receivable</u>	
Total Per Billing System	\$ 116,206
Allowance for Doubtful Accounts	(24,200)
	\$ 92,006

Schedule of Aged Receivables

<u>Balance</u>	<u>Current</u>	<u>30 Days</u>	<u>60 Days</u>	<u>Over 60 Days</u>
\$ 116,206	\$ 92,012	\$ 24,071	\$ 305	\$ 428

Water and Sewer Users

As of June 30, 2020, water and sewer users were composed of the following:

<u>Customer Type</u>	<u>Number</u>
Residential	677
Commercial	61
Schools	6
Major Commercial / Industrial	1
Church	12
Total	757

See independent auditor's report.

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

Dennis E. James, CPA
Lyle E. Lambert, CPA
Paul M. Riggs, Jr., CPA
J. Bryan Ehricht, CPA

Megan E. Lynch, CPA
B. Jacob Steib, CPA
Brody E. Howes, CPA
Christie J. Barado
Connor J. Collura
Sharon B. Bravata
Krystal L. Waddell
Debbie G. Faust, EA



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

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

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Independence, Louisiana, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town of Independence, Louisiana's basic financial statements, and have issued our report thereon dated December 18, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Independence, Louisiana's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Independence, Louisiana's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Independence, Louisiana's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2020-002 to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2020-001 to be a significant deficiency.

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

Compliance and Other Matters

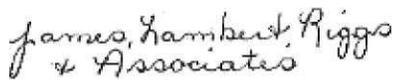
As part of obtaining reasonable assurance about whether the Town of Independence, Louisiana's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2020-003.

Town of Independence, Louisiana's Response to Findings

The Town of Independence, Louisiana's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Town of Independence, Louisiana's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Independence, Louisiana's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



James, Lambert, Riggs and Associates, Inc.
Hammond, Louisiana

December 18, 2020

Town of Independence, Louisiana
 Schedule of Prior Year Findings and Questioned Costs
 For the Year Ended June 30, 2020

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Independence as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town of Independence’s basic financial statements, and have issued our report thereon dated December 18, 2020. Our audit of the basic financial statements resulted in an unmodified opinion.

Section I – Summary of Auditor’s Reports

1. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control:

Material Weakness	<u>X</u>	Yes	___	No
Significant Deficiencies	<u>X</u>	Yes	___	No

Compliance:

Compliance Material to the Financial Statements	<u>X</u>	Yes	___	No
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2. Management Letter

Was a management letter issued?	___	Yes	<u>X</u>	No
---------------------------------	-----	-----	----------	----

Section II – Financial Statement Findings

Internal Control over Financial Reporting

2020-001 – Segregation of Duties

Condition:

There is not sufficient segregation of duties present to maintain an effective system of internal control over financial reporting. The finding results from the small number of Town personnel involved in the daily operations of the financial processes, which restricts meaningful segregation of duties.

This condition was noted in the prior fiscal year.

Criteria:

Adequate segregation of duties within the Town’s Finance Department is critical to maintaining an effective system of internal control.

Cause:

The size of the Town’s finance staff does not allow for proper segregation of duties to maintain an effective system of internal controls.

Effect:

Failure to maintain an adequate segregation of duties, particularly in the Finance Department, creates an environment in which errors or other irregularities could occur and not be detected in a timely manner by employees performing their assigned functions.

Town of Independence, Louisiana
Schedule of Prior Year Findings and Questioned Costs
For the Year Ended June 30, 2020

Recommendation:

We recommend that the Town continue to perform the following:

- Obtain the Mayor's approval for all Town disbursements and purchase orders.
- Review of the unopened monthly bank statements and related bank reconciliations (including all cancelled checks) by the Mayor or external CPA and require that person to document their review and approval of the items clearing the bank statement by initialing and dating the face of the statement.
- Review of the Town's monthly financial statements, including budget to actual comparisons, by the Mayor and Board of Alderman.

Management's Response:

See management's response.

2020-002 – Lack of Adequate Internal Controls over Capital Assets

Condition:

During our audit and testing of the internal control procedures over capital assets, we noted several weaknesses in internal controls over capital assets that if not corrected could result in errors, irregularities or fraud occurring that could be material to the financial statements and not be detected or prevented in a timely manner by employees performing their assigned functions. The weaknesses we noted are summarized as follows:

- The Town is not following best practices and state law that requires identification tags be affixed to all moveable property exceeding the Town's capitalization policy.
- The Town does not conduct an annual inventory of moveable property to determine if assets purchased with public funds are missing as is required by state law and best practices.
- The Town does not maintain a "master" inventory list that includes all Town assets across all departments and funds.
- During our testing of capital assets and inventory, we noted that the new administration performed an inventory after year end. Several items on a handwritten asset list, prepared by the prior administration, were unable to be located. A police report was filed on August 28, 2020 with the Independence Police Department by the current administration for the missing assets. To date, there has been no updates on the case.

This condition was noted in the prior fiscal year. The last item noted above is an additional weakness noted in current audit period.

Criteria:

Internal controls over capital assets should be suitably designed so that errors, irregularities, or fraud can be prevented or detected and corrected in a timely manner by management or employees during in the normal course of performing their assigned duties.

Cause:

The cause of this condition appears to be poor design and operation of controls over capital assets.

Town of Independence, Louisiana
Schedule of Prior Year Findings and Questioned Costs
For the Year Ended June 30, 2020

Effect:

These internal control weaknesses create an environment in which errors or irregularities in the processing of capital assets could occur and not be either prevented or detected and corrected by Town employees in a timely manner.

Recommendation:

We recommend that the Town follow best practices recommended by the Louisiana Legislative Auditor in regards to tagging all moveable equipment purchased, maintain a permanent record of these tagged items and conduct an annual inventory before year end to determine that all tagged equipment is still in the Town's possession.

Management's Corrective Action Plan:

See management's response.

Compliance and Other Matters

2020-003 – Bond Covenant Compliance

Condition:

The Town may not have complied with certain covenants contained in several bond authorizing resolutions.

This condition was noted in the prior fiscal year.

Criteria:

The pertinent parts of each bond authorizing resolution and covenants and the manner in which the Town may not have complied are as follows:

- The \$1,150,000 Water Revenue Bonds, Series 2015; and the \$1,425,000 Water Revenue Bonds, Series 2015 both have requirements for certain funds to be setup and funded at levels based on various bond condition requirements. Based on our calculations, reserve funds for both bonds appear to be underfunded.
- The \$2,632,000 Sewer Revenue Bond, Series 2015 has requirements for certain funds to be setup and funded at levels based on various bond condition requirements. Based on our calculations, the short-lived asset fund for the bond appears to be underfunded.

Cause:

The cause of this condition appears to be a lack of oversight by management.

Effect:

Failure to follow the specific requirements of each individual bond authorizing resolution may have resulted in the Town failing to comply with certain financial covenants contained in the individual bond resolutions and could place the Town at risk to have the bonds called immediately by the bondholders.

Recommendations:

We recommend the Town Clerk review and gain a thorough understanding of the flow of funds and the other relevant financial covenants in each bond issuance currently outstanding. We further recommend the following:

- Immediately fund the various reserve funds required by the \$1,150,000 Water Revenue Bonds, Series 2015, the \$1,425,000 Water Revenue Bonds, Series 2015, and the \$2,632,000 Sewer Revenue Bonds, Series 2015 to the required levels.

Town of Independence, Louisiana
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Management's Response:

See management's response.

Town of Independence, Louisiana
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<u>Ref.#</u>	<u>Description of Findings</u>	<u>Corrective Action Taken</u>	<u>Plan Corrective Action - Partial Corrective Action Taken</u>
<u>Internal Control Findings</u>			
2019-001	Segregation of Duties	Partial	Some new policies & procedures developed
2019-002	Lack of Adequate Controls of Occupational Licenses	Resolved	Some new policies & procedures developed
2019-003	Lack of Adequate Internal Controls over Used Equipment Purchase	Resolved	Some new policies & procedures developed
2019-004	Lack of Adequate Internal Controls over Capital Assets	Partial	Conditions still exist, additional items.
2019-005	Lack of Internal Controls over Utility Billing Adjustments	Resolved	Controls improved, Mayors approves all adjustment forms.
<u>Compliance Findings</u>			
2019-006	Bond Covenant Compliance	None	Inadequate reserve balances
2019-007	Violation of State Ethics Law by Mayor	Resolved	Mayor repaid the Town.

Town of Independence

Mayor Jim Paine



Post Office Box 35
Independence, Louisiana 70443

ROBIN DAGRO
Town Clerk

JORDIN HINES
Assistant Clerk

FRANK EDWARDS III
Chief of Police

LUKE SUAREZ
Mayor Pro-Tem

Aldermen
CALVIN BATISTE
JIMMY GREGORY JR.
LARRY CARDARONELLA
ERIC COSTA

December 29, 2020

James, Lambert, Riggs and Associates, Inc.
401 E. Thomas Street
Hammond, La 70401

Management of the Town of Independence, Louisiana would like to present the following response to the results of the June 30, 2020 audit conducted by James, Lambert & Riggs and Associates, Inc.

1. **Segregation of Duties:** Due to the size of the staff at City Hall, as the Mayor of the Town of Independence, I will continue to review all invoices prior to payment. The Town CPA will reconcile all bank statements and one of the Aldermen will review and initial all reconciliations when returned from CPA. The Board of Aldermen will get financial reports monthly to show monthly activity.
2. **Lack of Adequate Internal Controls over Capital Assets:** The Town has implemented an inventory program, (Tiger Assets) and will continue to enter all new purchases. We will be diligent in tagging any items not previously tagged.
3. **Bond Covenant Compliance:** Upon review of the accounts, it was discovered that there are funds that are overfunded and funds that are underfunded. The Town Clerk will work to get these accounts properly funded.

As Mayor of the Town of Independence, along with all my staff, will strive to make all corrections that are necessary to correct these findings.

Sincerely,



Jim Paine
Mayor

City Hall: 985-878-4145

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