

TOWN OF INDEPENDENCE, LOUISIANA
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

Town of Independence, Louisiana
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For the Year Ended June 30, 2017

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Independent Auditor's Report

The Honorable Angelo Mannino, 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, 2017, 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 Angelo Mannino, 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, 2017, 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, 58 – 59, 60 – 61, and 62 – 63, 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.

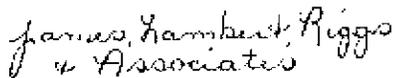
The combining and individual non-major fund financial statements; the schedule of compensation of paid elected officials; the schedule of compensation, benefits, and other payments to agency head; the schedule of insurance coverage in force; the water and sewer rate schedule; and the schedule of water and sewer information are 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; 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 fairly stated in all material respects in relation to the basic financial statements as a whole.

The Honorable Angelo Mannino, 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 22, 2017, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control 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
J & Associates

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

December 22, 2017

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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, 2017

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, 2017. 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 \$14,139,073 at June 30, 2017, and exceeded liabilities in the amount of \$7,619,280 (i.e., net position). Of the total net position, the unrestricted amount was (\$60,162). \$7,163,400 was invested in capital assets, \$61,170 was restricted for debt service, and \$454,872 was restricted for economic development.
- The Town's total revenues for the year decreased from the prior year by 35% from \$3,922,418 to \$2,520,404, largely because of additional federal grant funding received in the prior year.
- Expenditures for the year increased by \$535,926 from the prior year from \$2,362,779 to \$2,898,705.
- Total governmental net position decreased by \$133,583.

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

Town of Independence, Louisiana
Management's Discussion and Analysis (Continued)
For the Year Ended June 30, 2017

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, 2017

Condensed Statement of Net Position

	2017	Restated 2016	\$ Change	% Change
Assets:				
Current and Other Assets	\$ 843,704	\$ 1,638,847	\$ (795,143)	-48.52%
Capital Assets	13,295,368	13,780,011	(484,643)	-3.52%
Total Assets	<u>\$ 14,139,072</u>	<u>\$ 15,418,858</u>	<u>\$ (1,279,786)</u>	-8.30%
Deferred Outflows of Resources	<u>\$ 570,960</u>	<u>\$ 80,469</u>	<u>\$ 490,491</u>	609.54%
Liabilities:				
Current Liabilities	\$ 305,082	\$ 1,138,863	\$ (833,781)	-73.21%
Long-Term Debt	6,004,666	6,131,935	(127,269)	-2.08%
Net Pension Liability	724,223	124,560	599,663	481.43%
Total Liabilities	<u>\$ 7,033,971</u>	<u>\$ 7,395,358</u>	<u>\$ (361,387)</u>	-4.89%
Deferred Inflows of Resources	<u>\$ 56,781</u>	<u>\$ 86,274</u>	<u>\$ (29,493)</u>	-34.19%
Net Position:				
Net Investment in Capital Assets	\$ 7,163,400	\$ 7,619,076	\$ (455,676)	-5.98%
Restricted Net Position	516,042	716,973	(200,931)	-28.02%
Unrestricted Net Position	(60,162)	(318,354)	258,192	-81.10%
Total Net Position	<u>\$ 7,619,280</u>	<u>\$ 8,017,695</u>	<u>\$ (398,415)</u>	-4.97%

The Town's 2016 net position was restated by \$264,908 to reflect a reduction in liabilities payable to Municipal Police Employees' Retirement System and Municipal Employees' Retirement System. At June 30, 2017, assets exceeded liabilities by \$7,619,280 (net position). The Town had a negative Unrestricted Net Position of (\$60,162) compared to negative (\$318,354) for the prior year. The Town's net position is comprised of \$1,849,979 from Governmental Activities and \$5,769,302 from Business-Type Activities, as shown on Exhibit A.

The largest portion of the Town's net position (94%) 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 (6%) 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, 2017

Condensed Statement of Activities

	2017	Restated 2016	\$ Change	% Change
Revenues:				
Program Revenues:				
Charges for Services	\$ 1,041,665	\$ 785,538	\$ 256,127	32.61%
Grants and Contributions	127,151	1,821,974	(1,694,823)	-93.02%
General Revenues	<u>1,351,588</u>	<u>1,314,906</u>	<u>36,682</u>	2.79%
Total Revenues	2,520,404	3,922,418	(1,402,014)	-35.74%
Expenses:				
Governmental Activities	1,567,917	1,441,920	125,997	8.74%
Business-Type Activities	<u>1,330,788</u>	<u>920,859</u>	<u>409,929</u>	44.52%
Total Expenses	<u>2,898,705</u>	<u>2,362,779</u>	<u>535,926</u>	22.68%
Change in Net Position	(378,301)	1,559,639	(1,937,940)	-124.26%
Net Position:				
Beginning of the Year, Original	7,732,673	7,055,227	677,446	9.60%
Prior Period Adjustment	<u>264,908</u>	<u>(597,171)</u>	<u>862,079</u>	-144.36%
Beginning of the Year, Restated	<u>7,997,581</u>	<u>6,458,056</u>	<u>1,539,525</u>	23.84%
End of the Year	<u>\$ 7,619,280</u>	<u>\$ 8,017,695</u>	<u>\$ (398,415)</u>	-4.97%

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 \$1,402,014 to \$2,520,404 due primarily to a decrease in Grants of \$1,694,823 and an increase in charges for services due to an increase in water and sewer billings. Total expenses increased by \$535,926 to \$2,898,705. Business-Type Expenses increased by \$409,929 due to increases in depreciation expense of \$147,733, interest expense of \$133,247 and repairs and maintenance of \$117,504. Governmental Activities Expense increased by \$125,997 due primarily to increases in public safety.

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.

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

Town of Independence, Louisiana
Management's Discussion and Analysis (Continued)
For the Year Ended June 30, 2017

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 2017 by fund type is as follows:

	General Fund	Innovative Housing	Non-Major Funds	2017
Revenues and Transfers In	\$ 1,488,981	\$ 26,875	\$ 10,823	\$ 1,526,679
Expenditures and Transfers Out	<u>1,405,923</u>	<u>101,499</u>	<u>29,576</u>	<u>1,536,998</u>
Excess (Deficiency) of				
Revenues over Expenditures	83,058	(74,624)	(18,753)	(10,319)
Fund Balance - Originally Stated	(327,117)	499,590	48,659	221,132
Prior Period Adjustment	<u>144,998</u>	<u>-</u>	<u>-</u>	<u>144,998</u>
Fund Balance - Restated	<u>(182,119)</u>	<u>499,590</u>	<u>48,659</u>	<u>366,130</u>
Fund Balance - Ending	<u>\$ (99,061)</u>	<u>\$ 424,966</u>	<u>\$ 29,906</u>	<u>\$ 355,811</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 (\$99,061).

The Town's other major fund, the Innovative Housing Fund, decreased by \$74,624 during 2017, which was the result of transfers to the general fund and recovery of an account written as non-collectible in the prior year.

Town of Independence, Louisiana
Management's Discussion and Analysis (Continued)
For the Year Ended June 30, 2017

Revenues of the primary government for the general governmental fund types for 2017 totaled \$1,407,616. The Town's activities are largely supported by tax revenues, solid waste fees, and licenses and permits, which represent 77.71% of the total governmental resources. Sources of governmental revenues, excluding other financial sources, are summarized below.

Source of Revenue	2017		2016	
Taxes	\$ 843,180	59.90%	\$ 820,379	66.59%
Solid Waste	120,192	8.54%	114,231	9.27%
License and Permits	130,568	9.28%	125,499	10.19%
Fines and Forfeitures	41,837	2.97%	39,436	3.20%
Intergovernmental	10,131	0.72%	34,685	2.82%
Rental	89,391	6.35%	97,825	7.94%
Other	172,317	12.24%	-	0.00%
Total	<u>\$ 1,407,616</u>	<u>100.00%</u>	<u>\$ 1,232,055</u>	<u>100.00%</u>

Expenditures of the primary government for governmental fund types decreased in 2017 by \$430,459 or 23%. The change is attributable to a decrease in capital outlay spending for the completion of the police station and the streets pavilion. General governmental expenditures by functions are summarized as follows:

Function	2017		2016	
General Government	\$ 317,732	22.38%	\$ 377,768	20.42%
Public Safety	697,139	49.10%	663,043	35.84%
Public Works	197,393	13.90%	251,877	13.61%
Solid Waste	106,991	7.54%	86,640	4.68%
Health and Recreation	22,148	1.56%	9,204	0.50%
Debt Service	41,990	2.96%	42,120	2.28%
Capital Outlay	36,407	2.56%	419,607	22.68%
Total	<u>\$ 1,419,800</u>	<u>100.00%</u>	<u>\$ 1,850,259</u>	<u>100.00%</u>

Budgetary Highlights

The Town adopts an annual budget in accordance with the appropriate provisions of Louisiana laws. This budget provides an estimate for the current fiscal year of the proposed expenditures and the revenues that will finance the operations of the Town. The operating budget is adopted before the end of the prior fiscal year, and is amended after a review of monthly budget-to-actual financial reports, by approval of the Board of Aldermen. A summary of the approved budget for the Town's General Fund is presented below in condensed format summarizing major revenue and expenditure categories, and is followed by analysis of significant variations between budget and actual amounts. Although not presented as part of the basic financial statements, a more detailed schedule is also presented in Schedule 1 as supplementary information, following the footnotes to the financial statements.

Total expenditures for the General Fund were \$136,116 more than the budgeted amount. General Fund revenues exceeded budgeted revenues by \$62,020.

Town of Independence, Louisiana
Management's Discussion and Analysis (Continued)
For the Year Ended June 30, 2017

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, 2017, amounts to \$13,295,368 (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>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Land	\$ 100,150	\$ 100,150	\$ 69,808	\$ 69,808
Construction in Progress	338,203	336,203	-	-
Buildings and Equipment	2,259,406	2,234,849	567,080	567,080
Infrastructure	2,712,846	2,702,996	-	-
Utility Systems	-	-	14,659,964	14,638,864
Accumulated Depreciation	<u>(3,422,319)</u>	<u>(3,281,349)</u>	<u>(3,989,770)</u>	<u>(3,588,591)</u>
Net Capital Assets	<u>\$ 1,988,286</u>	<u>\$ 2,092,849</u>	<u>\$ 11,307,082</u>	<u>\$ 11,687,161</u>

The increase in buildings and equipment is due primarily to lockers and other equipment purchased for the Town's Police Department. 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 \$6,131,968. Of this amount, \$313,000 comprises debt backed by a pledge of the excess revenues of the General Fund and other governmental funds and \$5,818,968 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 2017 fiscal year:

For 2017, the Town paid approximately \$617,255 for prior year pension liabilities. The Town transferred \$100,122 from the Innovative Housing Fund to the General Fund.

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, 2017

Exhibit A

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash & Cash Equivalents	\$ 86,809	\$ 58,509	\$ 145,318
Receivables, Net	20,260	83,459	103,719
Franchise Tax Receivables	17,847	-	17,847
Due From Other Governments	98,188	44,793	142,981
Internal Balances	(106,512)	106,512	-
Restricted Cash and Cash Equivalents	-	144,584	144,584
Notes Receivable, Net	289,255	-	289,255
Land	100,150	69,808	169,958
Construction in Progress	338,203	-	338,203
Capital Assets, Net	1,549,933	11,237,274	12,787,207
Total Assets	\$ 2,394,133	\$ 11,744,939	\$ 14,139,072
Deferred Outflows of Resources			
Pension Related	\$ 456,491	\$ 114,469	\$ 570,960
Total Deferred Outflows of Resources	\$ 456,491	\$ 114,469	\$ 570,960
Liabilities			
Accounts Payable	\$ 30,467	\$ 38,214	\$ 68,681
Accrued Liabilities	8,309	4,857	13,166
Due to Other Governments	-	1,922	1,922
MERS	2,976	-	2,976
MPERS	7,222	-	7,222
Construction Contracts & Retainages Payable	-	-	-
Accrued Interest Payable	1,063	-	1,063
Non-Current Liabilities:			
Due Within One Year	30,000	97,302	127,302
Due in More Than One Year	283,000	5,721,666	6,004,666
Payable from Restricted Assets:			
Utility Meter Deposits	-	82,750	82,750
Net Pension Liability, MPERS	510,565	-	510,565
Net Pension Liability, MERS	86,254	127,404	213,658
Total Liabilities	\$ 959,856	\$ 6,074,115	\$ 7,033,971
Deferred Inflows of Resources			
Pension Related	\$ 40,790	\$ 15,991	\$ 56,781
Total Deferred Inflows of Resources	\$ 40,790	\$ 15,991	\$ 56,781
Net Position			
Net Investment in Capital Assets	\$ 1,675,286	\$ 5,488,114	\$ 7,163,400
Restricted for:			
Economic Development	454,872	-	454,872
Debt Service	-	61,170	61,170
Unrestricted	(280,180)	220,018	(60,162)
Total Net Position	\$ 1,849,978	\$ 5,769,302	\$ 7,619,280

The accompanying notes are an integral part of this statement.

Town of Independence, Louisiana
Statement of Activities
For the Year Ended June 30, 2017

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	\$ 367,231	\$ 56,976	\$ -	\$ -	\$ (310,255)	\$ -	\$ (310,255)
Public Safety	793,569	41,837	32,083	-	(719,649)	-	(719,649)
Public Works	264,988	-	-	15,341	(249,647)	-	(249,647)
Solid Waste	106,991	120,192	-	-	13,201	-	13,201
Health and Recreation	22,148	-	-	-	(22,148)	-	(22,148)
Debt Service Interest	12,990	-	-	-	(12,990)	-	(12,990)
Total Governmental Activities	1,567,917	219,005	32,083	15,341	(1,301,488)	-	(1,301,488)
Business-Type Activities:							
Sewer	814,111	414,844	-	79,727	-	(319,540)	(319,540)
Water	516,677	407,816	-	-	-	(108,861)	(108,861)
Total Business-Type Activities	1,330,788	822,660	-	79,727	-	(428,401)	(428,401)
Total	\$ 2,898,705	\$ 1,041,665	\$ 32,083	\$ 95,068	(1,301,488)	(428,401)	(1,729,889)
General Revenues:							
Sales & Property Taxes					769,928	156,235	926,163
Licenses and Permits					130,568	-	130,568
Utility Franchise Fees					73,252	-	73,252
Intergovernmental					10,131	-	10,131
Rental Income					89,391	-	89,391
Miscellaneous					83,258	2,494	85,752
Transfers In and (Out)					(17,076)	17,076	-
Donation of Property					3,600	-	3,600
Pension Contributions from Non-Employer Contributing Entities					24,853	7,878	32,731
Total General Revenues					1,167,905	183,683	1,351,588
Change in Net Position					(133,583)	(244,718)	(378,301)
Net Position - Beginning of the Year, Originally Stated					1,818,400	5,914,273	7,732,673
Prior Period Adjustment					165,161	99,747	264,908
Net Position - Beginning of the Year, Restated					1,983,561	6,014,020	7,997,581
Net Position - End of the Year					\$ 1,849,978	\$ 5,769,302	\$ 7,619,280

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, 2017

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	\$ 49,222	\$ 36,001	\$ 1,586	\$ 86,809
Investments	-	-	-	-
Receivables, Net	20,260	-	-	20,260
Franchise Tax Receivables	17,847	-	-	17,847
Due From Other Governments	98,188	-	-	98,188
Restricted Cash	-	-	-	-
Notes Receivable, Net	-	289,255	-	289,255
Due from Other Funds	14,778	99,710	31,978	146,466
Total Assets	<u>\$ 200,295</u>	<u>\$ 424,966</u>	<u>\$ 33,564</u>	<u>\$ 658,825</u>
 Liabilities and Fund Balances				
Liabilities:				
Accounts Payable	\$ 30,467	\$ -	\$ -	\$ 30,467
Accrued Liabilities	8,309	-	-	8,309
MERS	2,976	-	-	2,976
MPERS	7,222	-	-	7,222
Due to Other Funds	249,320	-	3,658	252,978
Accrued Interest Payable	1,063	-	-	1,063
Total Liabilities	<u>299,357</u>	<u>-</u>	<u>3,658</u>	<u>303,015</u>
 Fund Balances:				
Nonspendable	-	388,965	-	388,965
Restricted for:				
Housing Rehabilitation	-	36,001	-	36,001
Economic Development	-	-	29,906	29,906
Unassigned	(99,062)	-	-	(99,062)
Total Fund Balances	<u>(99,062)</u>	<u>424,966</u>	<u>29,906</u>	<u>355,810</u>
 Total Liabilities and Fund Balances	 <u>\$ 200,295</u>	 <u>\$ 424,966</u>	 <u>\$ 33,564</u>	 <u>\$ 658,825</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, 2017

Exhibit D

Fund Balances - Total Governmental Funds (Exhibit C) \$ 355,810

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	5,410,605
Less: Accumulated Depreciation	(3,422,319)

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	(313,000)
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	(86,254)
Municipal Police Employees Retirement System of Louisiana	(510,565)

Deferred Outflows of Resources	456,491
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Deferred Inflows of Resources	<u>(40,790)</u>
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Net Position of Governmental Activities (Exhibit A) \$ 1,849,978

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, 2017

Exhibit E

	General Fund	Special Revenue Fund Innovative Housing Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues:				
Taxes:				
Sales Taxes	\$ 624,938	\$ -	\$ -	\$ 624,938
Property Taxes	144,990	-	-	144,990
Utility Franchise	73,252	-	-	73,252
Solid Waste Fees	120,192	-	-	120,192
Licenses and Permits	130,568	-	-	130,568
Fines and Forfeitures	41,837	-	-	41,837
Rental Income	82,123	-	7,268	89,391
Charges for Services	56,976	-	-	56,976
Intergovernmental	10,131	-	-	10,131
On-Behalf Payments from State	32,083	-	-	32,083
Workers Comp Credit	22,366	-	-	22,366
Other Revenues	29,126	21,083	3,450	53,659
Interest Income	1,336	5,792	105	7,233
Total Revenues	<u>1,369,918</u>	<u>26,875</u>	<u>10,823</u>	<u>1,407,616</u>
Expenditures:				
Current:				
General Government	281,610	1,377	7,500	290,487
Municipal Court	27,245	-	-	27,245
Public Safety	697,139	-	-	697,139
Public Works	192,393	-	5,000	197,393
Solid Waste	106,991	-	-	106,991
Health and Recreation	22,148	-	-	22,148
Debt Service	41,990	-	-	41,990
Capital Outlay	36,407	-	-	36,407
Total Expenditures	<u>1,405,923</u>	<u>1,377</u>	<u>12,500</u>	<u>1,419,800</u>
Excess (Deficiency) of Revenues Over Expenditures	(36,005)	25,498	(1,677)	(12,184)
Other Financing Sources (Uses):				
Transfers In / (Out)	100,122	(100,122)	(17,076)	(17,076)
Sale of Fixed Assets	3,600	-	-	3,600
Capital Grant	15,341	-	-	15,341
Total Other Financing Sources (Uses)	<u>119,063</u>	<u>(100,122)</u>	<u>(17,076)</u>	<u>1,865</u>
Change in Fund Balances	83,058	(74,624)	(18,753)	(10,319)
Fund Balances:				
Beginning of the Year	<u>(327,117)</u>	<u>499,590</u>	<u>48,659</u>	<u>221,132</u>
Prior Period Adjustment	144,998	-	-	144,998
Beginning of the Year, Restated	<u>(182,119)</u>	<u>499,590</u>	<u>48,659</u>	<u>366,130</u>
End of the Year	<u>\$ (99,061)</u>	<u>\$ 424,966</u>	<u>\$ 29,906</u>	<u>\$ 355,811</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, 2017

Exhibit F

Net Change in Fund Balances - Total Governmental Funds (Exhibit E) **\$ (10,319)**

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	36,407
Depreciation Expense	(140,970)

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	(72,554)
Contributions from Non-Employer Contributing Entities	24,853

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	29,000
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Change in Net Position of Governmental Activities (Exhibit B) **\$ (133,583)**

The accompanying notes are an integral part of this statement.

Town of Independence, Louisiana
Statements of Net Position – Proprietary Funds
June 30, 2017 and 2016

Exhibit G

	Business-Type Activities - Enterprise Funds	
	2017	Restated 2016
Assets		
Current Assets:		
Cash and Cash Equivalents	\$ 58,509	\$ 320,739
Customer Accounts Receivable, Net	83,459	54,994
Due from Other Governments	44,793	198,159
Due from Other Funds	121,290	62,624
Total Current Assets	308,051	636,516
Non-Current Assets:		
Restricted Cash:		
Customer Deposits	83,413	65,682
Construction	-	11,354
Debt Service	61,171	146,195
Total Non-Current Assets	144,584	223,231
Capital Assets:		
Property, Plant, and Equipment, at Cost	15,227,044	15,205,944
Less: Accumulated Depreciation	(3,989,770)	(3,588,591)
Land	69,808	69,808
Total Capital Assets	11,307,082	11,687,161
Total Assets	11,759,717	12,546,908
Deferred Outflows of Resources		
Pension Related	114,469	3,764
Total Deferred Outflows of Resources	\$ 114,469	\$ 3,764

(Continued)

Town of Independence, Louisiana
Statements of Net Position – Proprietary Funds (Continued)
June 30, 2017 and 2016

Exhibit G

	Business-Type Activities - Enterprise Funds	
	2017	Restated 2016
Liabilities		
Current Liabilities (Payable from Current Assets):		
Accounts Payable	\$ 38,214	\$ 51,728
Accrued Liabilities	4,857	1,893
MERS Prior Year Liabilities	-	347,889
Due to Other Funds	14,778	73,751
Due to Other Governments	1,922	-
Construction Contracts & Retainage Payable	-	177,141
	-	177,141
Total Current Liabilities (Payable from Current Assets)	59,771	652,402
Current Liabilities (Payable from Restricted Assets):		
Utility Customer Deposits	82,750	67,100
Accrued Interest Payable	-	-
Current Portion of Long-Term Debt	97,302	94,198
	97,302	94,198
Total Current Liabilities (Payable from Restricted Assets)	180,052	161,298
Non-Current Liabilities:		
Revenue Bonds	5,721,666	5,818,935
Net Pension Liability	127,404	-
	127,404	-
Total Non-Current Liabilities	5,849,070	5,818,935
Total Liabilities	6,088,893	6,632,635
Deferred Inflows of Resources		
Pension Related	15,991	23,927
	15,991	23,927
Total Deferred Inflows of Resources	15,991	23,927
Net Position		
Net Investment in Capital Assets	5,585,416	5,868,226
Restricted	-	75,134
Unrestricted	183,886	(49,250)
	183,886	(49,250)
Total Net Position	\$ 5,769,302	\$ 5,894,110

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, 2017 and 2016

Exhibit H

	Business-Type Activities - Enterprise Funds		Total (Memorandum Only)	
	Sewer	Water	2017	Restated 2016
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Operating Revenues:				
Charges for Services	\$ 413,319	\$ 407,729	\$ 821,048	\$ 567,327
Other Revenue	1,525	87	1,612	225
Total Operating Revenues	<u>414,844</u>	<u>407,816</u>	<u>822,660</u>	<u>567,552</u>
Operating Expenses:				
Depreciation and Amortization	247,018	154,161	401,179	253,446
Salaries and Employee Benefits	103,147	114,128	217,275	220,966
Repairs and Maintenance	190,795	29,026	219,821	102,317
Utilities and Telephone	53,663	27,628	81,291	90,254
Supplies	5,457	17,108	22,565	75,975
Professional Fees	26,861	26,299	53,160	56,554
Environmental Testing	33,187	3,968	37,155	9,937
Insurance	17,115	19,155	36,270	27,661
Bad Debt	17,191	18,108	35,299	17,780
Vehicle Expense	4,976	1,635	6,611	11,848
Miscellaneous	2,580	18,436	21,016	4,862
Pension Expense	8,320	8,320	16,640	20,163
Total Operating Expenses	<u>710,310</u>	<u>437,972</u>	<u>1,148,282</u>	<u>891,763</u>
Operating Income / (Loss)	(295,466)	(30,156)	(325,622)	(324,211)
Non-Operating Revenues / (Expenses):				
Non-Employer Contributions	3,939	3,939	7,878	-
Investment Income	1,361	1,133	2,494	2,323
Grant Revenue	79,727	-	79,727	1,669,519
Sales and Use Tax	156,235	-	156,235	153,932
Operating Transfer In	8,538	8,538	17,076	-
Interest Expense	(103,801)	(78,705)	(182,506)	(49,259)
Total Non-Operating Revenues / (Expenses)	<u>145,999</u>	<u>(65,095)</u>	<u>80,904</u>	<u>1,776,515</u>
Change in Net Position	(149,467)	(95,251)	(244,718)	1,452,304
Net Position - Originally Stated	<u>4,164,458</u>	<u>1,749,815</u>	<u>5,914,273</u>	<u>4,789,695</u>
Prior Period Adjustment	<u>51,552</u>	<u>48,195</u>	<u>99,747</u>	<u>(347,889)</u>
Net Position - Restated	<u>4,216,010</u>	<u>1,798,010</u>	<u>6,014,020</u>	<u>4,441,806</u>
Net Position - End of the Year	<u>\$ 4,066,543</u>	<u>\$ 1,702,759</u>	<u>\$ 5,769,302</u>	<u>\$ 5,894,110</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, 2017 and 2016

Exhibit I

	Total	
	(Memorandum Only)	
	2017	2016
Cash Flows from Operating Activities:		
Receipts from Customers and Users	\$ 809,845	\$ 567,048
Payments to Suppliers	(523,992)	(381,897)
Payments to Employees	(215,100)	(228,866)
Payment for Prior Years M.E.R.S. Liabilities	(347,889)	-
Net Cash Provided by / (Used in) Operating Activities	<u>(277,136)</u>	<u>(43,715)</u>
Cash Flows From Noncapital Financing Activities:		
Prior Period Adjustment	119,910	-
Transfer In From Other Funds	17,076	-
Increase / (Decrease) in Amounts Due to Other Funds, Net	(117,638)	73,064
Net Cash Provided by / (Used in) Noncapital Financing Activities	<u>19,348</u>	<u>73,064</u>
Cash Flows From Capital and Related Financing Activities:		
Capital Grants and F.E.M.A	233,454	2,069,991
Proceeds from Sales Tax Collections	155,874	155,412
Proceeds from Long-Term Debt	-	123,000
Interest Paid on Debt	(182,505)	(82,746)
Principal Paid on Debt	(94,165)	(33,804)
Payments for Capital Assets	(198,241)	(2,370,372)
Net Cash Provided by / (Used in) Capital and Related Financing Activities	<u>(85,583)</u>	<u>(138,519)</u>
Cash Flows From Investing Activities:		
Interest Earned on Investments	2,494	2,325
Net Cash Provided by / (Used in) Investing Activities	<u>2,494</u>	<u>2,325</u>
Net Increase / (Decrease) in Cash	(340,877)	(106,845)
Cash and Cash Equivalents - Beginning of the Year	<u>543,970</u>	<u>650,815</u>
Cash and Cash Equivalents - End of the Year	<u>\$ 203,093</u>	<u>\$ 543,970</u>
Reconciliation of Cash Accounts:		
Unrestricted Cash and Cash Equivalents	\$ 58,509	\$ 320,739
Restricted Cash and Cash Equivalents	144,584	223,231
Cash and Cash Equivalents - End of the Year	<u>\$ 203,093</u>	<u>\$ 543,970</u>

(Continued)

Town of Independence, Louisiana
Statements of Cash Flows – Proprietary Funds (Continued)
For the Years Ended June 30, 2017 and 2016

Exhibit I

	Total (Memorandum Only)	
	2017	2016
Reconciliation of Operating Income / (Loss) to Net Cash Provided by / (Used in) Operating Activities:		
Operating Income / (Loss)	\$ (325,622)	\$ (324,211)
Adjustments to Reconcile Operating Loss to Net Cash Provided by (Used in) / Operating Activities:		
Depreciation and Amortization	401,179	253,446
Changes in Assets and Liabilities:		
(Increase) / Decrease in Accounts Receivable	(28,465)	(7,599)
(Increase) / Decrease in Deferred Outflows	(102,827)	(3,764)
Increase / (Decrease) in Accounts Payable	(13,515)	15,092
Increase / (Decrease) in Accrued Liabilities	2,963	(7,701)
Increase / (Decrease) in Due to Unclaimed Properties	1,922	-
Increase / (Decrease) in Prior Year M.E.R.S. Liabilities	(347,889)	-
Increase / (Decrease) in Net Pension Liability	127,404	-
Increase / (Decrease) in Deferred Inflows	(7,936)	23,927
Increase / (Decrease) in Meter Deposits	15,650	7,095
Net Cash Provided By / (Used In) Operating Activities	\$ (277,136)	\$ (43,715)
Supplemental Disclosure of Cash Flow Information:		
Interest Paid	\$ 182,505	\$ 82,746

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, 2017

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, 2017

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 is 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, 2017

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, 2017

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, 2017

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.

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.

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.

Town of Independence, Louisiana
Notes to Financial Statements (Continued)
For the Year Ended June 30, 2017

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 \$19,408 was recorded in the governmental funds and \$41,065 was recorded in the proprietary funds at June 30, 2017.

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, 2017

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. No liability has been recorded in the Water and Sewer Enterprise Fund nor the governmental activities of the government-wide financial statements for unused vacation pay at June 30, 2017, as the amount is not material.

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

L. Pension Plans

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, 2017

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, 2017.

Town of Independence, Louisiana
Notes to Financial Statements (Continued)
For the Year Ended June 30, 2017

- 1966 1% Sales and Use Tax

The proceeds of the 1966 1% sales and use tax levied by the Town (current collections were \$312,469 for the year ended June 30, 2017) 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 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 \$312,469 for the year ended June 30, 2017) 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 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 \$156,235 for the year ended June 30, 2017) 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 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, 2017

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 not in compliance with the Louisiana Local Government Budget Act as the required public hearing was not held more than 10 days after the publication of the budget and due to the budget adoption taking place after the start of the fiscal year. In addition, total expenditures for the Innovative Housing Fund exceeded the amounts budgeted by greater than 5% as allowed by Louisiana law.

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, 2017, the General Fund had a deficit fund balance of \$99,061.

D. Compliance with Bond Covenants

As of June 30, 2017, the Town was not in compliance with various compliance requirements of the outstanding Revenue Bonds and Limited Tax Bonds. See Note 10 for a further discussion of the outstanding bond compliance requirements.

3. Cash, Cash Equivalents, and Investments

At June 30, 2017, the Town had cash and cash equivalents (book balances) totaling \$249,903. These deposits are stated at cost, which approximates market.

	Statement of Net Position
Cash and Cash Equivalents	\$ 105,319
Restricted Cash and Cash Equivalents	144,584
Total Interest-Bearing Deposits	\$ 249,903

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, 2017, \$84,110 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, 2017

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, 2017, was as follows:

	Governmental Activities	Business- Type Activities	Total
Construction	\$ -	\$ -	\$ -
Debt Service	-	61,171	61,171
Customer Meter Deposits	-	83,413	83,413
Total	<u>\$ -</u>	<u>\$ 144,584</u>	<u>\$ 144,584</u>

5. Receivables

As of June 30, 2017, the accounts receivable and due from other governments for governmental activities were as follows:

	General Fund	Special Revenue Funds	Total Governmental Funds
Receivables:			
User Fees	\$ 39,669	\$ -	\$ 39,669
Franchise Fees	17,847	-	17,847
Due From Other Funds	14,778	-	14,778
Less: Uncollectible Allowance	(19,408)	-	(19,408)
Total Governmental Fund Receivables, Net	<u>\$ 52,886</u>	<u>\$ -</u>	<u>\$ 52,886</u>
Due From Other Governments:			
Sales and Use Tax	\$ 97,681	\$ -	\$ 97,681
Grants	-	-	-
Beer Tax	507	-	507
Total Due From Other Governments	<u>\$ 98,188</u>	<u>\$ -</u>	<u>\$ 98,188</u>

Town of Independence, Louisiana
Notes to Financial Statements (Continued)
For the Year Ended June 30, 2017

As of June 30, 2017, the accounts receivable and due from other governments for business-type activities were as follows:

Accounts Receivable:	
Utility Charges	\$ 124,324
Other	-
Less: Uncollectible Allowance	<u>(40,865)</u>
Total Proprietary Fund Receivables, Net	<u>\$ 83,459</u>
Due From Other Governments:	
Sales and Use Tax	\$ 24,420
Grants	20,373
Less: Uncollectible Allowance	<u>-</u>
Total Due From Other Governments	<u>\$ 44,793</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 (13 outstanding as of June 30, 2017) 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, 2017, the total outstanding balance of the notes was \$289,255.

Town of Independence, Louisiana
Notes to Financial Statements (Continued)
For the Year Ended June 30, 2017

8. Capital Assets

The following is a summary of changes in capital assets for the governmental activities for the year ended June 30, 2017:

	Balance June 30, 2016	Increases	Decreases	Balance June 30, 2017
Capital Assets Not Being Depreciated:				
Land	\$ 100,150	\$ -	\$ -	\$ 100,150
Construction in Progress	<u>336,203</u>	<u>2,000</u>	<u>-</u>	<u>338,203</u>
Total Capital Assets Not Being Depreciated	436,353	2,000	-	438,353
Capital Assets:				
Building	1,678,336	14,294	-	1,692,630
Vehicles and Equipment	556,513	10,263	-	566,776
Infrastructure	<u>2,702,996</u>	<u>9,850</u>	<u>-</u>	<u>2,712,846</u>
Total Capital Assets	4,937,845	34,407	-	4,972,252
Less: Accumulated Depreciation:				
Building	396,737	41,975	-	438,712
Vehicles and Equipment	433,888	31,400	-	465,288
Infrastructure	<u>2,450,724</u>	<u>67,595</u>	<u>-</u>	<u>2,518,319</u>
Total Accumulated Depreciation	<u>3,281,349</u>	<u>140,970</u>	<u>-</u>	<u>3,422,319</u>
Total Governmental Capital Assets, Net	<u>\$ 2,092,849</u>	<u>\$ (104,563)</u>	<u>\$ -</u>	<u>\$ 1,988,286</u>

Depreciation expense was charged to governmental functions as follows:

Governmental Activities:	
General Government	\$ 38,233
Public Safety	35,142
Public Works	<u>67,595</u>
Total	<u>\$ 140,970</u>

Town of Independence, Louisiana
Notes to Financial Statements (Continued)
For the Year Ended June 30, 2017

The following is a summary of changes in capital assets for business-type activities for the year ended June 30, 2017:

	Balance June 30, 2016	Increases	Decreases	Balance June 30, 2017
Capital Assets Not Being Depreciated:				
Land	\$ 69,808	\$ -	\$ -	\$ 69,808
Construction in Progress	-	-	-	-
Total Capital Assets Not Being Depreciated	69,808	-	-	69,808
Capital Assets:				
Vehicles and Equipment	567,080	-	-	567,080
Water & Sewer Lines	9,017,293	-	-	9,017,293
Water Storage Tanks	1,753,115	-	-	1,753,115
Water Wells	432,698	-	-	432,698
Sewer Treatment Plan	2,644,971	21,100	-	2,666,071
Sewer Pumps and Lift Stations	790,787	-	-	790,787
Total Capital Assets	15,205,944	21,100	-	15,227,044
Less: Accumulated Depreciation:				
Vehicles and Equipment	283,064	50,198	-	333,262
Water & Sewer Lines	1,126,680	211,167	-	1,337,847
Water Storage Tanks	114,962	50,318	-	165,280
Water Wells	150,009	7,352	-	157,361
Sewer Treatment Plan	1,211,422	66,124	-	1,277,546
Sewer Pumps and Lift Stations	702,454	16,020	-	718,474
Total Accumulated Depreciation	3,588,591	401,179	-	3,989,770
Total Business-Type Capital Assets, Net	<u>\$ 11,687,161</u>	<u>\$ (380,079)</u>	<u>\$ -</u>	<u>\$ 11,307,082</u>

Town of Independence, Louisiana
Notes to Financial Statements (Continued)
For the Year Ended June 30, 2017

9. 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, 2017:

	Total Debt 6/30/2016	Increase in Debt	Debt Retired	Total Debt 6/30/2017	Due in One Year
Revenue Bonds	\$ 6,116,133	\$ -	\$ 112,165	\$ 6,003,968	\$ 116,302
Limited Tax Bonds	139,000	-	11,000	128,000	11,000
Total	<u>\$ 6,255,133</u>	<u>\$ -</u>	<u>\$ 123,165</u>	<u>\$ 6,131,968</u>	<u>\$ 127,302</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. \$ 185,000

\$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. 128,000

Total Governmental Activities \$ 313,000

Town of Independence, Louisiana
Notes to Financial Statements (Continued)
For the Year Ended June 30, 2017

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	\$ 701,606
\$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.	1,395,452
\$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.	1,134,735
\$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.	<u>2,587,175</u>
Total Business-Type Activities	<u><u>\$ 5,818,968</u></u>

A schedule of the outstanding long-term debt of the Town and the principal and interest requirements are as follows:

Year End	Governmental Activities		Business-Type Activities	
	Revenue & Limited Tax Bonds		Revenue Bonds	
	Principal	Interest	Principal	Interest
06/30/18	\$ 30,000	\$ 12,440	\$ 97,309	\$ 179,363
06/30/19	32,000	11,352	100,521	176,151
06/30/20	33,000	10,188	103,845	172,827
06/30/21	34,000	8,825	107,284	169,388
2022 - 2026	170,000	20,736	592,352	791,010
2027 - 2031	14,000	386	698,272	685,089
2032 - 2036	-	-	824,260	559,102
2037 - 2041	-	-	767,210	425,075
2042 - 2046	-	-	806,631	313,449
2047 - 2051	-	-	933,320	186,760
2052 - 2055	-	-	787,964	44,993
Total	<u>\$ 313,000</u>	<u>\$ 63,927</u>	<u>\$ 5,818,968</u>	<u>\$ 3,703,207</u>

Town of Independence, Louisiana
Notes to Financial Statements (Continued)
For the Year Ended June 30, 2017

10. 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 maintain 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.

The Town does not comply with the bond covenants. Management used \$75,000 of the Sewer Depreciation and Contingency funds and \$48,000 of the Sewer Sinking Reserve funds to pay prior year retirement liabilities. At June 30, 2017, the funds have not be repaid.

\$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,

Town of Independence, Louisiana
Notes to Financial Statements (Continued)
For the Year Ended June 30, 2017

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 covenants as all required reserve deposit amounts were not made.

\$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 maintain 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 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 covenants as all required reserve deposit amounts were not made.

Town of Independence, Louisiana
Notes to Financial Statements (Continued)
For the Year Ended June 30, 2017

\$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 covenants.

\$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 did not comply with the bond covenants as the Limited Tax Bonds (2015) Sinking Fund was not setup and monthly deposits into this fund were not made.

\$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, 2017

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

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

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

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

Balances in the Sewer Revenue Bond and Interest Sinking Fund and Sewer Depreciation and Contingency Fund were not in accordance with the bond covenants.

11. 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 "A." until August 1, 2017. In August 2017, the Town 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.

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

Town of Independence, Louisiana
Notes to Financial Statements (Continued)
For the Year Ended June 30, 2017

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 "A" Employees are required to contribute 9.50% of their annual pay. The Town's contractually required contribution rate for the year ended June 30, 2017, was 22.75 % of annual payroll. Contributions to the System from the Town were \$32,262 for the year ended June 30, 2017.

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

At June 30, 2017, the Town reported a liability of \$213,658 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, 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, 2017, contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

For the year ended June 30, 2017, the Town recognized pension expense of \$68,746. At June 30, 2017, 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	\$ -	\$ 6,754
Changes of Assumptions	7,777	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	48,794	-
Changes in Proportion and Differences Between Town Contributions and Proportionate Share of Contributions	103,132	20,063
Town Contributions Subsequent to the Measurement Date	32,262	-
	\$ 191,965	\$ 26,817

Town of Independence, Louisiana
Notes to Financial Statements (Continued)
For the Year Ended June 30, 2017

\$32,262 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, 2017. 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, 2017		47,565	
June 30, 2018		61,942	
June 30, 2019		15,810	
June 30, 2020		7,568	
June 30, 2021		-	
Thereafter		-	

Actuarial Assumptions – The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.875%
Salary Increases	5.00% (2.875% Inflation, 2.125% Merit)
Investment Rate of Return	7.50%, Net of Investment Expense

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, 2016 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.

Town of Independence, Louisiana
Notes to Financial Statements (Continued)
For the Year Ended June 30, 2017

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
Public Equity	50.00%	2.60%
Public Fixed Income	15.00%	1.80%
Alternatives	35.00%	0.80%
Total	100.00%	5.20%
Inflation		2.50%
Expected Arithmetic Nominal Return		7.60%

Discount Rate – The discount rate used to measure the total pension liability was 7.5%. 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 7.50%, 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 (6.50%) or one percentage-point higher (8.50%) than the current rate:

	1.0% Decrease 6.50%	Current Discount Rate 7.50%	1.0% Increase (8.50%)
Town's Proportionate Share of the Net Pension Liability	\$ 271,599	\$ 213,658	\$ 164,216

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, 2017

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, 2017, was 31.75% of annual payroll. Contributions to the Police System from the Town were \$60,248 for the year ended June 30, 2017.

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

At June 30, 2017, the Town reported a liability of \$510,565 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, 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, 2016, contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2017, the Town's proportion was 0.054473%, which was an increase of 0.038573% from its proportion measured as of June 30, 2016 of 0.015900%.

Town of Independence, Louisiana
Notes to Financial Statements (Continued)
For the Year Ended June 30, 2017

For the year ended June 30, 2017, the Town recognized pension expense of \$117,139. At June 30, 2017, 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	\$ -	\$ 8,122
Changes of Assumptions	24,824	31
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	78,563	-
Changes in Proportion and Differences Between Town Contributions and Proportionate Share of Contributions	215,360	21,811
Town Contributions Subsequent to the Measurement Date	60,248	-
	\$ 378,995	\$ 29,964

\$60,248 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, 2017. 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, 2017	\$	73,146
June 30, 2018		92,694
June 30, 2019		102,989
June 30, 2020		19,954
June 30, 2021		-
Thereafter		-

Actuarial Assumptions – The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.875%	
Salary Increases, Including Inflation & Merit	Service Years	Growth Rate
	1-2	9.75%
	3-23	4.75%
	Over 23	4.25%
Investment Rate of Return	7.5%, Net of Investment Expense	

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.

Town of Independence, Louisiana
Notes to Financial Statements (Continued)
For the Year Ended June 30, 2017

The actuarial assumptions used in the June 30, 2016 valuation were based on the assumptions used in the June 30, 2016 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	53.00%	3.69%
Fixed Income	21.00%	0.49%
Alternatives	20.00%	1.11%
Other	6.00%	0.21%
Total	100.00%	5.50%
Inflation		2.75%
Expected Nominal Return		8.25%

Discount Rate – The discount rate used to measure the total pension liability was 7.5%. 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 7.5%, 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 (6.5%) or one percentage-point higher (8.5%) than the current rate:

	1.0% Decrease (6.5%)	Current Discount Rate (7.5%)	1.0% Increase (8.5%)
Town's Proportionate Share of the Net Pension Liability	\$ 680,628	\$ 510,565	\$ 367,783

Town of Independence, Louisiana
Notes to Financial Statements (Continued)
For the Year Ended June 30, 2017

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.

12. 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, 2017, were as follows:

	Due From	Due To
General Fund:		
Due from Enterprise Fund	\$ 14,778	\$ 121,290
Due to Innovative Housing	-	96,052
Due to Economic Development	-	31,978
Innovative Housing:		
Due from General Fund	96,052	-
Due from Economic Development	3,658	
Economic Development:		
Due from General Fund	31,978	
Due to Innovative Housing		3,658
Enterprise Fund:		
Due from General Fund	121,290	-
Due to General Fund	-	14,778
Total All Funds	\$ 267,756	\$ 267,756

Town of Independence, Louisiana
Notes to Financial Statements (Continued)
For the Year Ended June 30, 2017

Interfund Transfers

The following is a summary of the operating transfers between funds during the fiscal year ending June 30, 2017.

	Transfers In	Transfers Out
General Fund	\$ 100,122	\$ -
Enterprise Fund	17,076	
2010 Revenue Bond Fund		9,076
Special Revenue Funds:		
Innovative Housing Fund	-	100,122
Economic Development Fund	-	8,000
Total All Funds	\$ 117,198	\$ 117,198

13. 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, 2017, taxes of 16.23 mills were levied on property with taxable assessed valuations totaling \$10,911,789 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 \$140,580. At June 30, 2017, 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, 2017

14. 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 2017, 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	\$ 32,300
Total On-Behalf Payments	\$ 32,300

15. 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, 2017

16. Prior Period Adjustment

The Following prior period adjustments were made during the year:

General Fund and Governmental Activities:

- An adjustment of \$78,468 was made to correct the estimated M.P.E.R.S pension liability for prior years.
- An adjustment of \$66,530 was made to correct the estimated M.E.R.S. pension liability for prior years.
- An adjustment of \$20,163 was made to correct the GASB 68 Pension Allocation.

Water Fund, Sewer Fund, and Business Activities

- An adjustment of \$119,910 was made to correct the estimated M.E.R.S. pension liability for prior years.
- An adjustment of \$20,163 was made to correct the GASB 68 Pension Allocation.

	General Fund	Governmental Activities	
Beginning Fund Balance / Net Position, Originally Stated	\$ (327,117)	\$ 1,838,514	
Adjustments:			
GASB 68 Pension Allocation	-	20,163	
M.P.E.R.S. Prior Years Pension Liability Estimate	78,468	78,468	
M.E.R.S. Prior Years Pension Liability Estimate	66,530	66,530	
Beginning Fund Balance / Net Position, Restated	\$ (182,119)	\$ 2,003,675	
	Water Fund	Sewer Fund	Business Type Activities
Beginning Retained Earnings / Net Position, Originally Stated	\$ 1,749,815	\$ 4,164,458	\$ 5,914,273
Adjustments:			
GASB 68 Pension Allocation	(10,081)	(10,082)	(20,163)
M.E.R.S. Prior Years Pension Liability Estimate	58,277	61,633	119,910
Beginning Fund Balance / Net Position, Restated	\$ 1,798,011	\$ 4,216,009	\$ 6,014,020

17. Subsequent Events

In preparing these financial statements, the Town has evaluated events and transactions for potential recognition or disclosure through December 22, 2017.

The Town entered into a lease agreement with the Office of State Fire Marshall to provide approximately 800 square feet of office space for \$1,036 per month effective July 1, 2017 for a period of sixty months.

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, 2017

Schedule 1

	Original Budget	Final Budget	Actual Amounts	Final Budget Variance - Favorable / (Unfavorable)
Revenues:				
Taxes:				
Sales Taxes	\$ 622,000	\$ 622,000	\$ 624,938	\$ 2,938
Property Taxes	130,500	130,500	144,990	14,490
Utility Franchise	77,000	77,000	73,252	(3,748)
Solid Waste Fees	118,788	118,788	120,192	1,404
Licenses and Permits	126,500	126,500	130,568	4,068
Fines and Forfeitures	55,000	55,000	41,837	(13,163)
Rental Income	72,000	72,000	82,123	10,123
Charges for Services	56,160	56,160	56,976	816
Intergovernmental	9,700	9,700	10,131	431
On-Behalf payments from State	30,000	30,000	32,083	2,083
Worker's Comp Credit	-	-	22,366	22,366
Other Revenues	10,200	10,200	29,126	18,926
Interest Income	50	50	1,336	1,286
Total Revenues	<u>1,307,898</u>	<u>1,307,898</u>	<u>1,369,918</u>	<u>62,020</u>
Expenditures:				
Current:				
General Government	276,550	276,550	281,610	(5,060)
Municipal Court	28,265	28,265	27,245	1,020
Public Safety	644,316	644,316	697,139	(52,823)
Public Works	169,776	169,776	192,393	(22,617)
Solid Waste	101,500	101,500	106,991	(5,491)
Health and Recreation	7,400	7,400	22,148	(14,748)
Debt Service	42,000	42,000	41,990	10
Capital Outlay	-	-	36,407	(36,407)
Total Expenditures	<u>1,269,807</u>	<u>1,269,807</u>	<u>1,405,923</u>	<u>(136,116)</u>
Excess (Deficiency) of Revenues Over Expenditures	38,091	38,091	(36,005)	(74,096)
Other Financing Sources:				
Transfers In	-	-	100,122	100,122
Sale of Fixed Assets	-	-	3,600	3,600
Capital Grant	-	-	15,341	15,341
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>119,063</u>	<u>119,063</u>
Change in Fund Balances	38,091	38,091	83,058	44,967
Fund Balances:				
Beginning of the Year, Originally Stated	(327,117)	(327,117)	(327,117)	-
Prior Period Adjustment	-	-	144,998	-
Beginning of the Year, Restated	<u>(327,117)</u>	<u>(327,117)</u>	<u>(182,119)</u>	<u>-</u>
End of the Year	<u>\$ (289,026)</u>	<u>\$ (289,026)</u>	<u>\$ (99,061)</u>	<u>\$ 44,967</u>

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, 2017

Schedule 2

	Original Budget	Final Budget	Actual Amounts	Final Budget Variance - Favorable / (Unfavorable)
Revenues:				
Investment Interest	\$ 9,000	\$ 9,000	\$ 6,180	\$ (2,820)
Total Revenues	9,000	9,000	6,180	(2,820)
Expenditures:				
General Government	7,500	7,500	1,377	6,123
Total Expenditures	7,500	7,500	1,377	6,123
Excess of Revenues over Expenditures	1,500	1,500	4,803	3,303
Other Financing Sources (Uses):				
Operating Transfers Out	-	-	(100,122)	(100,122)
Total Other Financing Sources (Uses)	-	-	(100,122)	(100,122)
Change in Fund Balance	1,500	1,500	(95,319)	(96,819)
Fund Balance - Beginning of the Year	544,739	523,684	499,590	(24,094)
Fund Balance - End of the Year	\$ 546,239	\$ 525,184	\$ 404,271	\$ (120,913)

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, 2017

	* Last 4 Fiscal Years Ending June 30			
	2017	2016	2015	2014
Town's Proportion of the Net Pension Liability	0.521281%	0.000000%	0.020476%	0.014367%
Town's Proportionate Share of the Net Pension Liability	\$ 213,658	\$ -	\$ 52,551	\$ 44,529
Town's Covered-Employee Payroll	\$ 305,452	\$ 93,120	\$ -	\$ 33,979
Town's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	69.95%	0.00%	-	131.05%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62.11%	66.18%	73.99%	67.97%

* 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, 2017

	* Last 4 Fiscal Years Ending June 30			
	2017	2016	2015	2014
Town's Proportion of the Net Pension Liability	0.005447%	0.015900%	0.017003%	0.025776%
Town's Proportionate Share of the Net Pension Liability	\$ 510,565	\$ 124,560	\$ 106,372	\$ 205,910
Town's Covered-Employee Payroll	\$ 189,602	\$ 152,193	\$ 42,540	\$ 44,071
Town's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	269.28%	81.84%	250.05%	467.22%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.00%	70.73%	75.10%	66.71%

* 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, 2017

Schedule 4-A

	Last 4 Fiscal Years Ending June 30			
	2017	2016	2015	2014
Contractually Required Contribution	\$ 68,476	\$ 18,391	\$ -	\$ 6,371
Contributions in Relation to the Contractually Required Contribution	(68,476)	(18,391)	-	\$ (6,371)
Contribution Deficiency / (Excess)	\$ -	\$ -	\$ -	\$ -
Town's Covered-Employee Payroll	\$ 305,452	\$ 93,120	\$ -	\$ 33,979
Contributions as a Percentage of Covered-Employee Payroll	22.42%	19.75%	-	18.75%

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, 2017

Schedule 4-B

	Last 4 Fiscal Years Ending June 30			
	2017	2016	2015	2014
Contractually Required Contribution	\$ 60,248	\$ 44,897	\$ 13,400	\$ 13,662
Contributions in Relation to the Contractually Required Contribution	(60,248)	(44,897)	13,400	13,662
Contribution Deficiency / (Excess)	\$ -	\$ -	\$ 26,800	\$ 27,324
Town's Covered-Employee Payroll	\$ 189,125	\$ 152,193	\$ 42,540	\$ 44,071
Contributions as a Percentage of Covered-Employee Payroll	31.86%	29.50%	31.50%	31.00%

See independent auditor's report.

Other Supplemental Information

Town of Independence, Louisiana
Combining Balance Sheet – Non-Major Governmental Funds
June 30, 2017

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	\$ 1,578	\$ 8	\$ 1,586
Due from Other Funds	<u>31,978</u>	<u>-</u>	<u>31,978</u>
Total Assets	<u>\$ 33,556</u>	<u>\$ 8</u>	<u>\$ 33,564</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>29,898</u>	<u>8</u>	<u>29,906</u>
Total Fund Balances	<u>29,898</u>	<u>8</u>	<u>29,906</u>
 Total Liabilities, Deferred Inflows of Resources, and Fund Balances	 <u>\$ 33,556</u>	 <u>\$ 8</u>	 <u>\$ 33,564</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, 2017

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	\$ 3,450	\$ -	\$ 3,450
Rental Income	7,268	-	7,268
Investment Interest	69	36	105
Total Revenues	10,787	36	10,823
Expenditures:			
General Government:			
Fireworks	7,500	-	7,500
Professional Fees	-	-	-
Public Works	-	-	-
Total Expenditures	7,500	-	7,500
Excess of Revenues over Expenditures	3,287	36	3,323
Other Financing Sources (Uses):			
Interstate Clearing	(5,000)	-	(5,000)
Operating Transfers Out	(8,000)	(9,076)	(17,076)
Total Other Financing Sources (Uses)	(13,000)	(9,076)	(22,076)
Change in Fund Balance	(9,713)	(9,040)	(18,753)
Fund Balances - Beginning of the Year	39,611	9,048	48,659
Fund Balances - End of the Year	\$ 29,898	\$ 8	\$ 29,906

See independent auditor's report.

Town of Independence, Louisiana
Schedule of Compensation of Paid Elected Officials
For the Year Ended June 30, 2017

Schedule 7

<u>Name</u>	<u>Title</u>	<u>Term of Office</u>	<u>Salary</u>	<u>Vehicle Per Diem</u>
Angelo Mannino	Mayor	July 1, 2016 June 30, 2017	\$ 17,500	- *
Frank Edwards	Police Chief	July 1, 2012 - June 30, 2017	38,072	6,000 **
Jim Paine	Board of Aldermen	July 1, 2016 June 30, 2017	5,250	-
Jimmy Gregory	Board of Aldermen	July 1, 2012 - June 30, 2017	4,950	-
Larry Cardaronella	Board of Aldermen	July 1, 2012 - June 30, 2017	5,250	-
Luciano Suarez	Board of Aldermen	July 1, 2016 June 30, 2017	5,250	-
Calvin Batiste	Board of Aldermen	July 1, 2012 - June 30, 2017	5,238	-
Total			<u>\$ 81,510</u>	<u>\$ 6,000</u>

* Including benefits and vehicle allowance

** Includes State Supplemental Pay

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, 2017

Schedule 8

Agency Head: Honorable Angelo Manino, Mayor

Purpose	Amount
Salary	\$ 17,500
Benefits - Health Insurance	-
Benefits - Other Insurance	-
Social Security & Medicare	1,339
Benefits - Retirement	1,925
Deferred Compensation	-
Benefits - Other - Supplemental Pay	-
Car Allowance	-
Vehicle Provided by Government	-
Vehicle Rental	-
Cell Phone	-
Dues	-
Per Diem	-
Reimbursements	-
Travel	323
Registration Fees	-
Conference Travel	400
Housing	-
Unvouchered Expenses	-
Special Meals	-
Other	\$ 21,487

See independent auditor's report.

Town of Independence, Louisiana
Schedule of Insurance Coverage in Force
For the Year Ended June 30, 2017

Schedule 9

<u>Insurance Company</u>	<u>Coverage</u>	<u>Amount</u>	<u>Expiration Date</u>
Mt. Hawley Insurance	Buildings	1,219,111	09/16/17
	Contents	142,595	09/16/17
	Pumping Equipment	5,962	09/16/17
	Tower 3	64,210	09/16/17
	75k W Generator	78,000	09/16/17
	Lift Stations	209,662	09/16/17
	Sewer Treatment Plant	501,300	09/16/17
	Equipment	205,821	09/16/17
EMC Insurance Company	Public Official Bond		
	Per Employee	100,000	05/07/17
LA Municipal Risk Management Agency	Automobile Liability	500,000	05/01/17
	Uninsured Motorist, BI & PD		
	Commercial General Liability	500,000	05/01/17
	Premises/Operations		
	Products/Completed Operations		
Law Enforcement Officer	Comprehensive Liability, Personal Injury	500,000	05/01/17
Public Officials	Liability Errors & Omissions	500,000	05/01/17
Rod & Prejan	Auto Physical Damage	147,100	05/14/17

See independent auditor's report.

Town of Independence, Louisiana
Water and Sewer Rate Schedule
 June 30, 2017

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	675			13.73	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				
Commercial	57			13.73	3.50	2.50	1.00
0 - 4,000 GL		60.00	50.00				
Over 4,000 GL		3.00 / 1,000 GL	3.00 / 1,000 GL				
Schools	5			13.73	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	2			-	-	-	1.00
0 - 50,000 GL		1,000.00	1,000.00				
Over 50,000 GL		4.00 / 1,000 GL	4.00 / 1,000 GL				
Total	<u>739</u>						

See independent auditor's report.

Town of Independence, Louisiana
Schedule of Water and Sewer Information
June 30, 2017

Schedule 11

Accounts Receivable:

As of June 30, 2017, accounts receivable from water and sewer billings were as follows:

Water, Sewer, Garbage, Fire & Police Receivable	
Total Per Billing System	\$ 178,771
Allowance for Doubtful Accounts	(60,274)
	\$ 118,497
Utility Fund Accounts Receivable, Net	\$ 83,459
General Fund Accounts Receivable, Net	20,260
General Fund Due From Utility Fund	14,778
	\$ 118,497

Water and Sewer Users

As of June 30, 2017, water and sewer users were composed of the following:

Customer Type	Number
Residential	675
Commercial	57
Schools	5
Major Commercial / Industrial	2
Total	739

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
Samantha D. Wagner, CPA
Christie J. Barado
Megan E. Lynch
B. Jacob Steib
Debbie G. Faust, EA
Ramona K. Huckabee, 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 Michael A. Ragusa, 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, 2017, 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 22, 2017.

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) to determine the 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 preceding paragraph 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 identified 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 deficiencies described in the accompanying schedule of findings and questioned costs numbered 2016-002, 2015-001, and 2015-002, to be material weaknesses.

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 accompany schedule of findings and questioned costs numbered 2015-003 to be a significant deficiency.

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

Compliance and Other Matters

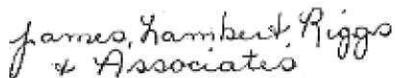
As part of obtaining reasonable assurance about whether the Town of Independence, Louisiana's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2015-015 and 2015-019.

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 22, 2017

Town of Independence, Louisiana
Schedule of Current Year Findings and Questioned Costs
For the Year Ended June 30, 2017

Internal Control over Financial Reporting

2016-002 – 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.

This condition was noted in the prior fiscal year.

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.

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 to determine that all tagged equipment is still in the Town's possession.

Management's Corrective Action Plan: See management's response dated December 28, 2017.

2015-001 – 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.

Town of Independence, Louisiana
Schedule of Current Year Findings and Questioned Costs
For the Year Ended June 30, 2017

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.

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 Corrective Action Plan: See management's response dated December 28, 2017.

2015-002 – Water and Sewer Fund Operating Deficits

Condition: The Town has experienced recurring operating deficits in its Water System and Sewer System for each of the past few years. Observations concerning operations are as follows:

- For the fiscal year ended June 30, 2017, the Town had an operating deficit in the Water Fund totaling \$30,156 and the Sewer Fund totaling \$295,466. However, the Sewer Fund has a dedicated ½% sales and use tax with collections for FY 2016-2017 totaling \$156,235 that provides funding adequate to offset that operating deficit.

This condition was noted in the prior fiscal year.

Criteria: Sufficient water and sewer rates are essential to provide the Town with sufficient cash flow for proper maintenance and operation of each system and to pay the debt service and required reserves of the outstanding revenue bonds of the systems.

Cause: The current user fees are not adequate for the operating expenses of the systems and to pay the debt service and required reserves of the revenue bonds.

Effect: Failure to eliminate these operating deficits could deplete the financial position of the Town's utility systems and possibly result in a default on the outstanding utility revenue bonds.

Town of Independence, Louisiana
Schedule of Current Year Findings and Questioned Costs
For the Year Ended June 30, 2017

Recommendation: The Town should consider the following:

- Perform a detailed rate survey of the Sewer System and the Water System and increase rates to a level adequate to maintain the systems and pay the debt service and reserves on the revenue bonds.
- Reduce spending to levels below operating revenues.
- Develop a policy to require minimum fund balance levels and criteria for spending such reserves.
- Monitor the volume of water received and sold for analysis purposes.

Management's Corrective Action Plan: See management's response dated December 28, 2017.

2015-003 – Delinquent Town Receivables

Condition: As of June 30, 2017, the Town has \$80,733 in past due utility system receivables.

This condition was noted in the prior fiscal year.

Criteria: Amounts owed to the Town should be collected when due.

Cause: The Town lacks adequate procedures and did not take action to enforce the timely collection of receivables.

Effect: Lack of collection of receivables negatively impact the Town's cash flows and financial stability, and has a negative effect on the value of the related mortgage notes.

Recommendation: We recommend the Town review current practices and develop a policy for the timely collection of receivables, including service cut-off, collection of deposit collateral for receivables, and legal assistance for collection of delinquent amounts. We also recommend the Town review outstanding balances to determine the adjustment of receivables that are deemed to be uncollectible.

Management's Corrective Action Plan: See management's response dated December 28, 2017.

Compliance and Other Matters

2015-015 – Local Government Budget Act

Condition: The Town may not have complied with certain provisions of the Local Government Budget Act.

This condition was noted in the prior fiscal year.

Criteria: Budget procedures applicable to the Town are specified in state law, LRS 39:1301-1315. The pertinent parts of the law and the manner in which the Town may not have complied are as follows:

- LRS 1311 requires *“(A). The adopted budget and any duly authorized adopted amendments shall form the framework from which the chief executive or administrative officers and members of the governing authority of the political subdivision shall monitor revenues and control expenditures. The chief executive or administrative officer for a political subdivision subject to public participation as provided in R.S. 39:1307 shall advise the governing authority or independently elected official in writing when: (1) Total revenue and other sources plus projected revenue and other sources for the remainder of the year, within a fund, are failing to meet total budgeted revenues and other sources by five percent or more. (2)*

Town of Independence, Louisiana
Schedule of Current Year Findings and Questioned Costs
For the Year Ended June 30, 2017

Total actual expenditures and other uses plus projected expenditures and other uses for the remainder of the year, within a fund, are exceeding the total budgeted expenditures and other uses by five percent or more. (3) Actual beginning fund balance, within a fund, fails to meet estimated beginning fund balance by five percent or more and fund balance is being used to fund current year expenditures."

The Town held a public hearing in July 2017, to adopt an amendment to the fiscal year budget. As this took place after the end of the fiscal year, this amendment is not considered to be a legally adopted amendment. As a result, the original budget adopted after the beginning of the fiscal year is considered to be the final budget at year-end.

During the fiscal year, actual expenditures in the General Fund exceeded the amounts originally budgeted by \$136,116 or 10.72%.

Also during the fiscal year, actual revenues in the Innovating Housing Fund did not meet the amounts originally budgeted by \$2,820 or 31.33%, and actual expenditures and other uses in the Innovative Housing fund exceeded the amounts originally budgeted by \$106,245 or 1416.60%.

Cause: The cause of this condition appears to be the adoption of the amended budget after the end of the fiscal year, resulting in the original budget adopted being considered to be the final budget at year-end..

Effect: Failure to follow the precise requirements of the Local Government Budget Act resulted in the Town not being in compliance with the budget laws specified in LRS 39:1301-1315.

Recommendation: We recommend that the current Town Clerk attend training classes sponsored by the Louisiana Legislative Auditor's office or the Louisiana Municipal Association regarding budget adoption procedures contained in the Local Government Budget Act.

Management's Corrective Action Plan: See management's response dated December 28, 2017.

2015-019 – 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 \$975,000 Sewer Revenue Bonds, Series 1997; the \$150,000 of Limited Tax Bonds, Series 2015; the \$1,425,000 Water Revenue Bonds, Series 2015; the \$1,150,000 Water Revenue Bonds; and the \$2,632,000 Sewer Revenue Bonds all have requirements for various sinking and reserve funds to be setup and established.

Cause: The Town used existing reserve account balances setup for the above bonds to pay prior year liabilities related to the public retirement systems for which the Town is enrolled.

Town of Independence, Louisiana
Schedule of Current Year Findings and Questioned Costs
For the Year Ended June 30, 2017

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 create and fund the various sinking and reserve funds required by the \$975,000 Sewer Revenue Bonds, Series 1997; the \$150,000 of Limited Tax Bonds, Series 2015; the \$1,425,000 Water Revenue Bonds, Series 2015; the \$1,150,000 Water Revenue Bonds; and the \$2,632,000 Sewer Revenue Bonds Limited Tax Bonds 2015.

Management's Corrective Action Plan: See management's response dated December 28, 2017.

Town of Independence, Louisiana
Schedule of Prior Year Findings and Questioned Costs
For the Year Ended June 30, 2017

Ref.#	Year Findings Initially Occurred	Description of Findings	Corrective Action Taken	Plan Corrective Action - Partial Corrective Action Taken
<u>Internal Control Findings</u>				
2016-001	06/30/16	Lack of Adequate Internal Controls Over Credit Cards	Resolved	Town implemented new credit card policies
2016-002	06/30/16	Lack of Adequate Internal Controls Over Capital Assets	Partial	Policies & procedures being developed
2016-003	06/30/16	Lack of Adequate Internal Controls Over Traffic Citations	Resolved	Procedures and controls over tickets improved
2016-004	06/30/16	Lack of Controls over Utility Billing System	Resolved	Increase in meters being read, but work continuing
2016-005	06/30/16	Customer Account Transferred with Unpaid Balance	Resolved	Case turned over to District Attorney
2015-001	06/30/04	Segregation of Duties	Partial	None
2015-002	06/30/12	Water and Sewer Fund Operating Deficits	None	None
2015-003	06/30/08	Delinquent Town Receivables	Partial	Collected past due rents
2015-004	06/30/08	Written Policies and Procedures	Resolved	Policies & procedures developed & implemented
2015-005	06/30/14	Payroll Processing and Personnel Files	Resolved	Payroll & recordkeeping improvements made
2015-006	06/30/14	Vendor Invoice Approval, Processing, & Payment	Resolved	Cash disbursement procedures greatly improved
2015-007	06/30/15	Processing of Occupational Licenses	Resolved	License amounts properly collected and recorded
2015-008	06/30/15	Fines and Forfeitures Processing	Resolved	Procedures and controls over tickets improved
2015-009	06/30/14	Utility Billing – Credit Memos / Adjustments	Resolved	Credit memos documented and approved by Mayor
2015-010	06/30/15	Utility Billing Cash Receipts Processing	Resolved	Cash collection procedures improved
2015-011	06/30/15	Daily Window Receipts for Non-Utility System Receipts	Resolved	All cash drawers reconciled daily
2015-012	06/30/15	Delinquent Ad Valorem Tax Revenue	Resolved	Delinquent notices sent to individuals
<u>Compliance Findings</u>				
2016-006	06/30/16	Loan of Town Funds to Employee	Resolved	Employee paid back loan and no other loans made
2016-007	06/30/16	Free Utilities to Town Utility Clerk	Resolved	Case turned over to District Attorney
2016-008	06/30/16	Free Utilities to Commercial Business	Resolved	Correct rates now being charged
2016-009	06/30/16	Commercial Rate Change not Approved	Resolved	Correct rates now being charged
2016-010	06/30/16	Free Service to Commercial Water Utility Customer	Resolved	Correct rates now being charged
2016-011	06/30/16	Timely Submission of Audit Report	Resolved	Audit submitted prior to December 31, 2017
2015-014	06/30/14	Enrolling Qualified Employees in Retirement Systems	Resolved	Employees began enrolling in retirement systems
2015-015	06/30/14	Louisiana Local Government Budget Act	None	Did not adopt budget or amendment timely
2015-016	06/30/14	Public Bid Law	Resolved	No items required public bid approval in current year
2015-017	06/30/15	Occupational License Tax Revenue	Resolved	Delinquent notices sent to businesses
2015-018	06/30/15	Court Costs Owed to Other Governmental Agencies	Resolved	Costs properly paid to outside agencies
2015-019	06/30/15	Bond Covenant Compliance	None	Inadequate reserve balances
2015-021	06/30/15	Adequacy of Water and Sewer Utility Rates	Resolved	Rates adequate for operations and debt service
2015-023	06/30/15	Condition of Minutes, Ordinances, and Records	Resolved	Condition of Town records greatly improved

Town of Independence

Mayor Angelo Mannino



Post Office Box 35
Independence, Louisiana 70443

ROBIN DAGRO
Town Clerk

JULIE PETERSON
Assistant Clerk

FRANK EDWARDS III
Chief of Police

JIM PAINE
Mayor Pro-Tem

Aldermen
CALVIN BATISTE
JIMMY GREGORY JR.
LARRY CARDARONELLA
LUKE SUAREZ

December 28, 2017

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

This letter is in response to the findings for the Fiscal Audit for the Town of Independence for the fiscal year ending June 30, 2017. The Town agrees with all of the current year findings. We have been working closely with the Board of Aldermen and the Town CPA, Phil Hebert, to correct numerous findings from the past few years.

With regards to deficits in our Utility Systems and noncompliance with our bond covenants, many of these problems were the result of the prior administration's failure to enroll employees in the State retirement systems. Significant reserve funds from the Utility Systems were used to pay off these prior year retirement debts. The Town will work to improving operations and the overall financial condition of the Utility Systems in order to repay the required reserve funds.

Sincerely,

Angelo Mannino
Mayor

Mayor's Office: 985-878-2930

Fax: 985-878-4568

City Hall: 985-878-4145

TOWN OF INDEPENDENCE, LOUISIANA
STATEWIDE AGREED UPON PROCEDURES ENGAGEMENT
FOR THE YEAR ENDED JUNE 30, 2017

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

J. Bryan Ehricht, CPA
Samantha D. Wagner, CPA
Christie J. Barado
Megan E. Lynch
B. Jacob Steib
Debbie G. Faust, EA
Ramona K. Huckabee, EA



**JAMES
LAMBERT RIGGS
& ASSOCIATES, INC.**
CERTIFIED PUBLIC ACCOUNTANTS
www.jlrcpafirm.com



Member of
American Institute of CPAs
Society of Louisiana CPAs

Independent Accountants' Report on Applying Agreed-Upon Procedures

Honorable Angelo Mannino, Mayor
and the Board of Alderman
Ponchatoula, Louisiana and the Louisiana Legislative Auditor

We have performed the procedures enumerated below, which were agreed to by the Town of Independence, Louisiana and the Louisiana Legislative Auditor (LLA) on the control and compliance areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2016 through June 30, 2017. The Town's management is responsible for those control and compliance areas identified in the SAUPs.

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

Our procedures and findings are detailed in Schedule "A"

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those control and compliance areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The purpose of this report is solely to describe the scope of testing performed on those control and compliance areas identified in the SAUPs, and the results of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*James Lambert Riggs
& Associates*

James Lambert Riggs & Associates, Inc.
Hammond, Louisiana

December 22, 2017

Written Policies and Procedures

1. Obtain the entity's written policies and procedures and report whether those written policies and procedures address each of the following financial / business functions (or report that the entity does not have any written policies and procedures), as applicable:

- a) **Budgeting**, including preparing, adopting, monitoring, and amending the budget

Results: We sighted the Town's written policies and procedures for budgeting.

- b) **Purchasing**, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.

Results: We sighted the Town's written policies and procedures for purchasing.

- c) **Disbursements**, including processing, reviewing, and approving

Results: We sighted the Town's written policies and procedures for disbursements.

- d) **Receipts**, including receiving, recording, and preparing deposits

Results: We sighted the Town's written policies and procedures for receipts.

- e) **Payroll / Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked

Results: We sighted the Town's written policies and procedures for payroll / personnel.

- f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process

Results: The Town did not have any written policies and procedures for contracts.

- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers, and (5) monitoring card usage

Results: We sighted the Town's written policies and procedures for credit cards and fuel cards.

- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers

Results: We sighted the Town's written policies and procedures for travel and expense reimbursements.

- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy. Note: Ethics requirements are not applicable to nonprofits.

Results: We sighted the Town's written policies and procedures for ethics.

- j) **Debt Service**, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements

Results: The Town did not have a written policy and procedures for debt services.

Board (or Finance Committee, if applicable)

2. Obtain and review the board / committee minutes for the fiscal period, and:

- a) Report whether the managing board met (with a quorum) at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document.

Results: Per a review of the minutes for the period July 1, 2016 through June 30, 2017, the Board of Alderman met on a monthly basis.

- b) Report whether the minutes referenced or included monthly budget-to-actual comparisons on the General Fund and any additional funds identified as major funds in the entity's prior audit (GAAP-basis).

Results: Per a review of the minutes for the period July 1, 2016 through June 30, 2017, the minutes referenced budget-to-actual comparisons on the Town's major funds.

- If the budget-to-actual comparisons show that management was deficit spending during the fiscal period, report whether there is a formal / written plan to eliminate the deficit spending for those entities with a fund balance deficit. If there is a formal / written plan, report whether the meeting minutes for at least one board meeting during the fiscal period reflect that the board is monitoring the plan.

Results: Per a review of the minutes for the period July 1, 2016 through June 30, 2017, there were no periods of deficit spending during the fiscal period.

- c) Report whether the minutes referenced or included non-budgetary financial information (e.g. approval of contracts and disbursements) for at least one meeting during the fiscal period.

Results: Per a review of the minutes the period July 1, 2016 through June 30, 2017, the Board of Alderman approved contracts and grant agreements in at least one meeting during the year.

Bank Reconciliations

3. Obtain a listing of client bank accounts from management and management's representation that the listing is complete.

Results: Management provided us with the required listing of bank accounts as well as management's representation that the listing is complete.

4. Using the listing provided by management, select all of the entity's bank accounts (if five accounts or less) or one-third of the bank accounts on a three year rotating basis (if more than five accounts). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity fund accounts may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal period and report whether:

- a) Bank reconciliations have been prepared;

Results: For the seven bank accounts selected, all bank reconciliations were prepared for all twelve months for the period July 1, 2016 through June 30, 2017.

- b) Bank reconciliations include evidence that a member of management or a board member (with no involvement in the transactions associated with the bank account) has reviewed each bank reconciliation; and

Results: For the seven bank accounts selected, evidence existed that the bank statements were reviewed by a member of management or a board member; however, no evidence existed that all the bank reconciliations were reviewed by a member of management or a board member for the period July 1, 2016 through June 30, 2017.

- c) If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 6 months as of the end of the fiscal period.

Results: For the seven bank accounts selected, none of the accounts had outstanding items over 6 months as of June 30, 2017.

Collections

5. Obtain a listing of cash / check / money order (cash) collection locations and management's representation that the listing is complete.

Results: Management provided us with the required listing of cash collection locations as well as management's representation that the listing is complete.

6. Using the listing provided by management, select all of the entity's cash collection locations (if five locations or less) or one-third of the collection locations on a three year rotating basis (if more than five locations). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity funds may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* For each cash collection location selected:

- a) Obtain existing written documentation (e.g. insurance policy, policy manual, job description) and report whether each person responsible for collecting cash is (1) bonded, (2) not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account (report if there are compensating controls performed by an outside party), and (3) not required to share the same cash register or drawer with another employee.

Results: Each person responsible for collecting cash is bonded. One person is responsible for preparing the deposit while the other is responsible for depositing the cash in the bank and also recording the related transaction; however, an outside CPA is responsible for reconciling the related bank account. Each person responsible for collecting cash has his or her own cash drawer.

- b) Obtain existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and report whether the entity has a formal process to reconcile cash collections to the general ledger and / or subsidiary ledgers, by revenue source and / or agency fund additions, by a person who is not responsible for cash collections in the cash collection location selected.

Results: Management provided us with written documentation or reconciling cash collections to the general ledger. This daily reconciliation is performed by an individual who is also responsible for cash collections.

- c) Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:

- Using entity collection documentation, deposit slips, and bank statements, trace daily collections to the deposit date on the corresponding bank statement and report whether the deposits were made within one day of collection. If deposits were not made within one day of collection, report the number of days from receipt to deposit for each day at each collection location.

Results: The highest week of cash collections had 5 days of collections. All 5 days' collections were deposited within one business day, unless the collections occurred on a Friday, then they were deposited the following business day.

- Using sequentially numbered receipts, system reports, or other related collection documentation, verify that daily cash collections are completely supported by documentation and report any exceptions.

Results: Daily cash collections for the highest week of cash collections were completely supported by documentation.

7. Obtain existing written documentation (e.g. policy manual, written procedure) and report whether the entity has a process specifically defined (identified as such by the entity) to determine completeness of all collections, including electronic transfers, for each revenue source and agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation) by a person who is not responsible for collections.

Results: We sighted the Town's written policies and procedures for receipts.

Disbursements – General (excluding credit card / debit card / fuel card / P-Card purchases or payments)

8. Obtain a listing of entity disbursements from management or, alternately, obtain the general ledger and sort / filter for entity disbursements. Obtain management's representation that the listing or general ledger population is complete.

Results: Management provided us with the required listing of disbursements as well as management's representation that the listing is complete.

9. Using the disbursement population from #8 above, randomly select 25 disbursements (or randomly select disbursements constituting at least one-third of the dollar disbursement population if the entity had less than 25 transactions during the fiscal period), excluding credit card / debit card / fuel card / P-card purchases or payments. Obtain supporting documentation (e.g. purchase requisitions, system screens / logs) for each transaction and report whether the supporting documentation for each transaction demonstrated that:

- a) Purchases were initiated using a requisition / purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition / purchase order system.

Results: For the 25 transactions selected, three transactions selected were initiated without using a purchase order system that separated the initiation and approval functions.

- b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.

Results: For the 25 transactions selected, three transactions selected were initiated without using a purchase order system that separated the initiation and approval functions.

- c) Payments for purchases were not processed without (1) an approved requisition and / or purchase order, or electronic equivalent; a receiving report showing receipt of goods purchased, or electronic equivalent; and an approved invoice.

Results: For the 25 transactions selected, three transactions selected were initiated without using an approved purchase order, three transactions did not including a receiving report, when applicable, and all 25 transactions had an approved invoice.

10. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the person responsible for processing payments is prohibited from adding vendors to the entity's purchasing / disbursement system.

Results: We sighted the City's written policies and procedures for purchasing. The accounts payable clerk responsible for processing payments is able to add vendors to the Town's purchasing / disbursement system.

11. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases.

Results: We sighted the Town's written policies and procedures for purchasing. The individuals who can initiate or record purchases do not have signatory authority.

12. Inquire of management and observe whether the supply of unused checks is maintained in a locked location, with access restricted to those persons that do not have signatory authority, and report any exceptions. Alternately, if the checks are electronically printed on blank check stock, review entity documentation (electronic system control documentation) and report whether the persons with signatory authority have system access to print checks.

Results: We sighted the Town's written policies and procedures for purchasing. Checks are printed on blank check stock, and individuals with signatory authority do not have access to print checks.

13. If a signature stamp or signature machine is used, inquire of the signer whether his or her signature is maintained under his or her control or is used only with the knowledge and consent of the signer. Inquire of the signer whether signed checks are likewise maintained under the control of the signer or authorized user until mailed. Report any exceptions.

Results: No signature stamp or machine is utilized by the Town.

Credit Cards / Debit Cards / Fuel Cards / P-Cards

14. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards), including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

Results: Management provided us with the required listing of credit cards and fuel cards as well as management's representation that the listing is complete.

15. Using the listing prepared by management, randomly select 10 cards (or at least one-third of the cards if the entity has less than 10 cards) that were used during the fiscal period, rotating cards each year. If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner.

Obtain the monthly statements, or combined statements if multiple cards are on one statement, for the selected cards. Select the monthly statement or combined statement with the largest dollar activity for each card (for a debit card, select the monthly bank statement with the largest dollar amount of debit card purchases) and:

- a) Report whether there is evidence that the monthly statement or combined statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized cardholder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.)]

Results: For the eight credit card and fuel cards selected, the statements of all 8 cards were reviewed and approved, in writing, by someone other than the authorized card holder.

- b) Report whether finance charges and / or late fees were assessed on the selected statements.

Results: For the eight credit cards and fuel cards selected, one card had a late charge assessed.

16. Using the monthly statements or combined statements selected under #15 above, obtain supporting documentation for all transactions for each of the 10 cards selected (i.e. each of the 10 cards should have one month of transactions subject to testing).

- a) For each transaction, report whether the transaction is supported by:

- An original itemized receipt (i.e., identifies precisely what was purchased).

Results: For the eight credit cards and fuel cards selected, all but one card had all supporting itemized receipts for all transactions.

- Documentation of the business / public purpose. For meal charges, there should also be documentation of the individuals participating.

Results: For the eight credit cards and fuel cards selected, all but one card selected had supporting documentation of the business/ public purpose, and all meal receipts contained documentation of the individuals participating.

- Other documentation that may be required by written policy (e.g., purchase order, written authorization.).

Results: We sighted the Town's written policies and procedures for credit cards and fuel cards. For the eight credit cards and fuel cards selected, all eight cards selected had other supporting documentation required by the City's written policy.

- b) For each transaction, compare the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the entity's written purchasing / disbursement policies and the Louisiana Public Bid Law (i.e. transaction is a large or recurring purchase requiring the solicitation of bids or quotes) and report any exceptions.

Results: For the eight credit cards and fuel cards selected, no transactions reviewed required the solicitation of bids or quotes.

- c) For each transaction, compare the entity's documentation of the business / public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. cash advances or non-business purchases, regardless whether they are reimbursed). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

Results: For the eight credit cards and fuel cards selected, there were no violations of Article 7, Section 14 of the Louisiana Constitution.

Travel and Expense Reimbursement

17. Obtain from management a listing of all travel and related expense reimbursements, by person, during the fiscal period or, alternately, obtain the general ledger and sort / filter for travel reimbursements. Obtain management's representation that the listing or general ledger is complete.

Results: Management provided us with the required listing of travel and related expense reimbursements as well as management's representation that the listing is complete.

18. Obtain the entity's written policies related to travel and expense reimbursements. Compare the amounts in the policies to the per diem and mileage rates established by the U.S. General Services Administration (www.gsa.gov) and report any amounts that exceed GSA rates.

Results: We sighted the Town's written policies and procedures for travel and expense reimbursements. No reimbursement rates exceeded GSA rates.

19. Using the listing or general ledger from #17 above, select the three persons who incurred the most travel costs during the fiscal period. Obtain the expense reimbursement reports or prepaid expense documentation of each selected person, including the supporting documentation, and choose the largest travel expense for each person to review in detail. For each of the three travel expenses selected:

- a) Compare expense documentation to written policies and report whether each expense was reimbursed or prepaid in accordance with written policy (e.g., rates established for meals, mileage, lodging). If the entity does not have written policies, compare to the GSA rates (#18 above) and report each reimbursement that exceeded those rates.

Results: For the employee selected, all travel and expense reimbursements were paid in accordance with written policy.

- b) Report whether each expense is supported by:

- An original itemized receipt that identifies precisely what was purchased. [Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) does not require a receipt.]

Results: For the employee selected, all travel and expense reimbursements were documented by original itemized receipts.

- Documentation of the business / public purpose (Note: For meal charges, there should also be documentation of the individuals participating).

Results: For the employee selected, all travel and expense reimbursements documented the business / public purchase of the expense.

- Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance)

Results: We sighted the Town's written policies and procedures for travel and expense reimbursements. For the employee selected, all reimbursements had other supporting documentation required by the Town's written policy.

- c) Compare the entity's documentation of the business / public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. hotel stays that extend beyond conference periods or payment for the travel expenses of a spouse). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

Results: For the employee selected, there were no violations of Article 7, Section 14 of the Louisiana Constitution.

- d) Report whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Results: For the employee selected, each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Contracts

- 20. Obtain a listing of all contracts in effect during the fiscal period or, alternately, obtain the general ledger and sort / filter for contract payments. Obtain management's representation that the listing or general ledger is complete.

Results: Management provided us with a listing of all contracts in effect during the period July 1, 2016 through June 30, 2017 as well as management's representation that the listing is complete.

- 21. Using the listing above, select the five contract "vendors" that were paid the most money during the fiscal period (excluding purchases on state contract and excluding payments to the practitioner). Obtain the related contracts and paid invoices and:

- a) Report whether there is a formal / written contract that supports the services arrangement and the amount paid.

Results: For the only two contracts selected, there was a formal / written contract that supported the services arrangement and the amount paid.

- b) Compare each contract's detail to the Louisiana Public Bid Law or Procurement Code. Report whether each contract is subject to the Louisiana Public Bid Law or Procurement Code and:

- If yes, obtain / compare supporting contract documentation to legal requirements and report whether the entity complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder).

Results: For the two contracts selected, neither were subject to the Louisiana Public Bid Law and all legal requirements were met.

- If no, obtain supporting contract documentation and report whether the entity solicited quotes as a best practice.

Results: For the two contracts selected, neither were subject to the Louisiana Public Bid Law.

- c) Report whether the contract was amended. If so, report the scope and dollar amount of the amendment and whether the original contract terms contemplated or provided for such an amendment.

Results: For the two contracts selected, neither were amended during the period July 1, 2016 through June 30, 2017.

- d) Select the largest payment from each of the five contracts, obtain the supporting invoice, compare the invoice to the contract terms, and report whether the invoice and related payment complied with the terms and conditions of the contract.

Results: For the two contracts selected, both of the largest payments contained supporting invoices that complied with the terms and conditions of the contract.

- e) Obtain / review contract documentation and board minutes and report whether there is documentation of board approval, if required by policy or law (e.g. Lawrason Act or Home Rule Charter).

Results: For the only two contracts selected, both contracts were approved by the Board of Alderman.

Payroll and Personnel

22. Obtain a listing of employees (and elected officials, if applicable) with their related salaries, and obtain management's representation that the listing is complete. Randomly select five employees / officials, obtain their personnel files, and:

- a) Review compensation paid to each employee during the fiscal period and report whether payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure.

Results: Management provided us with the required list of employees and salaries as well as management's representation that the listing is complete. For the five randomly selected employees, compensation paid to each employee was made in accordance with each employee's approved pay rate.

- b) Review changes made to hourly pay rates / salaries during the fiscal period and report whether those changes were approved in writing and in accordance with written policy.

Results: Management provided us with the required list of employees and salaries as well as management's representation that the listing is complete. For the five randomly selected employees, all changes to each employee's approved pay rates were approved in writing and in accordance with written policy.

23. Obtain attendance and leave records and randomly select one pay period in which leave has been taken by at least one employee. Within that pay period, randomly select 25 employees / officials (or randomly select one-third of employees / officials if the entity had less than 25 employees during the fiscal period), and:

- a) Report whether all selected employees / officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his / her attendance and leave. However, if the elected official is earning leave according to policy and / or contract, the official should document his / her daily attendance and leave.)

Results: Management provided us with all attendance and leave records for the period July 1, 2016 through June 30, 2017. For the twenty-five selected employees, all employees documented their daily attendance and leave.

- b) Report whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees / officials.

Results: Management provided us with all attendance and leave records for the period July 1, 2016 through June 30, 2017. For the twenty-five selected employees, we sighted documentation that supervisors approved attendance and leave.

- c) Report whether there is written documentation that the entity maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees / officials that earn leave.

Results: Management provided us with all attendance and leave records for the period July 1, 2016 through June 30, 2017. For the twenty-five selected employees, we sighted written documentation of the Town's leave records for twenty employees. The remaining five were part-time employees who do not earn leave.

24. Obtain from management a list of those employees / officials that terminated during the fiscal period and management's representation that the list is complete. If applicable, select the two largest termination payments (e.g., vacation, sick, compensatory time) made during the fiscal period and obtain the personnel files for the two employees / officials. Report whether the termination payments were made in strict accordance with policy and / or contract and approved by management.

Results: Management provided us with the required list of employees terminated for the period July 1, 2016 through June 30, 2017. For the two termination payments selected for this period, the payments were made in accordance with Town's policies and were approved by management.

25. Obtain supporting documentation (e.g. cancelled checks, EFT documentation) relating to payroll taxes and retirement contributions during the fiscal period. Report whether the employee and employer portions of payroll taxes and retirement contributions, as well as the required reporting forms, were submitted to the applicable agencies by the required deadlines.

Results: Management provided us with all supporting documentation related to payroll taxes and retirement contributions for the period July 1, 2016 through June 30, 2017. For this period, all payroll tax deposits and retirement contribution payments were paid by the required deadlines.

Ethics (excluding nonprofits)

26. Using the five randomly selected employees / officials from procedure #22 under "Payroll and Personnel" above, obtain ethics compliance documentation from management and report whether the entity maintained documentation to demonstrate that required ethics training was completed.

Results: For the five randomly selected employees, no required documentation or record of ethics training was completed for all five employees.

27. Inquire of management whether any alleged ethics violations were reported to the entity during the fiscal period. If applicable, review documentation that demonstrates whether management investigated alleged ethics violations, the corrective actions taken, and whether management's actions complied with the entity's ethics policy. Report whether management received allegations, whether management investigated allegations received, and whether the allegations were addressed in accordance with policy.

Results: Per conversation with Mayor Angelo Mannino and Town Clerk Robin Dagro, the Town had no alleged ethics violations reported during the period July 1, 2016 through June 30, 2017.

Debt Service (excluding nonprofits)

28. If debt was issued during the fiscal period, obtain supporting documentation from the entity, and report whether State Bond Commission approval was obtained.

Results: The Town had no new debt issued during the period July 1, 2016 through June 30, 2017.

29. If the entity had outstanding debt during the fiscal period, obtain supporting documentation from the entity and report whether the entity made scheduled debt service payments and maintained debt reserves, as required by debt covenants.

Results: During the period July 1, 2016 through June 30, 2017, the Town's debt reserves were not adequate due to payment of retirement debt from previous years.

30. If the entity had tax millages relating to debt service, obtain supporting documentation and report whether millage collections exceed debt service payments by more than 10% during the fiscal period. Also, report any millages that continue to be received for debt that has been paid off.

Results: The Town had no tax millages relating to debt service during the period July 1, 2016 through June 30, 2017.

Other

31. Inquire of management whether the entity had any misappropriations of public funds or assets. If so, obtain / review supporting documentation and report whether the entity reported the misappropriation to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

Results: Per conversation with Mayor Angelo Mannino and Town Clerk Robin Dagro, the Town had no misappropriations of public funds or assets during the period July 1, 2016 through June 30, 2017.

32. Observe and report whether the entity has posted on its premises and website, the notice required by R.S. 24:523.1. This notice (available for download or print at www.la.gov/hotline) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.

Results: Sighted copy of the notice posted on the premises. The Town does not currently have a website.

If the practitioner observes or otherwise identifies any exceptions regarding management's representations in the procedures above, report the nature of each exception.

Results: There were no exceptions regarding management's representations in the procedures above.

Town of Independence

Mayor Angelo Mannino

ROBIN DAGRO
Town Clerk

JULIE PETERSON
Assistant Clerk



Post Office Box 35
Independence, Louisiana 70443

FRANK EDWARDS III
Chief of Police

JIM PAINE
Mayor Pro-Tem

Aldermen
CALVIN BATISTE
JIMMY GREGORY JR.
LARRY CARDARONELLA
LUKE SUAREZ

December 28, 2017

James, Lambert, Riggs and Associates, Inc.
Post Office Drawer 369
Hammond, Louisiana 70404

Management of the Town of Independence, Louisiana would like to present the following response to the results of the June 30, 2017, Statewide Agreed-Upon Procedures conducted by James, Lambert, Riggs and Associates, Inc.

Written Policies and Procedures

Agency Response: Management of the Town of Independence will be working with its outside CPA to develop written policies and procedures prior to June 30, 2018.

Bank Reconciliations

Agency Response: Management of the Town of Independence will have all bank reconciliations reviewed by a member of management or a board member.

Ethics

Agency Response: Management of the Town of Independence will have all employees take the required ethics training prior to June 30, 2018.

Honorable Angelo Mannino
Mayor

Mayor's Office: 985-878-2930

Fax: 985-878-4568

City Hall: 985-878-4145