

**TOWN OF INDEPENDENCE, LOUISIANA**  
**ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**Town of Independence, Louisiana**  
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**For the Year Ended June 30, 2018**

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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, 2018, 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, 2018, 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, 57 – 58, 59 – 60, and 61 – 62, 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.

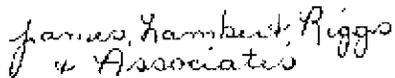
The combining and individual non-major fund financial statements; the schedule of compensation of paid elected officials; the schedule of compensation, benefits, and other payments to agency head; the schedule of insurance coverage in force; the water and sewer rate schedule; and the schedule of water 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 11, 2018, on our consideration of the Town of Independence, Louisiana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Independence, Louisiana's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Independence, Louisiana's internal control over financial reporting and compliance.



James Lambert Riggs  
J & Associates

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

December 11, 2018

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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, 2018**

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, 2018. This Management Discussion and Analysis (the "MD&A") is designed to provide an objective and easy to read analysis of the Town's financial activities based on currently known facts, decisions, or conditions. It is designed to be read in conjunction with the financial statements and to provide readers with a broad overview of Town finances. It is also intended to provide readers with an analysis of the short and long-term activities of the Town based on information presented in this financial report, as well as fiscal policies that have been adopted by the Town. Specifically, this section is designed to assist the reader in focusing on significant financial issues, provide an overview of the Town's financial activity, identify changes in the Town's financial position, identify any material deviations from the financial plan (the approved budget), and identify individual fund issues or concerns.

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

**Financial Highlights**

- Total assets for the year were \$13,919,008 at June 30, 2018, and exceeded liabilities in the amount of \$7,350,727 (i.e., net position). \$6,870,193 was invested in capital assets, \$222,825 was restricted for debt service, \$351,841 was restricted for economic development, and (\$94,132) was unrestricted.
- The Town's total revenues for the year increased from the prior year by 1.48% from \$2,520,404 to \$2,557,633.
- Expenditures for the year decreased by \$72,519 from the prior year from \$2,898,705 to \$2,826,186.
- Total net position decreased by \$268,553.

**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.

**Town of Independence, Louisiana**  
Management's Discussion and Analysis (Continued)  
For the Year Ended June 30, 2018

**Government-Wide Financial Statements**

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

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

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

**Government-Wide Financial Analysis**

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

**Town of Independence, Louisiana**  
Management's Discussion and Analysis (Continued)  
For the Year Ended June 30, 2018

**Condensed Statement of Net Position**

|                                  | <u>2018</u>         | <u>2017</u>         | <u>\$ Change</u>    | <u>% Change</u> |
|----------------------------------|---------------------|---------------------|---------------------|-----------------|
| <b>Assets:</b>                   |                     |                     |                     |                 |
| Current and Other Assets         | \$ 1,019,575        | \$ 843,704          | \$ 175,871          | 20.85%          |
| Capital Assets                   | <u>12,899,433</u>   | <u>13,295,368</u>   | <u>(395,935)</u>    | -2.98%          |
| Total Assets                     | <u>13,919,008</u>   | <u>14,139,072</u>   | <u>(220,064)</u>    | -1.56%          |
| Deferred Outflows of Resources   | <u>611,899</u>      | <u>570,960</u>      | <u>40,939</u>       | 7.17%           |
| <b>Liabilities:</b>              |                     |                     |                     |                 |
| Current Liabilities              | 388,707             | 305,082             | 83,625              | 27.41%          |
| Long-Term Debt                   | 5,888,534           | 6,004,666           | (116,132)           | -1.93%          |
| Net Pension Liability            | <u>889,262</u>      | <u>724,223</u>      | <u>165,039</u>      | 22.79%          |
| Total Liabilities                | <u>7,166,503</u>    | <u>7,033,971</u>    | <u>132,532</u>      | 1.88%           |
| Deferred Inflows of Resources    | <u>13,677</u>       | <u>56,781</u>       | <u>(43,104)</u>     | -75.91%         |
| <b>Net Position:</b>             |                     |                     |                     |                 |
| Net Investment in Capital Assets | 6,870,193           | 7,163,400           | (293,207)           | -4.09%          |
| Restricted Net Position          | 574,666             | 516,042             | 58,624              | 11.36%          |
| Unrestricted Net Position        | <u>(94,132)</u>     | <u>(60,162)</u>     | <u>(33,970)</u>     | 56.46%          |
| Total Net Position               | <u>\$ 7,350,727</u> | <u>\$ 7,619,280</u> | <u>\$ (268,553)</u> | -3.52%          |

At June 30, 2018, assets exceeded liabilities by \$7,350,727 (net position). The Town had a negative Unrestricted Net Position of (\$94,132) compared to negative (\$60,162) for the prior year. The Town's net position is comprised of \$1,721,073 from Governmental Activities and \$5,629,654 from Business-Type Activities, as shown on Exhibit A.

The largest portion of the Town's net position (93%) 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, 2018

**Condensed Statement of Activities**

|                                 | <u>2018</u>         | <u>2017</u>         | <u>\$ Change</u>    | <u>% Change</u> |
|---------------------------------|---------------------|---------------------|---------------------|-----------------|
| Revenues:                       |                     |                     |                     |                 |
| Program Revenues:               |                     |                     |                     |                 |
| Charges for Services            | \$ 1,135,940        | \$ 1,041,665        | \$ 94,275           | 9.05%           |
| Grants and Contributions        | 35,634              | 127,151             | (91,517)            | -71.98%         |
| General Revenues                | <u>1,386,059</u>    | <u>1,351,588</u>    | <u>34,471</u>       | 2.55%           |
| Total Revenues                  | 2,557,633           | 2,520,404           | 37,229              | 1.48%           |
| Expenses:                       |                     |                     |                     |                 |
| Governmental Activities         | 1,629,928           | 1,567,917           | 62,011              | 3.95%           |
| Business-Type Activities        | <u>1,196,258</u>    | <u>1,330,788</u>    | <u>(134,530)</u>    | -10.11%         |
| Total Expenses                  | <u>2,826,186</u>    | <u>2,898,705</u>    | <u>(72,519)</u>     | -2.50%          |
| Change in Net Position          | (268,553)           | (378,301)           | 109,748             | -29.01%         |
| Net Position:                   |                     |                     |                     |                 |
| Beginning of the Year, Original | 7,619,280           | 7,732,673           | (113,393)           | -1.47%          |
| Prior Period Adjustment         | <u>-</u>            | <u>264,908</u>      | <u>(264,908)</u>    | -100.00%        |
| Beginning of the Year, Restated | <u>7,619,280</u>    | <u>7,997,581</u>    | <u>(378,301)</u>    | -4.73%          |
| End of the Year                 | <u>\$ 7,350,727</u> | <u>\$ 7,619,280</u> | <u>\$ (268,553)</u> | -3.52%          |

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" increased by \$37,229 to \$2,557,633. Total expenses decreased by \$72,519 to \$2,826,186. Business-Type Expenses decreased by \$134,530 due primarily to decreases in repairs and maintenance. Governmental Activities Expenditures increased by \$62,011 due primarily to increases in capital out to the new city hall building.

**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 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

**Town of Independence, Louisiana**  
Management's Discussion and Analysis (Continued)  
For the Year Ended June 30, 2018

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 2018 by fund type is as follows:

|                                | General<br>Fund    | Innovative<br>Housing | Non-Major<br>Funds | 2018              |
|--------------------------------|--------------------|-----------------------|--------------------|-------------------|
| Revenues and Transfers In      | \$ 1,574,931       | \$ 5,115              | \$ 5               | \$ 1,580,051      |
| Expenditures and Transfers Out | <u>1,515,840</u>   | <u>76,180</u>         | <u>31,978</u>      | <u>1,623,998</u>  |
| Excess (Deficiency) of         |                    |                       |                    |                   |
| Revenues over Expenditures     | 59,091             | (71,065)              | (31,973)           | (43,947)          |
| Fund Balance - Beginning       | <u>(99,062)</u>    | <u>424,966</u>        | <u>29,913</u>      | <u>355,817</u>    |
| Fund Balance - Ending          | <u>\$ (39,971)</u> | <u>\$ 353,901</u>     | <u>\$ (2,060)</u>  | <u>\$ 311,870</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 (\$39,971).

The Town's other major fund, the Innovative Housing Fund, decreased by \$71,065 during 2018, which was the result of transfers to the general fund.

Non-Major Funds decreased by \$31,973 due to an operating transfer to the General Fund of \$31,978.

**Town of Independence, Louisiana**  
Management's Discussion and Analysis (Continued)  
For the Year Ended June 30, 2018

Revenues of the primary government for the general governmental fund types for 2018 totaled \$1,459,393. The Town's activities are largely supported by tax revenues, solid waste fees, and licenses and permits, which represent 76.29% of the total governmental resources. Sources of governmental revenues, excluding other financial sources, are summarized below.

| Source of Revenue     | 2018                |                | 2017                |                |
|-----------------------|---------------------|----------------|---------------------|----------------|
| Taxes                 | \$ 853,400          | 58.48%         | \$ 843,180          | 59.90%         |
| Solid Waste           | 139,148             | 9.53%          | 120,192             | 8.54%          |
| License and Permits   | 120,895             | 8.28%          | 130,568             | 9.28%          |
| Fines and Forfeitures | 69,170              | 4.74%          | 41,837              | 2.97%          |
| Intergovernmental     | 11,242              | 0.77%          | 10,131              | 0.72%          |
| Rental                | 98,448              | 6.75%          | 89,391              | 6.35%          |
| Other                 | 167,090             | 11.45%         | 172,317             | 12.24%         |
| Total                 | <u>\$ 1,459,393</u> | <u>100.00%</u> | <u>\$ 1,407,616</u> | <u>100.00%</u> |

Expenditures of the primary government for governmental fund types increased in 2018 by \$72,108. The change is attributable to an increase in capital outlay spending for renovations to the new city hall. General governmental expenditures by functions are summarized as follows:

| Function              | 2018                |                | 2017                |                |
|-----------------------|---------------------|----------------|---------------------|----------------|
| General Government    | \$ 304,073          | 20.06%         | \$ 317,732          | 22.38%         |
| Public Safety         | 748,858             | 49.40%         | 697,139             | 49.10%         |
| Public Works          | 172,484             | 11.38%         | 197,393             | 13.90%         |
| Solid Waste           | 118,144             | 7.79%          | 106,991             | 7.54%          |
| Health and Recreation | 23,642              | 1.56%          | 22,148              | 1.56%          |
| Debt Service          | 42,436              | 2.80%          | 41,990              | 2.96%          |
| Capital Outlay        | 106,203             | 7.01%          | 36,407              | 2.56%          |
| Total                 | <u>\$ 1,515,840</u> | <u>100.00%</u> | <u>\$ 1,419,800</u> | <u>100.00%</u> |

**General Fund Budgetary Highlights**

For the general fund, actual revenues and other sources were \$34,003 more than final budgeted amounts. Actual expenditures were \$89,258 more than financial budgeted amounts. The net change in fund balance was \$55,255 less than final budgeted amounts.

For the general fund, original budgeted revenues and other financing sources were \$1,406,800 and final budgeted revenues and other financing sources were \$1,540,928.

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

- Other revenues were increased by \$42,770 to include a payment in lieu of taxes from Independence Housing Authority in the amount of \$32,798.

**Town of Independence, Louisiana**  
Management's Discussion and Analysis (Continued)  
For the Year Ended June 30, 2018

**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, 2018, amounts to \$12,899,433 (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:

|                          | Governmental Activities |                     | Business-Type Activities |                      |
|--------------------------|-------------------------|---------------------|--------------------------|----------------------|
|                          | 2018                    | 2017                | 2018                     | 2017                 |
| Land                     | \$ 100,150              | \$ 100,150          | \$ 69,808                | \$ 69,808            |
| Construction in Progress | 338,203                 | 338,203             | -                        | -                    |
| Buildings and Equipment  | 2,365,609               | 2,259,406           | 608,347                  | 567,080              |
| Infrastructure           | 2,712,846               | 2,712,846           | -                        | -                    |
| Utility Systems          | -                       | -                   | 14,663,264               | 14,659,964           |
| Accumulated Depreciation | (3,564,025)             | (3,422,319)         | (4,394,769)              | (3,989,770)          |
| Net Capital Assets       | <u>\$ 1,952,783</u>     | <u>\$ 1,988,286</u> | <u>\$ 10,946,650</u>     | <u>\$ 11,307,082</u> |

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

*Long-Term Debt*

At the end of the current fiscal year, the Town had total bonded debt outstanding of \$6,029,240. Of this amount, \$283,000 comprises debt backed by a pledge of the excess revenues of the General Fund and other governmental funds and \$5,746,240 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 2018 fiscal year:

For 2018, the Town paid approximately \$64,376 for the renovation of the new city hall and \$36,513 for renovations to another building owned by the town. The Town transferred \$76,180 from the Innovative Housing Fund to the General Fund and \$31,978 from Economic Development 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, 2018

Exhibit A

|   | Governmental<br>Activities | Business-Type<br>Activities | Total        |
|---|----------------------------|-----------------------------|--------------|
| <b>Assets</b>                               |                            |                             |              |
| Cash & Cash Equivalents                     | \$ 43,048                  | \$ 110,965                  | \$ 154,013   |
| Receivables, Net                            | 14,789                     | 86,680                      | 101,469      |
| Franchise Tax Receivables                   | 17,141                     | -                           | 17,141       |
| Due From Other Governments                  | 112,129                    | 24,540                      | 136,669      |
| Internal Balances                           | (53,086)                   | 53,086                      | -            |
| Restricted Cash and Cash Equivalents        | -                          | 320,775                     | 320,775      |
| Notes Receivable, Net                       | 258,158                    | -                           | 258,158      |
| Prepaid Insurance                           | 28,973                     | 2,377                       | 31,350       |
| Land  | 100,150                    | 69,808                      | 169,958      |
| Construction in Progress                    | 338,203                    | -                           | 338,203      |
| Capital Assets, Net                         | 1,514,430                  | 10,876,842                  | 12,391,272   |
| <b>Total Assets</b>                         | 2,373,935                  | 11,545,073                  | 13,919,008   |
| <b>Deferred Outflows of Resources</b>       |                            |                             |              |
| Pension Related                             | 438,325                    | 173,574                     | 611,899      |
| <b>Total Deferred Outflows of Resources</b> | 438,325                    | 173,574                     | 611,899      |
| <b>Liabilities</b>                          |                            |                             |              |
| Accounts Payable                            | 86,970                     | 35,074                      | 122,044      |
| Accrued Liabilities                         | 9,441                      | 3,773                       | 13,214       |
| Due to Other Governments                    | -                          | 1,922                       | 1,922        |
| MERS  | 4,682                      | -                           | 4,682        |
| MPERS                                       | 7,126                      | -                           | 7,126        |
| Accrued Interest Payable                    | 1,063                      | -                           | 1,063        |
| Non-Current Liabilities:                    |                            |                             |              |
| Due Within One Year                         | 32,000                     | 108,706                     | 140,706      |
| Due in More Than One Year                   | 251,000                    | 5,637,534                   | 5,888,534    |
| Payable from Restricted Assets:             |                            |                             |              |
| Utility Meter Deposits                      | -                          | 97,950                      | 97,950       |
| Net Pension Liability, MPERS                | 554,478                    | -                           | 554,478      |
| Net Pension Liability, MERS                 | 135,085                    | 199,699                     | 334,784      |
| <b>Total Liabilities</b>                    | 1,081,845                  | 6,084,658                   | 7,166,503    |
| <b>Deferred Inflows of Resources</b>        |                            |                             |              |
| Pension Related                             | 9,342                      | 4,335                       | 13,677       |
| <b>Total Deferred Inflows of Resources</b>  | 9,342                      | 4,335                       | 13,677       |
| <b>Net Position</b>                         |                            |                             |              |
| Net Investment in Capital Assets            | 1,669,783                  | 5,200,410                   | 6,870,193    |
| Restricted for:                             |                            |                             |              |
| Economic Development                        | 351,841                    | -                           | 351,841      |
| Debt Service                                | -                          | 222,825                     | 222,825      |
| Unrestricted                                | (300,551)                  | 206,419                     | (94,132)     |
| <b>Total Net Position</b>                   | \$ 1,721,073               | \$ 5,629,654                | \$ 7,350,727 |

The accompanying notes are an integral part of this statement.

**Town of Independence, Louisiana**  
Statement of Activities  
For the Year Ended June 30, 2018

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               |
| <b>Governmental Activities:</b>                               |                     |                      |                                    |                                  |   |                          |                     |
| General Government  | \$ 348,127          | \$ 56,424            | \$ -                               | \$ -                             | \$ (291,703)                                    | \$ -                     | \$ (291,703)        |
| Public Safety   | 887,274             | 69,170               | 35,634                             | -                                | (782,470)                                       | -                        | (782,470)           |
| Public Works  | 240,305             | -                    | -                                  | -                                | (240,305)                                       | -                        | (240,305)           |
| Solid Waste   | 118,144             | 139,148              | -                                  | -                                | 21,004  | -                        | 21,004              |
| Health and Recreation   | 23,642              | -                    | -                                  | -                                | (23,642)  | -                        | (23,642)            |
| Debt Service Interest   | 12,436              | -                    | -                                  | -                                | (12,436)  | -                        | (12,436)            |
| <b>Total Governmental Activities</b>                          | <b>1,629,928</b>    | <b>264,742</b>       | <b>35,634</b>                      | <b>-</b>                         | <b>(1,329,552)</b>                              | <b>-</b>                 | <b>(1,329,552)</b>  |
| <b>Business-Type Activities:</b>                              |                     |                      |                                    |                                  |   |                          |                     |
| Sewer   | 670,775             | 441,066              | -                                  | -                                | -   | (229,709)                | (229,709)           |
| Water   | 525,483             | 430,132              | -                                  | -                                | -   | (95,351)                 | (95,351)            |
| <b>Total Business-Type Activities</b>                         | <b>1,196,258</b>    | <b>871,198</b>       | <b>-</b>                           | <b>-</b>                         | <b>-</b>  | <b>(325,060)</b>         | <b>(325,060)</b>    |
| <b>Total</b>  | <b>\$ 2,826,186</b> | <b>\$ 1,135,940</b>  | <b>\$ 35,634</b>                   | <b>\$ -</b>                      | <b>(1,329,552)</b>                              | <b>(325,060)</b>         | <b>(1,654,612)</b>  |
| <b>General Revenues:</b>                                      |                     |                      |                                    |                                  |   |                          |                     |
| Sales & Property Taxes  |                     |                      |                                    |                                  | 779,754   | 153,439                  | 933,193             |
| Licenses and Permits  |                     |                      |                                    |                                  | 120,895   | -                        | 120,895             |
| Utility Franchise Fees  |                     |                      |                                    |                                  | 73,646  | -                        | 73,646              |
| Intergovernmental   |                     |                      |                                    |                                  | 11,242  | -                        | 11,242              |
| Rental Income   |                     |                      |                                    |                                  | 98,448  | -                        | 98,448              |
| Miscellaneous   |                     |                      |                                    |                                  | 75,032  | 2,623                    | 77,655              |
| Transfers In and (Out)  |                     |                      |                                    |                                  | -   | -                        | -                   |
| Sale of Fixed Assets  |                     |                      |                                    |                                  | 12,500  | 20,000                   | 32,500              |
| Pension Contributions from Non-Employer Contributing Entities |                     |                      |                                    |                                  | 29,130  | 9,350                    | 38,480              |
| <b>Total General Revenues</b>                                 |                     |                      |                                    |                                  | <b>1,200,647</b>                                | <b>185,412</b>           | <b>1,386,059</b>    |
| <b>Change in Net Position</b>                                 |                     |                      |                                    |                                  | <b>(128,905)</b>                                | <b>(139,648)</b>         | <b>(268,553)</b>    |
| <b>Net Position - Beginning of the Year</b>                   |                     |                      |                                    |                                  | <b>1,849,978</b>                                | <b>5,769,302</b>         | <b>7,619,280</b>    |
| <b>Net Position - End of the Year</b>                         |                     |                      |                                    |                                  | <b>\$ 1,721,073</b>                             | <b>\$ 5,629,654</b>      | <b>\$ 7,350,727</b> |

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, 2018

Exhibit C

|  |                         | <u>Special<br/>Revenue Fund</u>        |   |   |
|--|-------------------------|--|---|---|
|  | <u>General<br/>Fund</u> | <u>Innovative<br/>Housing<br/>Fund</u> | <u>Non-Major<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
| <b>Assets</b>                                      |                         |  |   |   |
| Cash and Cash Equivalents                          | \$ 25,416               | \$ 16,034                              | \$ 1,598                                    | \$ 43,048                               |
| Receivables, Net                                   | 14,789                  | -                                      | -   | 14,789                                  |
| Franchise Tax Receivables                          | 17,141                  | -                                      | -   | 17,141                                  |
| Due From Other Governments                         | 112,129                 | -                                      | -   | 112,129                                 |
| Restricted Cash                                    | -                       | -                                      | -   | -                                       |
| Notes Receivable, Net                              | -                       | 258,158                                | -   | 258,158                                 |
| Due from Other Funds                               | 50,337                  | 79,709                                 | -   | 130,046                                 |
| Prepaid Insurance                                  | 28,973                  | -                                      | -   | 28,973                                  |
| <b>Total Assets</b>                                | <u>\$ 248,785</u>       | <u>\$ 353,901</u>                      | <u>\$ 1,598</u>                             | <u>\$ 604,284</u>                       |
| <br><b>Liabilities and Fund Balances</b>           |                         |  |   |   |
| <b>Liabilities:</b>                                |                         |  |   |   |
| Accounts Payable                                   | \$ 86,970               | \$ -                                   | \$ -  | \$ 86,970                               |
| Accrued Liabilities                                | 9,441                   | -                                      | -   | 9,441                                   |
| MERS   | 4,682                   | -                                      | -   | 4,682                                   |
| MPERS  | 7,126                   | -                                      | -   | 7,126                                   |
| Due to Other Funds                                 | 179,474                 | -                                      | 3,658                                       | 183,132                                 |
| Accrued Interest Payable                           | 1,063                   | -                                      | -   | 1,063                                   |
| <b>Total Liabilities</b>                           | 288,756                 | -                                      | 3,658                                       | 292,414                                 |
| <br><b>Fund Balances:</b>                          |                         |  |   |   |
| Nonspendable                                       | 28,973                  | 337,867                                | -   | 366,840                                 |
| Restricted for:                                    |                         |  |   |   |
| Housing Rehabilitation                             | -                       | 16,034                                 | -   | 16,034                                  |
| Economic Development                               | -                       | -                                      | (2,060)                                     | (2,060)                                 |
| Unassigned   | (68,944)                | -                                      | -   | (68,944)                                |
| <b>Total Fund Balances</b>                         | <u>(39,971)</u>         | <u>353,901</u>                         | <u>(2,060)</u>                              | <u>311,870</u>                          |
| <br><b>Total Liabilities and<br/>Fund Balances</b> | <br><u>\$ 248,785</u>   | <br><u>\$ 353,901</u>                  | <br><u>\$ 1,598</u>                         | <br><u>\$ 604,284</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, 2018

Exhibit D

**Fund Balances - Total Governmental Funds (Exhibit C)** \$ 311,870

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    | 5,516,808   |
| Less: Accumulated Depreciation | (3,564,025) |

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           | (283,000) |
| 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        | (135,085) |
| Municipal Police Employees Retirement System of Louisiana | (554,478) |

|                                |         |
|--------------------------------|---------|
| Deferred Outflows of Resources | 438,325 |
|--------------------------------|---------|

|                               |         |
|-------------------------------|---------|
| Deferred Inflows of Resources | (9,342) |
|-------------------------------|---------|

**Net Position of Governmental Activities (Exhibit A)** \$ 1,721,073

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, 2018

Exhibit E

|  | General<br>Fund | Special<br>Revenue Fund<br>Innovative<br>Housing<br>Fund | Non-Major<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|-----------------|--|------------------------------------|--------------------------------|
|  |                 |  |                                    |                                |
| <b>Revenues:</b>   |                 |  |                                    |                                |
| Taxes:   |                 |  |                                    |                                |
| Sales Taxes  | \$ 613,755      | \$ -   | \$ -                               | \$ 613,755                     |
| Property Taxes   | 165,999         | -  | -                                  | 165,999                        |
| Utility Franchise  | 73,646          | -  | -                                  | 73,646                         |
| Solid Waste Fees   | 139,148         | -  | -                                  | 139,148                        |
| Licenses and Permits   | 120,895         | -  | -                                  | 120,895                        |
| Fines and Forfeitures  | 69,170          | -  | -                                  | 69,170                         |
| Rental Income  | 98,448          | -  | -                                  | 98,448                         |
| Charges for Services   | 56,424          | -  | -                                  | 56,424                         |
| Intergovernmental  | 11,242          | -  | -                                  | 11,242                         |
| On-Behalf Payments from State                                | 35,634          | -  | -                                  | 35,634                         |
| Workers Comp Credit  | 14,322          | -  | -                                  | 14,322                         |
| Other Revenues   | 54,583          | -  | -                                  | 54,583                         |
| Interest Income  | 1,007           | 5,115  | 5                                  | 6,127                          |
| <b>Total Revenues</b>  | 1,454,273       | 5,115  | 5                                  | 1,459,393                      |
| <b>Expenditures:</b>   |                 |  |                                    |                                |
| Current:   |                 |  |                                    |                                |
| General Government   | 277,926         | -  | -                                  | 277,926                        |
| Municipal Court  | 26,147          | -  | -                                  | 26,147                         |
| Public Safety  | 748,858         | -  | -                                  | 748,858                        |
| Public Works   | 172,484         | -  | -                                  | 172,484                        |
| Solid Waste  | 118,144         | -  | -                                  | 118,144                        |
| Health and Recreation  | 23,642          | -  | -                                  | 23,642                         |
| Debt Service   | 42,436          | -  | -                                  | 42,436                         |
| Capital Outlay   | 106,203         | -  | -                                  | 106,203                        |
| <b>Total Expenditures</b>                                    | 1,515,840       | -  | -                                  | 1,515,840                      |
| <b>Excess (Deficiency) of Revenues<br/>Over Expenditures</b> | (61,567)        | 5,115  | 5                                  | (56,447)                       |
| <b>Other Financing Sources (Uses):</b>                       |                 |  |                                    |                                |
| Transfers In / (Out)   | 108,158         | (76,180)   | (31,978)                           | -                              |
| Sale of Fixed Assets   | 12,500          | -  | -                                  | 12,500                         |
| <b>Total Other Financing<br/>Sources (Uses)</b>              | 120,658         | (76,180)   | (31,978)                           | 12,500                         |
| <b>Change in Fund Balances</b>                               | 59,091          | (71,065)   | (31,973)                           | (43,947)                       |
| <b>Fund Balances:</b>  |                 |  |                                    |                                |
| <b>Beginning of the Year</b>                                 | (99,062)        | 424,966  | 29,913                             | 355,817                        |
| <b>End of the Year</b>                                       | \$ (39,971)     | \$ 353,901   | \$ (2,060)                         | \$ 311,870                     |

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, 2018

Exhibit F

**Net Change in Fund Balances - Total Governmental Funds (Exhibit E)** \$ (43,947)

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       | 106,203   |
| Depreciation Expense | (141,706) |

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 | - |
|--|---|

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                         | 101,361 |
| Contributions from Non-Employer Contributing Entities | 29,130  |

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 | 30,000 |
|---------------------------|--------|

**Change in Net Position of Governmental Activities (Exhibit B)** \$ 81,041

The accompanying notes are an integral part of this statement.

**Town of Independence, Louisiana**  
**Statements of Net Position – Proprietary Funds**  
**June 30, 2018 and 2017**

Exhibit G

|   | Business-Type Activities -<br>Enterprise Funds |                  | Total<br>(Memorandum Only) |                   |
|---|--|------------------|----------------------------|-------------------|
|   | Water  | Sewer            | 2018                       | 2017              |
| <b>Assets</b>                           |  |                  |                            |                   |
| <b>Current Assets:</b>                  |  |                  |                            |                   |
| Cash and Cash Equivalents               | \$ 8,033                                       | \$ 102,932       | \$ 110,965                 | \$ 58,509         |
| Customer Accounts Receivable, Net       | 74,155   | 12,525           | 86,680                     | 83,459            |
| Due from Other Governments              | -  | 24,540           | 24,540                     | 44,793            |
| Due from General Fund                   | -  | 103,422          | 103,422                    | 121,290           |
| Due from Water Fund                     | -  | 161,942          | 161,942                    |                   |
| Prepaid Insurance                       | -  | 2,377            | 2,377                      | -                 |
| <b>Total Current Assets</b>             | <b>82,188</b>                                  | <b>407,738</b>   | <b>489,926</b>             | <b>308,051</b>    |
| <b>Non-Current Assets:</b>              |  |                  |                            |                   |
| <b>Restricted Cash:</b>                 |  |                  |                            |                   |
| Customer Deposits                       | 98,512   | -                | 98,512                     | 83,413            |
| Construction                            | -  | -                | -                          | -                 |
| Debt Service                            | 79,541   | 142,722          | 222,263                    | 61,171            |
| <b>Total Non-Current Assets</b>         | <b>178,053</b>                                 | <b>142,722</b>   | <b>320,775</b>             | <b>144,584</b>    |
| <b>Capital Assets:</b>                  |  |                  |                            |                   |
| Property, Plant, and Equipment, at Cost | 5,875,229                                      | 9,396,382        | 15,271,611                 | 15,227,044        |
| Less: Accumulated Depreciation          | (1,673,153)                                    | (2,721,616)      | (4,394,769)                | (3,989,770)       |
| Land                                    | 29,100   | 40,708           | 69,808                     | 69,808            |
| <b>Total Capital Assets</b>             | <b>4,231,176</b>                               | <b>6,715,474</b> | <b>10,946,650</b>          | <b>11,307,082</b> |
| <b>Total Assets</b>                     | <b>4,491,417</b>                               | <b>7,265,934</b> | <b>11,757,351</b>          | <b>11,759,717</b> |
| <b>Deferred Outflows of Resources</b>   |  |                  |                            |                   |
| Pension Related                         | 101,194  | 72,380           | 173,574                    | 114,469           |
| Total Deferred Outflows of Resources    | 101,194  | 72,380           | 173,574                    | 114,469           |

(Continued)

**Town of Independence, Louisiana**  
**Statements of Net Position – Proprietary Funds (Continued)**  
**June 30, 2018 and 2017**

Exhibit G

|   | Business-Type Activities -<br>Enterprise Funds |                     | Total<br>(Memorandum Only) |                     |
|---|--|---------------------|----------------------------|---------------------|
|   | Water  | Sewer               | 2018                       | 2017                |
| <b>Liabilities</b>  |  |                     |                            |                     |
| <b>Current Liabilities (Payable from Current Assets):</b>         |  |                     |                            |                     |
| Accounts Payable  | \$ 17,288                                      | \$ 17,786           | \$ 35,074                  | \$ 38,214           |
| Accrued Liabilities   | 2,455  | 1,318               | 3,773                      | 4,857               |
| Due to General Fund   | 50,336   | -                   | 50,336                     |                     |
| Due to Sewer Fund   | 161,942  | -                   | 161,942                    | 14,778              |
| Due to Other Governments  | 961  | 961                 | 1,922                      | 1,922               |
| <b>Total Current Liabilities (Payable from Current Assets)</b>    | <b>232,982</b>                                 | <b>20,065</b>       | <b>253,047</b>             | <b>59,771</b>       |
| <b>Current Liabilities (Payable from Restricted Assets):</b>      |  |                     |                            |                     |
| Utility Customer Deposits   | 97,950   | -                   | 97,950                     | 82,750              |
| Current Portion of Capital Lease                                  | 8,192  | -                   | 8,192                      | -                   |
| Current Portion of Long-Term Debt                                 | 37,318   | 63,196              | 100,514                    | 97,302              |
| <b>Total Current Liabilities (Payable from Restricted Assets)</b> | <b>143,460</b>                                 | <b>63,196</b>       | <b>206,656</b>             | <b>180,052</b>      |
| <b>Non-Current Liabilities:</b>                                   |  |                     |                            |                     |
| Capital Lease   | 16,383   | -                   | 16,383                     | -                   |
| Revenue Bonds   | 2,456,672                                      | 3,164,479           | 5,621,151                  | 5,721,666           |
| Net Pension Liability   | 116,424  | 83,275              | 199,699                    | 127,404             |
| <b>Total Non-Current Liabilities</b>                              | <b>2,589,479</b>                               | <b>3,247,754</b>    | <b>5,837,233</b>           | <b>5,849,070</b>    |
| <b>Total Liabilities</b>  | <b>2,965,921</b>                               | <b>3,331,015</b>    | <b>6,296,936</b>           | <b>6,088,893</b>    |
| <b>Deferred Inflows of Resources</b>                              |  |                     |                            |                     |
| Pension Related   | 2,527  | 1,808               | 4,335                      | 15,991              |
| <b>Total Deferred Inflows of Resources</b>                        | <b>2,527</b>                                   | <b>1,808</b>        | <b>4,335</b>               | <b>15,991</b>       |
| <b>Net Position</b>   |  |                     |                            |                     |
| Net Investment in Capital Assets                                  | 1,712,611                                      | 3,487,799           | 5,208,602                  | 5,585,416           |
| Restricted  | -  | -                   | -                          | -                   |
| Unrestricted  | (88,448)                                       | 517,692             | 421,052                    | 183,886             |
| <b>Total Net Position</b>   | <b>\$ 1,624,163</b>                            | <b>\$ 4,005,491</b> | <b>\$ 5,629,654</b>        | <b>\$ 5,769,302</b> |

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, 2018 and 2017

Exhibit H

|  | Business-Type Activities -<br>Enterprise Funds |              | Total<br>(Memorandum Only) |              |
|--|--|--------------|----------------------------|--------------|
|  | Sewer  | Water        | 2018                       | 2017         |
|  | <b>Operating Revenues:</b>                     |              |                            |              |
| Charges for Services                                 | \$ 440,884                                     | \$ 429,951   | \$ 870,835                 | \$ 821,048   |
| Other Revenue  | 182  | 181          | 363                        | 1,612        |
| <b>Total Operating Revenues</b>                      | 441,066  | 430,132      | 871,198                    | 822,660      |
| <b>Operating Expenses:</b>                           |  |              |                            |              |
| Depreciation and Amortization                        | 248,153  | 156,845      | 404,998                    | 401,179      |
| Salaries and Employee Benefits                       | 82,775   | 118,123      | 200,898                    | 217,275      |
| Repairs and Maintenance                              | 56,775   | 32,791       | 89,566                     | 219,821      |
| Utilities and Telephone                              | 69,036   | 29,316       | 98,352                     | 81,291       |
| Supplies   | 5,457  | 17,108       | 22,565                     | 22,565       |
| Professional Fees                                    | 23,549   | 23,549       | 47,098                     | 53,160       |
| Environmental Testing                                | 33,406   | 1,339        | 34,745                     | 37,155       |
| Insurance  | 14,231   | 16,756       | 30,987                     | 36,270       |
| Bad Debt   | 16,369   | 16,497       | 32,866                     | 35,299       |
| Vehicle Expense                                      | 2,634  | 1,682        | 4,316                      | 6,611        |
| Miscellaneous  | 11,165   | 28,448       | 39,613                     | 21,016       |
| Pension Expense                                      | 5,442  | 5,442        | 10,884                     | 16,640       |
| <b>Total Operating Expenses</b>                      | 568,992  | 447,896      | 1,016,888                  | 1,148,282    |
| <b>Operating Income / (Loss)</b>                     | (127,926)                                      | (17,764)     | (145,690)                  | (325,622)    |
| <b>Non-Operating Revenues /<br/>(Expenses):</b>      |  |              |                            |              |
| Non-Employer Contributions                           | 4,675  | 4,675        | 9,350                      | 7,878        |
| Investment Income                                    | 543  | 2,080        | 2,623                      | 2,494        |
| Grant Revenue  | -  | -            | -                          | 79,727       |
| Sales and Use Tax                                    | 153,439  | -            | 153,439                    | 156,235      |
| Sales of Fixed Asset                                 | 10,000   | 10,000       | 20,000                     | -            |
| Operating Transfer In                                | -  | -            | -                          | 17,076       |
| Interest Expense                                     | (101,783)                                      | (77,587)     | (179,370)                  | (182,506)    |
| <b>Total Non-Operating<br/>Revenues / (Expenses)</b> | 66,874   | (60,832)     | 6,042                      | 80,904       |
| <b>Change in Net Position</b>                        | (61,052)                                       | (78,596)     | (139,648)                  | (244,718)    |
| <b>Net Position - Originally Stated</b>              | 4,066,543                                      | 1,702,759    | 5,769,302                  | 5,914,273    |
| <b>Prior Period Adjustment</b>                       | -  | -            | -                          | 99,747       |
| <b>Net Position - Restated</b>                       | 4,066,543                                      | 1,702,759    | 5,769,302                  | 6,014,020    |
| <b>Net Position - End of the Year</b>                | \$ 4,005,491                                   | \$ 1,624,163 | \$ 5,629,654               | \$ 5,769,302 |

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, 2018 and 2017**

Exhibit I

|  | Business-Type Activities |                   | Total             |                   |
|--|--------------------------|-------------------|-------------------|-------------------|
|  | Enterprise Funds         |                   | (Memorandum Only) |                   |
|  | Water                    | Sewer             | 2018              | 2017              |
| <b>Cash Flows from Operating Activities:</b>                                     |                          |                   |                   |                   |
| Receipts from Customers and Users  | \$ 429,043               | \$ 429,933        | \$ 858,976        | \$ 809,845        |
| Payments to Suppliers  | (153,426)                | (222,837)         | (376,263)         | (523,992)         |
| Payments to Employees  | (125,391)                | (91,105)          | (216,496)         | (215,100)         |
| Payment for Prior Years M.E.R.S. Liabilities                                     | -                        | -                 | -                 | (347,889)         |
| <b>Net Cash Provided by / (Used in) Operating Activities</b>                     | <u>150,226</u>           | <u>115,991</u>    | <u>266,217</u>    | <u>(277,136)</u>  |
| <b>Cash Flows From Noncapital Financing Activities:</b>                          |                          |                   |                   |                   |
| Prior Period Adjustment  | \$ -                     | \$ -              | \$ -              | \$ 119,910        |
| Transfer In From Other Funds   | -                        | -                 | -                 | 17,076            |
| Increase / (Decrease) in Amounts Due to Other Funds, Net                         | -                        | 53,426            | 53,426            | (117,638)         |
| <b>Net Cash Provided by / (Used in) Noncapital Financing Activities</b>          | <u>-</u>                 | <u>53,426</u>     | <u>53,426</u>     | <u>19,348</u>     |
| <b>Cash Flows From Capital and Related Financing Activities:</b>                 |                          |                   |                   |                   |
| Capital Grants, F.E.M.A Non-Employer Contributions                               | \$ 17,330                | \$ 12,396         | \$ 29,726         | \$ 233,454        |
| Proceeds from Sales Tax Collections  | -                        | 153,318           | 153,318           | 155,874           |
| Proceeds from Capital Lease  | 32,766                   | -                 | 32,766            | -                 |
| Proceeds from Sale of Fixed Assets   | 10,000                   | 10,000            | 20,000            | -                 |
| Principal Paid on Capital Lease  | (8,191)                  | -                 | (8,191)           | -                 |
| Interest Paid on Debt  | (77,587)                 | (101,783)         | (179,370)         | (182,505)         |
| Principal Paid on Debt   | (36,197)                 | (61,105)          | (97,302)          | (94,165)          |
| Payments for Capital Assets  | (32,766)                 | (11,800)          | (44,566)          | (198,241)         |
| <b>Net Cash Provided by / (Used in) Capital and Related Financing Activities</b> | <u>(94,645)</u>          | <u>1,026</u>      | <u>(93,619)</u>   | <u>(85,583)</u>   |
| <b>Cash Flows From Investing Activities:</b>                                     |                          |                   |                   |                   |
| Interest Earned on Investments   | \$ 543                   | \$ 2,080          | \$ 2,623          | \$ 2,494          |
| <b>Net Cash Provided by / (Used in) Investing Activities</b>                     | <u>543</u>               | <u>2,080</u>      | <u>2,623</u>      | <u>2,494</u>      |
| <b>Net Increase / (Decrease) in Cash</b>   | 56,124                   | 172,523           | 228,647           | (340,877)         |
| <b>Cash and Cash Equivalents - Beginning of the Year</b>                         | 129,962                  | 73,131            | 203,093           | 543,970           |
| <b>Cash and Cash Equivalents - End of the Year</b>                               | <u>\$ 186,086</u>        | <u>\$ 245,654</u> | <u>\$ 431,740</u> | <u>\$ 203,093</u> |
| <b>Reconciliation of Cash Accounts:</b>  |                          |                   |                   |                   |
| Unrestricted Cash and Cash Equivalents   | \$ 8,033                 | \$ 102,933        | \$ 110,965        | \$ 58,509         |
| Restricted Cash and Cash Equivalents   | 178,053                  | 142,721           | 320,775           | 144,584           |
| <b>Cash and Cash Equivalents - End of the Year</b>                               | <u>\$ 186,086</u>        | <u>\$ 245,654</u> | <u>\$ 431,740</u> | <u>\$ 203,093</u> |

(Continued)

**Town of Independence, Louisiana**  
 Statements of Cash Flows – Proprietary Funds (Continued)  
 For the Years Ended June 30, 2018 and 2017

Exhibit I

|   | Business-Type Activities<br>Enterprise Funds   |                   | Total<br>(Memorandum Only) |                     |
|---|--|-------------------|----------------------------|---------------------|
|   | Water  | Sewer             | 2018                       | 2017                |
|   | <b>Reconciliation of Operating Income / (Loss) to Net Cash Provided by / (Used in) Operating Activities:</b> |                   |                            |                     |
| Operating Income / (Loss)   | \$ (115,890)   | \$ (5,600)        | \$ (145,690)               | \$ (325,622)        |
| Adjustments to Reconcile Operating Loss to Net Cash Provided by (Used in) / Operating Activities: |  |                   |                            |                     |
| Depreciation and Amortization   | 156,845  | 248,153           | 404,998                    | 401,179             |
| Changes in Assets and Liabilities:  |  |                   |                            |                     |
| (Increase) / Decrease in Accounts Receivable  | (16,292)   | (11,129)          | (27,421)                   | (28,465)            |
| (Increase) / Decrease in Internal Balances  | 111,195  | (111,195)         | -                          | -                   |
| (Increase) / Decrease in Prepaid Insurance  | -  | (2,377)           | (2,377)                    | -                   |
| (Increase) / Decrease in Deferred Outflows  | (34,458)   | (24,647)          | (59,105)                   | (102,827)           |
| Increase / (Decrease) in Accounts Payable   | (1,727)  | (1,413)           | (3,140)                    | (13,515)            |
| Increase / (Decrease) in Accrued Liabilities  | -  | (1,087)           | (1,087)                    | 2,963               |
| 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  | 42,148   | 30,147            | 72,295                     | 127,404             |
| Increase / (Decrease) in Deferred Inflows   | (6,795)  | (4,861)           | (11,656)                   | (7,936)             |
| Increase / (Decrease) in Meter Deposits   | 15,200   | -                 | 15,200                     | 15,650              |
| <b>Net Cash Provided By / (Used In) Operating Activities</b>                                      | <b>\$ 150,226</b>  | <b>\$ 115,991</b> | <b>\$ 242,017</b>          | <b>\$ (277,136)</b> |
| <b>Supplemental Disclosure of Cash Flow Information:</b>  |  |                   |                            |                     |
| Interest Paid   |  |                   | \$ 179,370                 | \$ 182,505          |

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, 2018

**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, 2018

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

The Town's basic financial statements include both government-wide (reporting the Town as a whole) and fund financial statements (reporting the Town's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The Town's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America and applied to governmental units. The Town's public safety (police and fire), streets, drainage, sanitation, culture / recreation, public improvements, planning and zoning and general and administrative services are classified as governmental activities. The Town's water and sewer utility services are classified as business-type activities.

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

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

The Town does not allocate indirect costs.

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

**C. Basic Financial Statements - Fund Financial Statements**

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

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

**Town of Independence, Louisiana**  
Notes to Financial Statements (Continued)  
For the Year Ended June 30, 2018

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 a 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, 2018

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, 2018

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, 2018

G. Receivables

In government-wide statements, receivables consist of all revenues earned at year-end and not yet received. For governmental activities, uncollectible amounts due for receivables are recognized as bad debts and directly charged off at the time information becomes available which indicates the receivable is not collectible. In governmental fund types, the uncollectible amount is charged to the revenue reported. In business-type activities, uncollectible amounts due from utility billing receivables are recognized as bad debts through the use of an allowance account or are directly charged off at the time information becomes available that a receivable is not collectible. Allowances for uncollectible accounts receivable are based on historical trends and the periodic aging of accounts receivable. An allowance for doubtful accounts of \$24,880 was recorded in the governmental funds and \$65,2655 was recorded in the proprietary funds at June 30, 2018.

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, 2018

The range of estimated useful lives by type of asset is as follows:

|                         |         |       |
|-------------------------|---------|-------|
| Buildings               | 7 - 40  | Years |
| Infrastructure          | 15 - 40 | Years |
| Furniture and Equipment | 5 - 10  | Years |
| Heavy Equipment         | 5 - 10  | Years |
| Vehicles                | 5 - 10  | Years |
| Utilities               | 5 - 50  | Years |

**J. Long-Term Obligations**

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

**K. Compensated Absences**

The Town's policy is to allow employees' vacation pay based on employee classification and length of service. Vacation pay is non-cumulative with any unpaid amounts paid to employees upon separation from Town's service. In governmental funds, the cost of vacation pay is recognized when payments are made to employees. At June 30, 2018, \$668 was recorded as unused vacation pay in the Water and Sewer Enterprise Fund.

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

**L. Pension Plans**

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

**M. Net Position**

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

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

**Town of Independence, Louisiana**  
Notes to Financial Statements (Continued)  
For the Year Ended June 30, 2018

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, 2018.

**Town of Independence, Louisiana**  
Notes to Financial Statements (Continued)  
For the Year Ended June 30, 2018

- 1966 1% Sales and Use Tax

The proceeds of the 1966 1% sales and use tax levied by the Town (current collections were \$306,877 for the year ended June 30, 2018) 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 \$306,877 for the year ended June 30, 2018) were originally dedicated for the following purpose: constructing, acquiring, extending, improving, operating and / or maintaining sewers and sewerage disposal works for the Town, constructing, paving, widening, and improving streets in the Town and for construction, acquiring, extending, improving, operating and / or maintaining waterworks facilities.

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

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

The proceeds of the 1980 ½ % sales and use tax levied by the Town (current collections were \$153,439 for the year ended June 30, 2018) were dedicated for the payment of the \$290,000 Public Improvement Bonds. This tax expired January 3, 2005, but collection of the tax continued beyond the date of expiration. On March 31, 2007, a special election was held and the voters approved a proposition to continue to levy this tax. As of March 9, 2005, these \$290,000 Public Improvement Bonds were paid in full and the sales tax is no longer dedicated for payment of these bonds. On July 9, 2013, the Town issued \$2,632,000.00 of Sewer Revenue Bonds, Series 2014 to fund improvements to the Town's sewer system. These bonds are secured by a pledge and dedication of the excess of annual revenues of the Town including the proceeds of the 1980 1/2% sales and use tax.

Q. Estimates

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

**Town of Independence, Louisiana**  
Notes to Financial Statements (Continued)  
For the Year Ended June 30, 2018

**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.

Total expenditures for the General Fund exceeded the final budgeted amount by \$89,258 or 6.26%. This resulted in a budget violation.

B. Deposits, Investment Laws, and Regulations

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

C. Deficit Fund Equity

As of June 30, 2018, the General Fund had a deficit fund balance of \$39,971.

D. Compliance with Bond Covenants

As of June 30, 2018, the Town was not in compliance with the requirements of the outstanding Revenue Bonds and Limited Tax Bonds. See Note 11 for additional information.

**3. Cash, Cash Equivalents, and Investments**

At June 30, 2018, the Town had cash and cash equivalents (book balances) totaling \$469,240. These deposits are stated at cost, which approximates market.

|  | Statement of<br>Net Position |
|--|------------------------------|
| Cash and Cash Equivalents              | \$ 148,465                   |
| Restricted Cash and Cash Equivalents   | 320,775                      |
| <b>Total Interest-Bearing Deposits</b> | <b>\$ 469,240</b>            |

*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, 2018, \$258,888 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, 2018

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, 2018 was as follows:

|                         | Governmental<br>Activities | Business-<br>Type<br>Activities | Total             |
|-------------------------|----------------------------|---------------------------------|-------------------|
| Debt Service            | \$ -                       | \$ 222,263                      | \$ 222,263        |
| Customer Meter Deposits | -                          | 98,512                          | 98,512            |
| <b>Total</b>            | <u>\$ -</u>                | <u>\$ 320,775</u>               | <u>\$ 320,775</u> |

**5. Receivables**

As of June 30, 2018, the accounts receivable and due from other governments for governmental activities were as follows:

|  | General Fund      | Special<br>Revenue<br>Funds | Total<br>Governmental<br>Funds |
|--|-------------------|-----------------------------|--------------------------------|
| Receivables:                             |                   |                             |                                |
| User Fees                                | \$ 39,668         | \$ -                        | \$ 39,668                      |
| Franchise Fees                           | 17,141            | -                           | 17,141                         |
| Due From Other Funds                     | 50,337            | 79,710                      | 130,047                        |
| Less: Uncollectible Allowance            | (24,880)          | -                           | (24,880)                       |
| Total Governmental Fund Receivables, Net | <u>\$ 82,266</u>  | <u>\$ 79,710</u>            | <u>\$ 161,976</u>              |
| Due From Other Governments:              |                   |                             |                                |
| Sales and Use Tax                        | \$ 98,160         | \$ -                        | \$ 98,160                      |
| Fire Marshall                            | 12,432            | -                           | 12,432                         |
| Beer Tax                                 | 1,537             | -                           | 1,537                          |
| Total Due From Other Governments         | <u>\$ 112,129</u> | <u>\$ -</u>                 | <u>\$ 112,129</u>              |

**Town of Independence, Louisiana**  
Notes to Financial Statements (Continued)  
For the Year Ended June 30, 2018

As of June 30, 2018, the accounts receivable and due from other governments for business-type activities were as follows:

|   |                  |
|---|------------------|
| Accounts Receivable:                    |                  |
| Utility Charges                         | \$ 151,746       |
| Other                                   | -                |
| Less: Uncollectible Allowance           | <u>(65,066)</u>  |
| Total Proprietary Fund Receivables, Net | <u>\$ 86,680</u> |
|   |                  |
| Due From Other Governments:             |                  |
| Sales and Use Tax                       | \$ 24,540        |
| Grants                                  | -                |
| Less: Uncollectible Allowance           | <u>-</u>         |
| Total Due From Other Governments        | <u>\$ 24,540</u> |

**6. Concentration of Credit Risk – Proprietary Funds**

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

**7. Notes Receivable – Innovative Housing Grant Program**

The Town, through a grant program, received mortgage notes from individuals for residential and small business projects. These notes (10 outstanding as of June 30, 2018) 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, 2018, the total outstanding balance of the notes was \$258,158.

**Town of Independence, Louisiana**  
Notes to Financial Statements (Continued)  
For the Year Ended June 30, 2018

**8. Capital Assets**

The following is a summary of changes in capital assets for the governmental activities for the year ended June 30, 2018:

|   | Balance<br>June 30, 2017 | Increases          | Decreases   | Balance<br>June 30, 2018 |
|---|--------------------------|--------------------|-------------|--------------------------|
| <b>Capital Assets Not Being Depreciated:</b>      |                          |                    |             |                          |
| Land  | \$ 100,150               | \$ -               | \$ -        | \$ 100,150               |
| Construction in Progress                          | <u>338,203</u>           | <u>-</u>           | <u>-</u>    | <u>338,203</u>           |
| <b>Total Capital Assets Not Being Depreciated</b> | 438,353                  | -                  | -           | 438,353                  |
| <b>Capital Assets:</b>                            |                          |                    |             |                          |
| Building  | 1,692,630                | 100,890            | -           | 1,793,520                |
| Vehicles and Equipment                            | 566,776                  | 5,313              | -           | 572,089                  |
| Infrastructure                                    | <u>2,712,846</u>         | <u>-</u>           | <u>-</u>    | <u>2,712,846</u>         |
| <b>Total Capital Assets</b>                       | 4,972,252                | 106,203            | -           | 5,078,455                |
| <b>Less: Accumulated Depreciation:</b>            |                          |                    |             |                          |
| Building  | 438,712                  | 43,790             | -           | 482,502                  |
| Vehicles and Equipment                            | 465,288                  | 30,095             | -           | 495,383                  |
| Infrastructure                                    | <u>2,518,319</u>         | <u>67,821</u>      | <u>-</u>    | <u>2,586,140</u>         |
| <b>Total Accumulated Depreciation</b>             | <u>3,422,319</u>         | <u>141,706</u>     | <u>-</u>    | <u>3,564,025</u>         |
| <b>Total Governmental Capital Assets, Net</b>     | <u>\$ 1,988,286</u>      | <u>\$ (35,503)</u> | <u>\$ -</u> | <u>\$ 1,952,783</u>      |

Depreciation expense was charged to governmental functions as follows:

|                                 |                   |
|---------------------------------|-------------------|
| <b>Governmental Activities:</b> |                   |
| General Government              | \$ 38,743         |
| Public Safety                   | 35,142            |
| Public Works                    | <u>67,821</u>     |
| <b>Total</b>                    | <u>\$ 141,706</u> |

**Town of Independence, Louisiana**  
Notes to Financial Statements (Continued)  
For the Year Ended June 30, 2018

The following is a summary of changes in capital assets for business-type activities for the year ended June 30, 2018:

|   | Balance<br>June 30, 2017 | Increases    | Decreases | Balance<br>June 30, 2018 |
|---|--------------------------|--------------|-----------|--------------------------|
| <b>Capital Assets Not Being Depreciated:</b>      |                          |              |           |                          |
| Land  | \$ 69,808                | \$ -         | \$ -      | \$ 69,808                |
| Construction in Progress                          | -                        | -            | -         | -                        |
| <b>Total Capital Assets Not Being Depreciated</b> | 69,808                   | -            | -         | 69,808                   |
| <b>Capital Assets:</b>                            |                          |              |           |                          |
| Vehicles and Equipment                            | 567,080                  | 41,267       | -         | 608,347                  |
| 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                              | 2,666,071                | 3,300        | -         | 2,669,371                |
| Sewer Pumps and Lift Stations                     | 790,787                  | -            | -         | 790,787                  |
| <b>Total Capital Assets</b>                       | 15,227,044               | 44,567       | -         | 15,271,611               |
| <b>Less: Accumulated Depreciation:</b>            |                          |              |           |                          |
| Vehicles and Equipment                            | 333,262                  | 53,726       | -         | 386,988                  |
| Water & Sewer Lines                               | 1,337,847                | 210,849      | -         | 1,548,696                |
| Water Storage Tanks                               | 165,280                  | 50,318       | -         | 215,598                  |
| Water Wells                                       | 157,361                  | 7,352        | -         | 164,713                  |
| Sewer Treatment Plan                              | 1,277,546                | 66,734       | -         | 1,344,280                |
| Sewer Pumps and Lift Stations                     | 718,474                  | 16,020       | -         | 734,494                  |
| <b>Total Accumulated Depreciation</b>             | 3,989,770                | 404,999      | -         | 4,394,769                |
| <b>Total Business-Type Capital Assets, Net</b>    | \$ 11,307,082            | \$ (360,432) | \$ -      | \$ 10,946,650            |

**9. Capital Lease**

On July 17, 2017, the Town entered into a lease purchase agreement to purchase a Utility Cab Tractor. The lease is for 48 months with sixteen payments of \$2,047.90 paid quarterly. The lease contains a bargain purchase agreement of \$100 at the end of the lease. At June 30, 2018, the Town recorded an asset of \$32,768 with accumulated depreciation of \$3,004. The balance of this lease payable is \$24,574.80 with a current maturity of the lease is \$8,191.60.

| Year End | Lease<br>Payments |
|----------|-------------------|
| 06/30/19 | \$ 8,191.60       |
| 06/30/20 | 8,191.60          |
| 06/30/21 | 8,191.60          |
|          | \$ 24,574.80      |

**Town of Independence, Louisiana**  
Notes to Financial Statements (Continued)  
For the Year Ended June 30, 2018

**10. Long-Term Debt**

The Town's long-term debt is segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities. The following is a summary of long-term liabilities of the Town for the year ended June 30, 2018:

|                   | Total Debt<br>6/30/2017 | Increase in<br>Debt | Debt<br>Retired   | Total Debt<br>6/30/2018 | Due in<br>One Year |
|-------------------|-------------------------|---------------------|-------------------|-------------------------|--------------------|
| Revenue Bonds     | \$ 6,003,968            | \$ -                | \$ 116,303        | \$ 5,887,665            | \$ 120,514         |
| Limited Tax Bonds | 128,000                 | -                   | 11,000            | 117,000                 | 12,000             |
| <b>Total</b>      | <u>\$ 6,131,968</u>     | <u>\$ -</u>         | <u>\$ 127,303</u> | <u>\$ 6,004,665</u>     | <u>\$ 132,514</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.

\$ 166,000

\$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.

117,000

**Total Governmental Activities**

\$ 283,000

An amortization schedule of the outstanding long-term debt of the Governmental Activities including interest expense of \$51,487 is as follows:

| Governmental Activities<br>Revenue & Limited Tax Bonds |                   |                   |                 |                   |
|--|-------------------|-------------------|-----------------|-------------------|
| Year End   | Series 2010       | Series 2015       | LPFA            | Total             |
| 06/30/19   | \$ 28,300         | \$ 9,053          | \$ 6,000        | \$ 43,353         |
| 06/30/20   | 28,300            | 14,888            | -               | 43,188            |
| 06/30/21   | 28,267            | 14,558            | -               | 42,825            |
| 06/30/22   | 29,150            | 15,228            | -               | 44,378            |
| 06/30/23   | 28,950            | 14,870            | -               | 43,820            |
| 2024 - 2027  | 58,100            | 58,823            | -               | 116,923           |
| <b>Total</b>   | <u>\$ 201,067</u> | <u>\$ 127,420</u> | <u>\$ 6,000</u> | <u>\$ 334,487</u> |

**Town of Independence, Louisiana**  
Notes to Financial Statements (Continued)  
For the Year Ended June 30, 2018

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    | \$ 680,081                 |
| \$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. | 1,373,868                  |
| \$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.     | 1,120,122                  |
| \$2,632,000 Sewer Revenue Bonds dated, April 28, 2015; Due in monthly installments of \$9,186 through April 16, 2055; Interest at 2.75%; Payable from a pledge of the Town's revenues of the Water System.    | 2,547,594                  |
| <b>Total Business-Type Activities</b>   | <b><u>\$ 5,721,665</u></b> |

An amortization schedule of the outstanding long-term debt of the Business-Type Activities including interest expense of \$3,471,438 is as follows:

| Year End     | Business Activities        |                          |                          |                            |                            |                            |
|--------------|----------------------------|--------------------------|--------------------------|----------------------------|----------------------------|----------------------------|
|              | Sewer                      |                          |                          | Water                      |                            |                            |
|              | Series<br>2015             | Revenue<br>Bond          | Revenue<br>Bond          | Series<br>2015 A           | Series<br>2015 B           | Totals                     |
| 06/30/19     | \$ 110,232                 | \$ 9,612                 | \$ 43,044                | \$ 54,096                  | \$ 59,688                  | \$ 276,672                 |
| 06/30/20     | 110,232                    | 9,612                    | 43,044                   | 54,096                     | 59,688                     | 276,672                    |
| 06/30/21     | 110,232                    | 9,612                    | 43,044                   | 54,096                     | 59,688                     | 276,672                    |
| 06/30/22     | 110,232                    | 9,612                    | 43,044                   | 54,096                     | 59,688                     | 276,672                    |
| 06/30/23     | 110,232                    | 9,612                    | 43,044                   | 54,096                     | 59,688                     | 276,672                    |
| 2024 - 2055  | 3,499,543                  | 128,707                  | 575,706                  | 1,726,178                  | 1,879,609                  | 7,809,743                  |
| <b>Total</b> | <b><u>\$ 4,050,703</u></b> | <b><u>\$ 176,767</u></b> | <b><u>\$ 790,926</u></b> | <b><u>\$ 1,996,658</u></b> | <b><u>\$ 2,178,049</u></b> | <b><u>\$ 9,193,103</u></b> |

**Town of Independence, Louisiana**  
Notes to Financial Statements (Continued)  
For the Year Ended June 30, 2018

**11. 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 was not in compliance with the bond covenants, as the Asset Fund was not setup, and the Sinking Fund and Reserve Fund were not adequately funded at year-end.

***\$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, 2018

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 the Town had not yet setup the Reserve Fund at year-end.

***\$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 the Reserve Fund was not setup, and the Contingency Fund was not adequately funded at year-end.

**Town of Independence, Louisiana**  
Notes to Financial Statements (Continued)  
For the Year Ended June 30, 2018

***\$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 not in compliance with the bond covenants as the annual budget was not adopted timely.

***\$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, 2018

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

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

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

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

The Town was not in compliance with the bond covenants, as the "Sewer Revenue Bond and Interest Sinking Fund" was not adequately funded at year-end and the audit was not completed within three months of year-end.

## 12. 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](http://www.mersla.com/annual-reports). The report may also be obtained by writing to the Municipal Employees' Retirement System of Louisiana, 7937 Office Park Boulevard, Baton Rouge, LA 70809, or by calling (225) 925-4810.

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

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

**Town of Independence, Louisiana**  
Notes to Financial Statements (Continued)  
For the Year Ended June 30, 2018

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

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

Under Plan “B,” employees are required to contribute 5.00% of their annual pay. The Town’s contractually required contribution rate for the year ended June 30, 2018, was 13.25 % of annual payroll. Contributions to the System from the Town were \$45,217 for the year ended June 30, 2018.

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

At June 30, 2018, the Town reported a liability of \$334,784 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2018, contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

For the year ended June 30, 2018, the Town recognized pension expense of \$18,247. At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|  | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|--|--------------------------------------|-------------------------------------|
| Differences Between Expected and Actual Experience   | \$ -                                 | \$ 7,268                            |
| Changes of Assumptions   | 14,741                               | -                                   |
| Changes of Experience  | 1,754                                | -                                   |
| Net Difference Between Projected and Actual Earnings on<br>Pension Plan Investments                          | 70,537                               | -                                   |
| Changes in Proportion and Differences Between Town<br>Contributions and Proportionate Share of Contributions | 171,101                              | -                                   |
| Town Contributions Subsequent to the Measurement Date  | 32,854                               | -                                   |
|  | \$ 290,987                           | \$ 7,268                            |

\$32,854 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

**Town of Independence, Louisiana**  
Notes to Financial Statements (Continued)  
For the Year Ended June 30, 2018

liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <b>Year Ended:</b> |    |        |
|--------------------|----|--------|
| June 30, 2018      | \$ | 88,495 |
| June 30, 2019      |    | 86,607 |
| June 30, 2020      |    | 72,589 |
| June 30, 2021      |    | 3,172  |
| June 30, 2022      |    | -      |
| Thereafter         |    | -      |

Actuarial Assumptions – The total pension liability in the June 30, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

|                           |  |
|---------------------------|--|
| Inflation                 | 2.775%                                 |
| Salary Increases          | 5.00% (2.775% Inflation, 2.225% Merit) |
| Investment Rate of Return | 7.400%                                 |

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, 2017 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, 2018

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%            | 2.30%                                  |
| Public Fixed Income                | 15.00%            | 1.60%                                  |
| Alternatives                       | 35.00%            | 0.70%                                  |
| Total                              | 100.00%           | 4.60%                                  |
| Inflation                          |                   | 2.60%                                  |
| Expected Arithmetic Nominal Return |                   | 7.20%                                  |

Discount Rate – The discount rate used to measure the total pension liability was 7.40%. 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 7.40%, 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 (6.40%) or one percentage-point higher (8.40%) than the current rate:

|  | 1.0%<br>Decrease<br>6.40% | Current<br>Discount Rate<br>7.40% | 1.0%<br>Increase<br>8.40% |
|--|---------------------------|-----------------------------------|---------------------------|
| Town's Proportionate Share of the<br>Net Pension Liability | \$ 433,172                | \$ 334,784                        | \$ 250,822                |

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 at [www.lampers.org/auditreports.htm](http://www.lampers.org/auditreports.htm). The report may also be obtained by writing to the Municipal Police

**Town of Independence, Louisiana**  
Notes to Financial Statements (Continued)  
For the Year Ended June 30, 2018

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 Police 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, 2018, was 30.75% of annual payroll. Contributions to the Police System from the Town were \$82,988 for the year ended June 30, 2018.

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

At June 30, 2018, the Town reported a liability of \$554,478 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, 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. 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, 2018

For the year ended June 30, 2018, the Town recognized pension expense of \$96,901. At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|  | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|--|--------------------------------------|-------------------------------------|
| Differences Between Expected and Actual Experience   | \$ -                                 | \$ 4,262                            |
| Changes of Assumptions   | 39,454                               | -                                   |
| Changes of Experience  | 3,631                                | -                                   |
| Net Difference Between Projected and Actual Earnings on<br>Pension Plan Investments                          | 24,273                               | -                                   |
| Changes in Proportion and Differences Between Town<br>Contributions and Proportionate Share of Contributions | 195,256                              | 2,147                               |
| Town Contributions Subsequent to the Measurement Date  | 62,636                               | -                                   |
|  | \$ 325,250                           | \$ 6,409                            |

\$62,636 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <b>Year Ended:</b> |            |
|--------------------|------------|
| June 30, 2018      | \$ 110,274 |
| June 30, 2019      | 121,922    |
| June 30, 2020      | 37,022     |
| June 30, 2021      | (13,013)   |
| June 30, 2022      | -          |
| Thereafter         | -          |

Actuarial Assumptions – The total pension liability in the June 30, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

|  |                                   |             |
|--|-----------------------------------|-------------|
| Inflation  | 2.70%                             |             |
| Salary Increases, Including Inflation &<br>Merit | Service Years                     | Growth Rate |
|  | 1-2                               | 9.75%       |
|  | 3-23                              | 4.75%       |
|  | Over 23                           | 4.25%       |
| Investment Rate of Return                        | 7.325%, 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, 2018

The actuarial assumptions used in the June 30, 2017, valuation were based on the assumptions used in the June 30, 2017, 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<br>Allocation | Long-Term<br>Expected<br>Real Rate of<br>Return |
|-------------------------|----------------------|---|
| Equity                  | 53.00%               | 3.66%   |
| Fixed Income            | 21.00%               | 0.52%   |
| Alternatives            | 20.00%               | 1.10%   |
| Other                   | 6.00%                | 0.16%   |
| Total                   | 100.00%              | 5.44%   |
| Inflation               |                      | 2.75%   |
| Expected Nominal Return |                      | 8.19%   |

Discount Rate – The discount rate used to measure the total pension liability was 7.325%. 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 7.325%, 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 (6.325%) or one percentage-point higher (8.325%) than the current rate:

|  | 1.0%<br>Decrease<br>(6.325%) | Current<br>Discount Rate<br>(7.325%) | 1.0%<br>Increase<br>(8.325%) |
|--|------------------------------|--------------------------------------|------------------------------|
| Town's Proportionate Share of the<br>Net Pension Liability | \$ 766,065                   | \$ 554,478                           | \$ 376,972                   |

**Town of Independence, Louisiana**  
Notes to Financial Statements (Continued)  
For the Year Ended June 30, 2018

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.

**13. 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, 2018, were as follows:

|                               | Due From   | Due To     |
|-------------------------------|------------|------------|
| <b>General Fund:</b>          |            |            |
| Due from Enterprise Fund      | \$ 50,337  | \$ 103,422 |
| Due to Innovative Housing     | -          | 76,051     |
| <b>Innovative Housing:</b>    |            |            |
| Due from General Fund         | 76,051     | -          |
| Due from Economic Development | 3,658      | -          |
| <b>Economic Development:</b>  |            |            |
| Due to Innovative Housing     | -          | 3,658      |
| <b>Enterprise Fund:</b>       |            |            |
| Due from General Fund         | 103,422    | -          |
| Due to General Fund           | -          | 50,337     |
| Total All Funds               | \$ 233,468 | \$ 233,468 |

**Town of Independence, Louisiana**  
Notes to Financial Statements (Continued)  
For the Year Ended June 30, 2018

*Interfund Transfers*

The following is a summary of the operating transfers between funds during the fiscal year ending June 30, 2018.

|                               | Transfers In | Transfers Out |
|-------------------------------|--------------|---------------|
| <b>General Fund</b>           | \$ 108,158   | \$ -          |
| <b>Special Revenue Funds:</b> |              |               |
| Innovative Housing Fund       | -            | 76,180        |
| Economic Development Fund     | -            | 31,978        |
| <b>Total All Funds</b>        | \$ 108,158   | \$ 108,158    |

**14. 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, 2018, taxes of 16.23 mills were levied on property with taxable assessed valuations totaling \$10,817,329 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 \$139,458. At June 30, 2018, taxes receivable were \$-0- and the allowance for uncollectible ad valorem taxes was \$-0-.

**15. 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 2018, 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.

**Town of Independence, Louisiana**  
Notes to Financial Statements (Continued)  
For the Year Ended June 30, 2018

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

|                                 | State<br>Supplemental<br>Salaries |
|---------------------------------|-----------------------------------|
| Policemen Supplemental Pay      | \$ 35,634                         |
| <b>Total On-Behalf Payments</b> | <b>\$ 35,634</b>                  |

**16. 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.

**17. Subsequent Events**

In preparing these financial statements, the Town has evaluated events and transactions for potential recognition or disclosure through December 11, 2018.

The Town entered into a lease purchase agreement to purchase a bush hog cutter and box blade for \$11,600. The lease term is 36 months with payments at \$345.06 at an interest rate of 4.5%.

**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, 2018

Schedule 1

|  | Original<br>Budget | Final<br>Budget | Actual<br>Amounts | Final Budget<br>Variance -<br>Favorable /<br>(Unfavorable) |
|--|--------------------|-----------------|-------------------|--|
| <b>Revenues:</b>   |                    |                 |                   |  |
| Taxes:   |                    |                 |                   |  |
| Sales Taxes  | \$ 632,200         | \$ 624,200      | \$ 613,755        | \$ (10,445)  |
| Property Taxes   | 146,500            | 156,000         | 165,999           | 9,999  |
| Utility Franchise  | 75,800             | 75,800          | 73,646            | (2,154)  |
| Solid Waste Fees   | 139,100            | 138,900         | 139,148           | 248  |
| Licenses and Permits   | 122,000            | 122,400         | 120,895           | (1,505)  |
| Fines and Forfeitures  | 55,000             | 62,200          | 69,170            | 6,970  |
| Rental Income  | 120,600            | 98,000          | 98,448            | 448  |
| Charges for Services   | 57,700             | 57,200          | 56,424            | (776)  |
| Intergovernmental  | 9,800              | 10,300          | 11,242            | 942  |
| On-Behalf payments from State                                | 42,000             | 36,000          | 35,634            | (366)  |
| Worker's Comp Credit   | -                  | 3,300           | 14,322            | 11,022   |
| Other Revenues   | 4,700              | 47,470          | 54,583            | 7,113  |
| Interest Income  | 1,400              | 1,000           | 1,007             | 7  |
| <b>Total Revenues</b>  | 1,406,800          | 1,432,770       | 1,454,273         | 21,503   |
| <b>Expenditures:</b>   |                    |                 |                   |  |
| Current:   |                    |                 |                   |  |
| General Government   | 271,790            | 256,000         | 277,926           | (21,926)   |
| Municipal Court  | 35,480             | 27,100          | 26,147            | 953  |
| Public Safety  | 753,200            | 710,700         | 748,858           | (38,158)   |
| Public Works   | 144,175            | 145,400         | 172,484           | (27,084)   |
| Solid Waste  | 128,000            | 119,700         | 118,144           | 1,556  |
| Health and Recreation  | 13,895             | 31,000          | 23,642            | 7,358  |
| Debt Service   | 42,440             | 42,400          | 42,436            | (36)   |
| Capital Outlay   | 37,000             | 94,282          | 106,203           | (11,921)   |
| <b>Total Expenditures</b>                                    | 1,425,980          | 1,426,582       | 1,515,840         | (89,258)   |
| <b>Excess (Deficiency) of Revenues<br/>Over Expenditures</b> | (19,180)           | 6,188           | (61,567)          | (67,755)   |
| <b>Other Financing Sources:</b>                              |                    |                 |                   |  |
| Transfers In   | -                  | 108,158         | 108,158           | -  |
| Sale of Fixed Assets   | -                  | -               | 12,500            | 12,500   |
| <b>Total Other Financing Sources</b>                         | -                  | 108,158         | 120,658           | 12,500   |
| <b>Change in Fund Balances</b>                               | (19,180)           | 114,346         | 59,091            | (55,255)   |
| <b>Fund Balances:</b>  |                    |                 |                   |  |
| <b>Beginning of the Year,</b>                                | (120,379)          | (99,062)        | (99,062)          | -  |
| <b>End of the Year</b>                                       | \$ (139,559)       | \$ 15,284       | \$ (39,971)       | \$ (55,255)  |

See 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, 2018

Schedule 2

|   | Original<br>Budget | Final<br>Budget | Actual<br>Amounts | Final Budget<br>Variance -<br>Favorable /<br>(Unfavorable) |
|---|--------------------|-----------------|-------------------|--|
| <b>Revenues:</b>                            |                    |                 |                   |  |
| Investment Interest                         | \$ 5,000           | \$ 5,362        | \$ 5,115          | \$ (247)   |
| <b>Total Revenues</b>                       | 5,000              | 5,362           | 5,115             | (247)  |
| <b>Expenditures:</b>                        |                    |                 |                   |  |
| General Government                          | -                  | 400             | -                 | 400  |
| <b>Total Expenditures</b>                   | -                  | 400             | -                 | 400  |
| <b>Excess of Revenues over Expenditures</b> | 5,000              | 4,962           | 5,115             | 153  |
| <b>Other Financing Sources (Uses):</b>      |                    |                 |                   |  |
| Operating Transfers Out                     | (19,180)           | (76,180)        | (76,180)          | -  |
| <b>Total Other Financing Sources (Uses)</b> | (19,180)           | (76,180)        | (76,180)          | -  |
| <b>Change in Fund Balance</b>               | (14,180)           | (71,218)        | (71,065)          | 153  |
| <b>Fund Balance - Beginning of the Year</b> | 403,009            | 424,966         | 424,966           | -  |
| <b>Fund Balance - End of the Year</b>       | \$ 388,829         | \$ 353,748      | \$ 353,901        | \$ 153   |

See 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, 2018

Schedule 3-A

|   | * Last 5 Fiscal Years<br>Ending June 30 |            |           |           |           |
|---|---|------------|-----------|-----------|-----------|
|   | 2018                                    | 2017       | 2016      | 2015      | 2014      |
| Town's Proportion of the Net Pension Liability  | 0.386929%                               | 0.521281%  | 0.000000% | 0.020476% | 0.014367% |
| Town's Proportionate Share of the Net Pension Liability   | \$ 334,784                              | \$ 213,658 | \$ -      | \$ 52,551 | \$ 44,529 |
| Town's Covered-Employee Payroll   | \$ 271,951                              | \$ 305,452 | \$ 93,120 | \$ -      | \$ 33,979 |
| Town's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll | 123.10%                                 | 69.95%     | 0.00%     | -         | 131.05%   |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability                              | 63.49%                                  | 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 auditor's report.

**Town of Independence, Louisiana**

Schedule 3-B

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, 2018

|   | * Last 5 Fiscal Years |            |            |            |            |
|---|-----------------------|------------|------------|------------|------------|
|   | Ending June 30        |            |            |            |            |
|   | 2018                  | 2017       | 2016       | 2015       | 2014       |
| Town's Proportion of the Net Pension Liability  | 0.063511%             | 0.005447%  | 0.015900%  | 0.017003%  | 0.025776%  |
| Town's Proportionate Share of the Net Pension Liability   | \$ 554,478            | \$ 510,565 | \$ 124,560 | \$ 106,372 | \$ 205,910 |
| Town's Covered-Employee Payroll   | \$ 237,833            | \$ 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 | 233.14%               | 269.28%    | 81.84%     | 250.05%    | 467.22%    |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability                              | 70.08%                | 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 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, 2018

Schedule 4-A

|   | Last 4 Fiscal Years<br>Ending June 30 |            |           |      |            |
|---|---------------------------------------|------------|-----------|------|------------|
|   | 2018                                  | 2017       | 2016      | 2015 | 2014       |
| Contractually Required Contribution                                     | \$ 35,353                             | \$ 68,476  | \$ 18,391 | \$ - | \$ 6,371   |
| Contributions in Relation to the<br>Contractually Required Contribution | (35,353)                              | (68,476)   | (18,391)  | -    | \$ (6,371) |
| Contribution Deficiency / (Excess)                                      | \$ -                                  | \$ -       | \$ -      | \$ - | \$ -       |
| Town's Covered-Employee Payroll   | \$ 271,951                            | \$ 305,452 | \$ 93,120 | \$ - | \$ 33,979  |
| Contributions as a Percentage of<br>Covered-Employee Payroll            | 13.00%                                | 22.42%     | 19.75%    | -    | 18.75%     |

See 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, 2018

Schedule 4-B

|   | Last 4 Fiscal Years |            |            |           |           |
|---|---------------------|------------|------------|-----------|-----------|
|   | Ending June 30      |            |            |           |           |
|   | 2018                | 2017       | 2016       | 2015      | 2014      |
| Contractually Required Contribution                                     | \$ 82,988           | \$ 60,248  | \$ 44,897  | \$ 13,400 | \$ 13,662 |
| Contributions in Relation to the<br>Contractually Required Contribution | (82,988)            | (60,248)   | (44,897)   | 13,400    | 13,662    |
| Contribution Deficiency / (Excess)                                      | \$ -                | \$ -       | \$ -       | \$ 26,800 | \$ 27,324 |
| Town's Covered-Employee Payroll   | \$ 237,833          | \$ 189,125 | \$ 152,193 | \$ 42,540 | \$ 44,071 |
| Contributions as a Percentage of<br>Covered-Employee Payroll            | 34.89%              | 31.86%     | 29.50%     | 31.50%    | 31.00%    |

See auditor's report.

## **Other Supplemental Information**

**Town of Independence, Louisiana**  
 Combining Balance Sheet – Non-Major Governmental Funds  
 June 30, 2018

Schedule 5

|  | LCDBG<br>Economic<br>Development<br>1987 Fund | 2010 Revenue<br>Bond Capital<br>Projects Fund | Total<br>Non-Major<br>Governmental<br>Funds |
|--|---|---|---|
| <b>Assets</b>  |   |   |   |
| Cash and Cash Equivalents  | \$ 1,590                                      | \$ 8  | \$ 1,598                                    |
| Due from Other Funds   | -   | -   | -   |
| <b>Total Assets</b>  | <b>\$ 1,590</b>                               | <b>\$ 8</b>                                   | <b>\$ 1,598</b>                             |
| <br><b>Liabilities, Deferred Inflows of<br/>Resources and Fund Balances</b>        |   |   |   |
| <b>Liabilities:</b>  |   |   |   |
| Accounts Payable   | \$ -  | \$ -  | \$ -  |
| Due to Other Funds   | 3,658   | -   | 3,658                                       |
| <b>Total Liabilities</b>   | <b>3,658</b>                                  | <b>-</b>                                      | <b>3,658</b>                                |
| <br><b>Deferred Inflows of Resources:</b>  |   |   |   |
| Unearned Revenue   | -   | -   | -   |
| <b>Total Deferred Inflows of Resources</b>   | <b>-</b>                                      | <b>-</b>                                      | <b>-</b>                                    |
| <br><b>Fund Balances:</b>  |   |   |   |
| Restricted for Economic Development  | (2,068)                                       | 8   | (2,060)                                     |
| <b>Total Fund Balances</b>   | <b>(2,068)</b>                                | <b>8</b>                                      | <b>(2,060)</b>                              |
| <br><b>Total Liabilities, Deferred Inflows of<br/>Resources, and Fund Balances</b> | <br><b>\$ 1,590</b>                           | <br><b>\$ 8</b>                               | <br><b>\$ 1,598</b>                         |

See auditor's report.

**Town of Independence, Louisiana**

Schedule 6

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances –  
 Non-Major Governmental Funds  
 For the Year Ended June 30, 2018

|  | <u>LCDBG<br/>Economic<br/>Development<br/>1987 Fund</u> | <u>2010 Revenue<br/>Bond Capital<br/>Projects Fund</u> | <u>Total<br/>Non-Major<br/>Governmental<br/>Funds</u> |
|--|---|--|---|
| <b>Revenues:</b>                             |   |  |   |
| Donations                                    | \$ -  | \$ -   | \$ -  |
| Rental Income                                | -   | -  | -   |
| Investment Interest                          | <u>5</u>  | <u>-</u>   | <u>5</u>  |
| <b>Total Revenues</b>                        | <b>5</b>  | <b>-</b>   | <b>5</b>  |
| <b>Expenditures:</b>                         |   |  |   |
| General Government:                          |   |  |   |
| Fireworks                                    | -   | -  | -   |
| Professional Fees                            | -   | -  | -   |
| Public Works                                 | <u>-</u>  | <u>-</u>   | <u>-</u>  |
| <b>Total Expenditures</b>                    | <b>-</b>  | <b>-</b>   | <b>-</b>  |
| <b>Excess of Revenues over Expenditures</b>  | <b>5</b>  | <b>-</b>   | <b>5</b>  |
| <b>Other Financing Sources (Uses):</b>       |   |  |   |
| Interstate Clearing                          | -   | -  | -   |
| Operating Transfers Out                      | <u>(31,978)</u>   | <u>-</u>   | <u>(31,978)</u>                                       |
| <b>Total Other Financing Sources (Uses)</b>  | <b>(31,978)</b>   | <b>-</b>   | <b>(31,978)</b>                                       |
| <b>Change in Fund Balance</b>                | <b>(31,973)</b>   | <b>-</b>   | <b>(31,973)</b>                                       |
| <b>Fund Balances - Beginning of the Year</b> | <u>29,905</u>   | <u>8</u>   | <u>29,913</u>   |
| <b>Fund Balances - End of the Year</b>       | <u><u>\$ (2,068)</u></u>                                | <u><u>\$ 8</u></u>                                     | <u><u>\$ (2,060)</u></u>                              |

See auditor's report.

**Town of Independence, Louisiana**  
 Schedule of Compensation of Paid Elected Officials  
 For the Year Ended June 30, 2018

Schedule 7

| Name               | Title             | Term of Office                  | Salary           | Vehicle Per Diem |
|--------------------|-------------------|---------------------------------|------------------|------------------|
| Angelo Mannino     | Mayor             | July 1, 2016<br>June 30, 2020   | \$ 19,023        | - *              |
| Frank Edwards      | Police Chief      | July 1, 2016 -<br>June 30, 2020 | 38,072           | 6,000 **         |
| Jim Paine          | Board of Aldermen | July 1, 2016<br>June 30, 2020   | 4,800            | -                |
| Jimmy Gregory      | Board of Aldermen | July 1, 2016 -<br>June 30, 2020 | 4,800            | -                |
| Larry Cardaronella | Board of Aldermen | July 1, 2016 -<br>June 30, 2020 | 4,800            | -                |
| Luciano Suarez     | Board of Aldermen | July 1, 2016<br>June 30, 2020   | 4,650            | -                |
| Calvin Batiste     | Board of Aldermen | July 1, 2016 -<br>June 30, 2020 | 4,500            | -                |
| <b>Total</b>       |                   |                                 | <u>\$ 80,645</u> | <u>\$ 6,000</u>  |

\* Including benefits and vehicle allowance

\*\* Includes State Supplemental Pay

See auditor's report.

**Town of Independence, Louisiana**  
 Schedule of Compensation, Benefits, and Other Payments to Agency Head  
 For the Year Ended June 30, 2018

Schedule 8

**Agency Head: Honorable Angelo Manino, Mayor**

| Purpose                             | Amount    |
|-------------------------------------|-----------|
| Salary                              | \$ 19,023 |
| Benefits - Health Insurance         | -         |
| Benefits - Other Insurance          | -         |
| Social Security & Medicare          | 1,452     |
| Benefits - Retirement               | 2,515     |
| Deferred Compensation               | -         |
| Benefits - Other - Supplemental Pay | -         |
| Car Allowance                       | -         |
| Vehicle Provided by Government      | -         |
| Vehicle Rental                      | -         |
| Cell Phone                          | -         |
| Dues                                | -         |
| Per Diem                            | -         |
| Reimbursements                      | -         |
| Travel                              | -         |
| Registration Fees                   | 400       |
| Conference Travel                   | 323       |
| Housing                             | -         |
| Unvouchered Expenses                | -         |
| Special Meals                       | -         |
| Other                               | \$ 23,713 |

See auditor's report.

**Town of Independence, Louisiana**  
 Schedule of Insurance Coverage in Force  
 For the Year Ended June 30, 2018

Schedule 9

| Insurance Company                      | Coverage   | Amount                               | Expiration Date      |
|--|--|--------------------------------------|----------------------|
| Landmark American                      | Buildings  | 1,246,411                            | 04/11/19             |
|  | Contents   | 142,595                              | 04/11/19             |
|  | Pumping Equipment  | 5,962                                | 04/11/19             |
|  | Tower 3  | 64,210                               | 04/11/19             |
|  | 75k W Generator  | 78,000                               | 04/11/19             |
|  | Lift Stations  | 209,664                              | 04/11/19             |
|  | Sewer Treatment plnat<br>Equipment   | 474,000<br>205,821                   | 04/11/19<br>04/11/19 |
|  | EMC Insurance Company  | Public Official Bond<br>Per Employee | 100,000              |
| LA Municipal Risk<br>Management Agency | Automobile Liability   | 500,000                              | 05/01/19             |
|  | Uninsured Motorist, BI & PD  |                                      |                      |
|  | Commercian General Liability<br>Premises/Operations<br>Products/Completed Operations | 500,000                              | 05/01/19             |
|  | Law Enforcement Officer<br>Comprehensive Liability, Personal Injury                  | 500,000                              | 05/01/19             |
|  | Public Officials<br>Liability Errors & Omissions                                     | 500,000                              | 05/01/19             |
| Rod & Prejan                           | Auto Physical Damage   | 102,500                              | 05/07/19             |

See auditor's report.

**Town of Independence, Louisiana**  
**Water and Sewer Rate Schedule**  
 June 30, 2018

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                 | 659           |                 |                 | 15.73          | 3.50        | 2.50          | 1.00       |
| 0 - 4,000 GL                |               | 20.00           | 15.00           |                |             |               |            |
| Over 4,000 GL               |               | 3.00 / 1,000 GL | 3.00 / 1,000 GL |                |             |               |            |
| Commercial                  | 60            |                 |                 | 15.73          | 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             |                 |                 | -              | 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 |                |             |               |            |
| Church                      | 14            |                 |                 | 15.73          | 3.50        | 2.50          | 1.00       |
| 0 - 4,000 GL                |               | 20.00           | 15.00           |                |             |               |            |
| Over 4,000 GL               |               | 3.00 / 1,000 GL | 3.00 / 1,000 GL |                |             |               |            |
| Total                       | <u>740</u>    |                 |                 |                |             |               |            |

See auditor's report.

**Town of Independence, Louisiana**  
 Schedule of Water and Sewer Information  
 June 30, 2018

Schedule 11

*Accounts Receivable:*

As of June 30, 2018, accounts receivable from water and sewer billings were as follows:

| Water, Sewer, Garbage, Fire & Police Receivable |            |
|---|------------|
| Total Per Billing System                        | \$ 207,947 |
| Allowance for Doubtful Accounts                 | (89,946)   |
|   | \$ 118,001 |
| <br>  |            |
| Utility Fund Accounts Receivable, Net           | \$ 86,680  |
| General Fund Accounts Receivable, Net           | 14,788     |
| General Fund Due From Utility Fund              | 16,533     |
|   | \$ 118,001 |

*Water and Sewer Users*

As of June 30, 2018, water and sewer users were composed of the following:

| Customer Type                 | Number |
|-------------------------------|--------|
| Residential                   | 659    |
| Commercial                    | 60     |
| Schools                       | 5      |
| Major Commercial / Industrial | 2      |
| Church                        | 14     |
| Total                         | 740    |

See auditor's report.

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



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

The Honorable Angelo Mannino, 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, 2018, 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 11, 2018.

**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 deficiency described in the accompanying schedule of findings and questioned costs numbered 2018-001 to be a 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 2018-002 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**

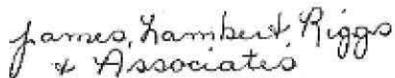
As part of obtaining reasonable assurance about whether the Town of Independence, Louisiana's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have 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 2018-003 and 2018-004.

### **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 11, 2018

**Town of Independence, Louisiana**  
**Schedule of Current Year Findings and Questioned Costs**  
**For the Year Ended June 30, 2018**

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, and each major fund, of the Town of Independence as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town of Independence's basic financial statements, and have issued our report thereon dated December 11, 2018. Our audit of the basic financial statements resulted in an unmodified opinion.

**Section I – Summary of Auditor’s Reports**

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

**Internal Control:**

|                          |              |     |             |    |
|--------------------------|--------------|-----|-------------|----|
| Material Weakness        | <u>  X  </u> | Yes | <u>    </u> | No |
| Significant Deficiencies | <u>  X  </u> | Yes | <u>    </u> | No |

**Compliance:**

|   |              |     |             |    |
|---|--------------|-----|-------------|----|
| Compliance Material to the Financial Statements | <u>  X  </u> | Yes | <u>    </u> | No |
|---|--------------|-----|-------------|----|

**2. Management Letter**

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

**Section II – Financial Statement Findings**

**Internal Control over Financial Reporting**

**2018-001 – Segregation of Duties**

**Condition:**

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

This condition was noted in the prior fiscal year.

**Criteria:**

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

**Cause:**

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

**Effect:**

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

**Town of Independence, Louisiana**  
Schedule of Current Year Findings and Questioned Costs  
For the Year Ended June 30, 2018

**Recommendation:**

We recommend that the Town continue to perform the following:

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

**Management's Response:**

See management's response dated December 11, 2018.

**2018-002 – Delinquent Town Receivables**

**Condition:**

As of June 30, 2018, the Town has \$100,709 in utility system receivables that exceed 60 days.

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 Response:**

See management's response dated December 11, 2018.

**Compliance and Other Matters**

**2018-003 – 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.

**Town of Independence, Louisiana**  
**Schedule of Current Year Findings and Questioned Costs**  
**For the Year Ended June 30, 2018**

**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) 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 the proposed 2018 fiscal year budget. As this took place during the fiscal year, this proposed budget is not considered to be legally adopted.

During the fiscal year, actual expenditures in the General Fund exceeded the amounts originally budgeted by \$89,258 or 6.26%.

**Cause:**

The cause of this condition appears to be the adoption of the original proposed budget during fiscal year, and expenditures exceeding the budgeted amounts.

**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 Response:**

See management’s response dated December 11, 2018.

**2018-004 – 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:

**Town of Independence, Louisiana**  
**Schedule of Current Year Findings and Questioned Costs**  
**For the Year Ended June 30, 2018**

- 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.

**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 Response:**

See management's response dated December 11, 2018.

**Town of Independence, Louisiana**  
 Schedule of Prior Year Findings and Questioned Costs  
 For the Year Ended June 30, 2018

| Ref.#                                   | Year Findings<br>Initially<br>Occurred | Description of Findings                                | Corrective<br>Action<br>Taken | Plan Corrective Action -<br>Partial Corrective Action Taken |
|---|--|--|-------------------------------|---|
| <b><u>Internal Control Findings</u></b> |  |  |                               |   |
| 2016-002                                | 06/30/16                               | Lack of Adequate Internal Controls Over Capital Assets | Resolved                      | Items are tagged and inventory count performed              |
| 2015-001                                | 06/30/04                               | Segregation of Duties                                  | Partial                       | Some new policies & procedures developed                    |
| 2015-002                                | 06/30/12                               | Water and Sewer Fund Operating Deficits                | Resolved                      | Town has adequate revenues for utility systems              |
| 2015-003                                | 06/30/08                               | Delinquent Town Receivables                            | None                          | Significant receivables still outstanding                   |
| <b><u>Compliance Findings</u></b>       |  |  |                               |   |
| 2015-015                                | 06/30/14                               | Louisiana Local Government Budget Act                  | None                          | Did not adopt budget timely                                 |
| 2015-019                                | 06/30/15                               | Bond Covenant Compliance                               | Partial                       | Inadequate reserve balances                                 |

# Town of Independence

Mayor Angelo Mannino

JULIE PETERSON  
Town Clerk

ROBIN DAGRO  
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 11, 2018

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, 2018. 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 the findings from the past few years.

The Board of Aldermen and I, along with the Town Clerk and Asst. Clerk will diligently continue to improve overall operations of the town.

Sincerely,

Angelo Mannino  
Mayor

City Hall: 985-878-4145

Fax: 985-878-4568

**TOWN OF INDEPENDENCE, LOUISIANA**  
**STATEWIDE AGREED UPON PROCEDURES ENGAGEMENT**  
**FOR THE YEAR ENDED JUNE 30, 2018**

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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AICPA<sup>®</sup>  
Member of  
American Institute of CPAs  
Society of Louisiana CPAs

## Independent Accountants' Report on Applying Agreed-Upon Procedures

To Honorable Mayor Mannino  
Town of Independence  
Independence, Louisiana and the Louisiana Legislative Auditor

We have performed the procedures enumerated below, which were agreed to by the Town of Independence 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, 2017 through June 30, 2018. The Town of Independence'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 11, 2018

**Written Policies and Procedures**

1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):

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

Results: No exceptions to the above procedure.

- 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 reviewed the written policy and procedure for purchasing, however the written policy and procedure did not address how vendors are added to the vendor list.

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

Results: No exceptions to the above procedure.

- d) **Receipts / Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or 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).

Results: No exceptions to the above procedure.

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

Results: No exceptions to the above procedure.

- 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: No exceptions to the above procedure.

- 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 of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases)

Results: No exceptions to the above procedure.

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

Results: No exceptions to the above procedure.

- 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.

**Results:** We reviewed the Town's written policies and procedures for ethics; however, the written policies and procedures did not address actions to be taken in case of ethics violation; a system to monitor possible ethics violations; and a required signature annually that employees / officials have read the ethics policy.

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

**Results:** No exceptions to the above procedure.

### Bank Reconciliations

2. Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected account, and observe that:

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

- a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);

**Results:** We observed bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date.

- b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and

**Results:** We observed that bank reconciliations include evidence that a member of management / board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation.

- c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

**Results:** For the five (5) bank accounts selected, one (1) account had outstanding items over 12 months from the statement closing date. Management had no documentation reflecting that it has researched these outstanding items.

Collections

3. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).

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

4. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:

- a) Employees that are responsible for cash collections do not share cash drawers / registers.

**Results:** We observed that employees that are responsible for cash collections do not share cash drawers / registers.

- b) Each employee responsible for collecting cash is not responsible for preparing / making bank deposits, unless another employee / official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.

**Results:** We observed that the employees responsible for handling cash are the Town Clerk and the Assistant Clerk. Both employees have the ability to collect cash, prepare, and make deposits. Each employee is responsible for reconciling their own collection documentation.

- c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee / official is responsible for reconciling ledger postings to each other and to the deposit.

**Results:** The Town Clerk is responsible for collecting and for posting collection entries to the general ledger. No other employee reconciles these postings to each other; however, the monthly bank reconciliations are prepared by an outside CPA.

- d) The employee(s) responsible for reconciling cash collections to the general ledger and / or subsidiary ledgers, by revenue source and / or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.

**Results:** The Town Clerk is responsible for collecting and for posting collection entries to the general ledger. No other employee reconciles these postings to each other; however, the monthly bank reconciliations are prepared by an outside CPA.

5. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.

**Results:** All employees who have access to cash are covered by a bond or insurance policy for theft.

6. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #2 under “Bank Reconciliations” above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:

- a) Observe that receipts are sequentially pre-numbered.

**Results:** We observed that receipts were sequentially pre-numbered.

- b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.

**Results:** We traced sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip without exception.

- c) Trace the deposit slip total to the actual deposit per the bank statement.

**Results:** We traced the deposit slip total to the actual deposit per the bank statement without exception.

- d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).

**Results:** We observed that the deposit was made within one business day of receipt at the collection location without exception.

- e) Trace the actual deposit per the bank statement to the general ledger.

**Results:** We traced the actual deposit per the bank statement to the general ledger without exception.

**Non-Payroll Disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases)**

7. Obtain a listing of locations that process payments for the fiscal period and management’s representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).

**Results:** Management provided us with the required listing of locations that process payments as well as management’s representation that the listing is complete.

8. For each location selected under #7 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:

- a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order / making the purchase.

**Results:** We observed that at least two employees are involved in initiating a purchase request, approving a purchase, and placing an order / making the purchase.

- b) At least two employees are involved in processing and approving payments to vendors.

**Results:** We observed that at least two employees are involved in processing and approving payments to vendors.

- c) The employee responsible for processing payments is prohibited from adding / modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.

**Results:** The Town clerk is responsible for processing payments and is responsible for adding / modifying vendor files.

- d) Either the employee / official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

**Results:** We observed that signed checks are mailed by an employee who is not responsible for processing payments.

9. For each location selected under #7 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:

- a) Observe that the disbursement matched the related original invoice / billing statement.

**Results:** We observed that the disbursement matched the related original invoice / billing statement without exception.

- b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #8, as applicable.

**Results:** We observed that the disbursement documentation included evidence of segregation of duties tested under #8 without exception.

#### **Credit Cards / Debit Cards / Fuel Cards / P-Cards**

10. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, 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.

11. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:

- a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit / debit card purchases, exception reports for excessive fuel card usage) 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:** We observed that 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 without exception.

- b) Observe that finance charges and late fees were not assessed on the selected statements.

**Results:** For the five (5) credit cards / fuel cards selected, one (1) credit card had finance and / or late charges assessed.

12. Using the monthly statements or combined statements selected under #11 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only).

**Results:** For the five (5) credit cards / fuel cards selected, one (1) credit card did not have original itemized receipts for all charges and meal charges did not include a list of individuals participating in meals.

**Ethics (excluding nonprofits)**

13. Using the 5 randomly selected employees / officials, obtain ethics documentation from management, and:

- a) Observe that the documentation demonstrates each employee / official completed one hour of ethics training during the fiscal period.

**Results:** For the five (5) employees selected, three (3) did not complete one hour of ethics training during the fiscal period.

- b) Observe that the documentation demonstrates each employee / official attested through signature verification that he or she has read the entity's ethics policy during the fiscal period.

**Results:** For the five (5) employees selected, two (2) did not attest through signature verification that he or she have read the entity's ethics policy during the fiscal period.

# Town of Independence

Mayor Angelo Mannino

JULIE PETERSON  
Town Clerk

ROBIN DAGRO  
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 11, 2018

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

Management of the Town of Independence, Louisiana would like to present the following response to the results of the June 31, 2018, 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 work on the policy and procedure in regards to adding vendors.

### ***Bank Reconciliations***

Agency Response: Management will research any outstanding checks over 12 months.

### ***Credit Cards/Debit Cards/Fuel Cards/P-Cards***

Agency Response: Management will require names on back of any credit card receipt for meals.

### ***Ethics***

The Town will require all employees to complete ethics training, by internet or by having a certified trainer hold a training class.

Sincerely,

Angelo Mannino  
Mayor

City Hall: 985-878-4145

Fax: 985-878-4568