

**TOWN OF INDEPENDENCE, LOUISIANA**  
**ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**Town of Independence, Louisiana**

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For the Year Ended June 30, 2019

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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, 2019, 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, 2019, 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 5 – 11, 56 – 57, 58 – 59, and 60 – 61, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

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

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

The Honorable 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 January 2, 2020, on our consideration of the Town of Independence, Louisiana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Independence, Louisiana's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Independence, Louisiana's internal control over financial reporting and compliance.

*James Lambert Riggs  
& Associates*

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

January 2, 2020

**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, 2019

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, 2019. 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 \$13,763,903 at June 30, 2019 and exceeded liabilities in the amount of \$7,146,103 (i.e., net position). \$6,895,101 was invested in capital assets, \$246,886 was restricted for debt service, \$247,395 was restricted for economic development and (\$255,279) was unrestricted.
- The Town's total revenues for the year increased from the prior year by 10.85% from \$2,557,633 to \$2,835,038 due primarily to increases in Grants of \$170,730.
- Expenditures for the year increased by \$225,506 from the prior year from \$2,826,186 to \$3,051,692.
- Total net position decreased by \$204,624.

### **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, 2019

**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 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, 2019

**Condensed Statement of Net Position**

	2019	2018	\$ Change	% Change
Assets:				
Current and Other Assets	\$ 970,495	\$ 1,019,575	\$ (49,080)	-4.81%
Capital Assets	12,793,408	12,899,433	(106,025)	-0.82%
Total Assets	<u>13,763,903</u>	<u>13,919,008</u>	<u>(155,105)</u>	-1.11%
Deferred Outflows of Resources	<u>468,360</u>	<u>611,899</u>	<u>(143,539)</u>	-23.46%
Liabilities:				
Current Liabilities	426,822	388,707	38,115	9.81%
Long-Term Debt	5,749,499	5,888,534	(139,035)	-2.36%
Net Pension Liability	851,252	889,262	(38,010)	-4.27%
Total Liabilities	<u>7,027,573</u>	<u>7,166,503</u>	<u>(138,930)</u>	-1.94%
Deferred Inflows of Resources	<u>58,587</u>	<u>13,677</u>	<u>44,910</u>	328.36%
Net Position:				
Net Investment in Capital Assets	6,895,101	6,870,193	24,908	0.36%
Restricted Net Position	506,281	574,666	(68,385)	-11.90%
Unrestricted Net Position	(255,279)	(94,132)	(161,147)	171.19%
Total Net Position	<u>\$ 7,146,103</u>	<u>\$ 7,350,727</u>	<u>\$ (204,624)</u>	-2.78%

At June 30, 2019, assets exceeded liabilities by \$7,146,103 (net position). The Town had a negative Unrestricted Net Position of (\$255,279) compared to negative (\$94,132) for the prior year. The Town's net position is comprised of \$1,478,167 from Governmental Activities and \$5,667,936 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, 2019

**Condensed Statement of Activities**

	2019	2018	\$ Change	% Change
Revenues:				
Program Revenues:				
Charges for Services	\$ 1,242,418	\$ 1,135,940	\$ 106,478	9.37%
Grants and Contributions	206,364	35,634	170,730	479.12%
General Revenues	1,386,286	1,386,059	227	0.02%
Total Revenues	2,835,068	2,557,633	277,435	10.85%
Expenses:				
Governmental Activities	1,804,009	1,629,928	174,081	10.68%
Business-Type Activities	1,247,683	1,196,258	51,425	4.30%
Total Expenses	3,051,692	2,826,186	225,506	7.98%
Change in Net Position	(216,624)	(268,553)	51,929	-19.34%
Net Position:				
Beginning of the Year, Original	7,350,727	7,619,280	(268,553)	-3.52%
Prior Period Adjustment	-	-	-	-
Beginning of the Year, Restated	7,350,727	7,619,280	(268,553)	-3.52%
End of the Year	\$ 7,134,103	\$ 7,350,727	\$ (216,624)	-2.95%

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 \$277,435 to \$2,835,068. Total expenses increased by \$225,506 to \$3,051,692. Business-Type Expenses increased by \$51,425 due primarily to increases in repairs and maintenance. Governmental Activities Expenditures increased by \$174,081 due primarily to increases in public safety and public works.

### **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, 2019

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 2019 by fund type is as follows:

	General Fund	Innovative Housing	Non-Major Funds	2019
Revenues and Transfers In	\$ 1,648,289	\$ 4,104	\$ 27	\$ 1,652,420
Expenditures and Transfers Out	<u>1,676,426</u>	<u>108,578</u>	<u>-</u>	<u>1,785,004</u>
Excess (Deficiency) of				
Revenues over Expenditures	(28,137)	(104,474)	27	(132,584)
Fund Balance - Beginning	<u>(39,971)</u>	<u>353,901</u>	<u>(2,060)</u>	<u>311,870</u>
Fund Balance - Ending	<u>\$ (68,108)</u>	<u>\$ 249,427</u>	<u>\$ (2,033)</u>	<u>\$ 179,286</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 (\$68,108).

The Town's other major fund, the Innovative Housing Fund, decreased by \$104,474 during 2019, which was the result of transfers to the general fund,

Non-Major Funds increased by \$27 due to interest income.

**Town of Independence, Louisiana**  
Management's Discussion and Analysis (Continued)  
For the Year Ended June 30, 2019

Revenues of the primary government for the general governmental fund types for 2019 totaled \$1,519,454. The Town's activities are largely supported by tax revenues, solid waste fees, and licenses and permits, which represent 74.15% of the total governmental resources. Sources of governmental revenues, excluding other financial sources, are summarized below.

Source of Revenue	2019		2018	
Taxes	\$ 794,910	52.32%	\$ 853,400	58.48%
Solid Waste	141,986	9.34%	139,148	9.53%
License and Permits	189,715	12.49%	120,895	8.28%
Fines and Forfeitures	101,182	6.66%	69,170	4.74%
Intergovernmental	5,575	0.37%	11,242	0.77%
Rental	113,424	7.46%	98,448	6.75%
Other	172,662	11.36%	167,090	11.45%
Total	<u>\$ 1,519,454</u>	<u>100.00%</u>	<u>\$ 1,459,393</u>	<u>100.00%</u>

Expenditures of the primary government for governmental fund types increased in 2019 by \$160,586. The change is attributable to increases in Public Safety and Public Works. General governmental expenditures by functions are summarized as follows:

Function	2019		2018	
General Government	\$ 297,405	17.74%	\$ 304,073	20.06%
Public Safety	784,951	46.82%	748,858	49.40%
Public Works	259,916	15.50%	172,484	11.38%
Solid Waste	120,063	7.16%	118,144	7.79%
Health and Recreation	33,921	2.02%	23,642	1.56%
Debt Service	46,786	2.79%	42,436	2.80%
Capital Outlay	133,384	7.96%	106,203	7.01%
Total	<u>\$ 1,676,426</u>	<u>100.00%</u>	<u>\$ 1,515,840</u>	<u>100.00%</u>

### General Fund Budgetary Highlights

For the general fund, actual revenues and other sources were \$29,275 more than final budgeted amounts. Actual expenditures were \$62,926 more than financial budgeted amounts. The net change in fund balance was \$33,651 less than final budgeted amounts.

For the general fund, original budgeted revenues and other financing sources were \$1,454,428 and final budgeted revenues and other financing sources were \$1,619,014.

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

- Other revenues were increased by \$61,700 to include an insurance reimbursement of \$19,650 and other miscellaneous revenues.

**Town of Independence, Louisiana**  
Management's Discussion and Analysis (Continued)  
For the Year Ended June 30, 2019

**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, 2019 amounts to \$10,849,114 (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	
	2019	2018	2019	2018
Land	\$ 100,150	\$ 100,150	\$ 69,808	\$ 69,808
Construction in Progress	338,203	338,203	-	-
Buildings and Equipment	2,498,993	2,365,609	638,469	608,347
Infrastructure	2,712,846	2,712,846	-	-
Utility Systems	-	-	14,942,626	14,663,264
Accumulated Depreciation	(3,705,898)	(3,564,025)	(4,801,789)	(4,394,769)
Net Capital Assets	<u>\$ 1,944,294</u>	<u>\$ 1,952,783</u>	<u>\$ 10,849,114</u>	<u>\$ 10,946,650</u>

The increase in buildings and equipment is due primarily to renovations to the old and 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 \$5,872,151. Of this amount, \$251,000 comprises debt backed by a pledge of the excess revenues of the General Fund and other governmental funds and \$5,621,151 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 2020 fiscal year:

For 2019, the Town transferred \$108,526 from the Innovative Housing Fund to the General Fund. The General Fund's Deficit Fund Balance increased by \$28,137 to \$68,107.

**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, 2019

Exhibit A

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash & Cash Equivalents	\$ 68,021	\$ 48,893	\$ 116,914
Receivables, Net	-	100,619	100,619
Franchise Tax Receivables	17,111	-	17,111
Due From Other Governments	111,621	27,000	138,621
Internal Balances	(102,254)	102,254	-
Restricted Cash and Cash Equivalents	-	345,443	345,443
Notes Receivable, Net	228,201	-	228,201
Prepaid Insurance	15,095	8,491	23,586
Land	100,150	69,808	169,958
Construction in Progress	338,203	-	338,203
Capital Assets, Net	1,505,941	10,779,306	12,285,247
<b>Total Assets</b>	<u>2,282,089</u>	<u>11,481,814</u>	<u>13,763,903</u>
<b>Deferred Outflows of Resources</b>			
Pension Related	361,813	106,547	468,360
<b>Total Deferred Outflows of Resources</b>	<u>361,813</u>	<u>106,547</u>	<u>468,360</u>
<b>Liabilities</b>			
Accounts Payable	131,580	26,552	158,132
Accrued Liabilities	10,091	4,476	14,567
Due to Other Governments	-	1,922	1,922
MERS	3,422	-	3,422
MPERS	7,745	-	7,745
Accrued Interest Payable	5,669	-	5,669
Non-Current Liabilities:			
Due Within One Year	36,778	112,030	148,808
Due in More Than One Year	223,995	5,525,504	5,749,499
Payable from Restricted Assets:			
Utility Meter Deposits	-	86,557	86,557
Net Pension Liability, MPERS	556,455	-	556,455
Net Pension Liability, MERS	146,573	148,224	294,797
<b>Total Liabilities</b>	<u>1,122,308</u>	<u>5,905,265</u>	<u>7,027,573</u>
<b>Deferred Inflows of Resources</b>			
Pension Related	43,427	15,160	58,587
<b>Total Deferred Inflows of Resources</b>	<u>43,427</u>	<u>15,160</u>	<u>58,587</u>
<b>Net Position</b>			
Net Investment in Capital Assets	1,683,521	5,211,580	6,895,101
Restricted for:			
Economic Development	247,395	-	247,395
Debt Service	-	258,886	258,886
Unrestricted	(452,749)	197,470	(255,279)
<b>Total Net Position</b>	<u>\$ 1,478,167</u>	<u>\$ 5,667,936</u>	<u>\$ 7,146,103</u>

The accompanying notes are an integral part of this statement.

**Town of Independence, Louisiana**  
Statement of Activities  
For the Year Ended June 30, 2019

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	\$ 374,341	\$ 57,768	\$ -	\$ -	\$ (316,573)	\$ -	\$ (316,573)
Public Safety	934,987	101,182	35,750	-	(798,055)	-	(798,055)
Public Works	327,737	-	-	-	(327,737)	-	(327,737)
Solid Waste	120,063	141,986	-	-	21,923	-	21,923
Health and Recreation	33,921	-	-	-	(33,921)	-	(33,921)
Debt Service Interest	12,960	-	-	-	(12,960)	-	(12,960)
<b>Total Governmental Activities</b>	<b>1,804,009</b>	<b>300,936</b>	<b>35,750</b>	<b>-</b>	<b>(1,467,323)</b>	<b>-</b>	<b>(1,467,323)</b>
<b>Business-Type Activities:</b>							
Sewer	715,656	475,019	-	170,614	-	(70,023)	(70,023)
Water	532,027	466,463	-	-	-	(65,564)	(65,564)
<b>Total Business-Type Activities</b>	<b>1,247,683</b>	<b>941,482</b>	<b>-</b>	<b>170,614</b>	<b>-</b>	<b>(135,587)</b>	<b>(135,587)</b>
<b>Total</b>	<b>\$ 3,051,692</b>	<b>\$ 1,242,418</b>	<b>\$ 35,750</b>	<b>\$ 170,614</b>	<b>(1,467,323)</b>	<b>(135,587)</b>	<b>(1,602,910)</b>
<b>General Revenues:</b>							
Sales & Property Taxes					786,690	151,487	938,177
Licenses and Permits					189,715	-	189,715
Utility Franchise Fees					8,220	-	8,220
Intergovernmental					5,575	-	5,575
Rental Income					113,424	-	113,424
Miscellaneous					79,144	3,542	82,686
Transfers In and (Out)					-	-	-
Sale of Fixed Assets					12,788	-	12,788
Pension Contributions from Non-Employer Contributing Entities					28,861	6,840	35,701
<b>Total General Revenues</b>					<b>1,224,417</b>	<b>161,869</b>	<b>1,386,286</b>
<b>Change in Net Position</b>					<b>(242,906)</b>	<b>26,282</b>	<b>(216,624)</b>
<b>Net Position - Beginning of the Year</b>					<b>1,721,073</b>	<b>5,629,654</b>	<b>7,350,727</b>
<b>Net Position - End of the Year</b>					<b>\$ 1,478,167</b>	<b>\$ 5,655,936</b>	<b>\$ 7,134,103</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, 2019

Exhibit C

		Special Revenue Fund		
	General Fund	Innovative Housing Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash and Cash Equivalents	\$ 48,827	\$ 17,569	\$ 1,625	\$ 68,021
Receivables, Net	-	-	-	-
Franchise Tax Receivables	17,111	-	-	17,111
Due From Other Governments	111,621	-	-	111,621
Restricted Cash	-	-	-	-
Notes Receivable, Net	-	228,201	-	228,201
Due from Other Funds	29,426	3,658	-	33,084
Prepaid Insurance	15,095	-	-	15,095
<b>Total Assets</b>	<u>\$ 222,080</u>	<u>\$ 249,428</u>	<u>\$ 1,625</u>	<u>\$ 473,133</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts Payable	\$ 131,580	\$ -	\$ -	\$ 131,580
Accrued Liabilities	10,091	-	-	10,091
MERS	3,422	-	-	3,422
MPERS	7,745	-	-	7,745
Due to Other Funds	131,680	-	3,658	135,338
Accrued Interest Payable	5,669	-	-	5,669
<b>Total Liabilities</b>	290,187	-	3,658	293,845
<b>Fund Balances:</b>				
Nonspendable	15,095	231,859	-	246,954
Restricted for:				
Housing Rehabilitation	-	17,569	-	17,569
Economic Development	-	-	(2,033)	(2,033)
Unassigned	(83,202)	-	-	(83,202)
<b>Total Fund Balances</b>	<u>(68,107)</u>	<u>249,428</u>	<u>(2,033)</u>	<u>179,288</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 222,080</u>	<u>\$ 249,428</u>	<u>\$ 1,625</u>	<u>\$ 473,133</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, 2019

Exhibit D

<b>Fund Balances - Total Governmental Funds (Exhibit C)</b>	\$ 179,288
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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	5,650,192
Less: Accumulated Depreciation	(3,705,898)

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

Governmental Bonds & Capital Leases	(260,773)
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	(146,573)
Municipal Police Employees Retirement System of Louisiana	(556,455)

Deferred Outflows of Resources	361,813
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Deferred Inflows of Resources	(43,427)
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<b>Net Position of Governmental Activities (Exhibit A)</b>	<u>\$ 1,478,167</u>
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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, 2019

Exhibit E

	General Fund	Special Revenue Fund Innovative Housing Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Taxes:				
Sales Taxes	\$ 605,948	\$ -	\$ -	\$ 605,948
Property Taxes	180,742	-	-	180,742
Utility Franchise	8,220	-	-	8,220
Solid Waste Fees	141,986	-	-	141,986
Licenses and Permits	189,715	-	-	189,715
Fines and Forfeitures	101,182	-	-	101,182
Rental Income	113,424	-	-	113,424
Charges for Services	57,768	-	-	57,768
Intergovernmental	5,575	-	-	5,575
On-Behalf Payments from State	35,750	-	-	35,750
Workers Comp Credit	2	-	-	2
Other Revenues	74,518	-	-	74,518
Interest Income	493	4,104	27	4,624
<b>Total Revenues</b>	1,515,323	4,104	27	1,519,454
<b>Expenditures:</b>				
Current:				
General Government	268,479	-	-	268,479
Municipal Court	28,926	-	-	28,926
Public Safety	784,951	-	-	784,951
Public Works	259,916	-	-	259,916
Solid Waste	120,063	-	-	120,063
Health and Recreation	33,921	-	-	33,921
Debt Service				
Principal	33,826	-	-	33,826
Interest	12,960	-	-	12,960
Capital Outlay	133,384	-	-	133,384
<b>Total Expenditures</b>	1,676,426	-	-	1,676,426
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	(161,103)	4,104	27	(156,972)
<b>Other Financing Sources (Uses):</b>				
Capital Lease Proceeds	11,600	-	-	11,600
Transfers In / (Out)	108,578	(108,578)	-	-
Sale of Fixed Assets	12,788	-	-	12,788
<b>Total Other Financing Sources (Uses)</b>	132,966	(108,578)	-	24,388
<b>Change in Fund Balances</b>	(28,137)	(104,474)	27	(132,584)
<b>Fund Balances:</b>				
Beginning of the Year	(39,971)	353,901	(2,060)	311,870
End of the Year	\$ (68,108)	\$ 249,427	\$ (2,033)	\$ 179,286

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, 2019

Exhibit F

**Net Change in Fund Balances - Total Governmental Funds (Exhibit E)** \$ (132,584)

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	133,384
Depreciation Expense	(141,873)

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

The liability and expense for compensated absences are not reported in governmental funds. Payments for compensated absences are reported as salaries when they occur. The payment consumes current financial resources, and it would take a catastrophic event for this liability to become a current liability.

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

Net Change in Pension Expense	(152,920)
Contributions from Non-Employer Contributing Entities	28,861

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

Payment of Long-Term Debt	33,826
Capital Lease Proceeds	(11,600)

**Change in Net Position of Governmental Activities (Exhibit B)** \$ (242,906)

The accompanying notes are an integral part of this statement.

**Town of Independence, Louisiana**  
**Statements of Net Position – Proprietary Funds**  
**June 30, 2019 and 2018**

Exhibit G

	Business-Type Activities - Enterprise Funds		Total (Memorandum Only)	
	Water	Sewer	2019	2018
<b>Assets</b>				
<b>Current Assets:</b>				
Cash and Cash Equivalents	\$ 37,781	\$ 11,112	\$ 48,893	\$ 110,965
Customer Accounts Receivable, Net	86,532	14,087	100,619	86,680
Due from Other Governments	-	27,000	27,000	24,540
Due from General Fund	-	131,680	131,680	103,422
Due from Water Fund	-	-	-	161,942
Prepaid Insurance	-	8,491	8,491	2,377
<b>Total Current Assets</b>	<b>124,313</b>	<b>192,370</b>	<b>316,683</b>	<b>489,926</b>
<b>Non-Current Assets:</b>				
<b>Restricted Cash:</b>				
Customer Deposits	92,212	-	92,212	98,512
Construction	-	-	-	-
Debt Service	110,780	142,451	253,231	222,263
<b>Total Non-Current Assets</b>	<b>202,992</b>	<b>142,451</b>	<b>345,443</b>	<b>320,775</b>
<b>Capital Assets:</b>				
Property, Plant, and Equipment, at Cost	5,885,477	9,695,619	15,581,096	15,271,611
Less: Accumulated Depreciation	(1,830,856)	(2,970,934)	(4,801,790)	(4,394,769)
Land	29,100	40,708	69,808	69,808
<b>Total Capital Assets</b>	<b>4,083,721</b>	<b>6,765,393</b>	<b>10,849,114</b>	<b>10,946,650</b>
<b>Total Assets</b>	<b>4,411,026</b>	<b>7,100,214</b>	<b>11,511,240</b>	<b>11,757,351</b>
<b>Deferred Outflows of Resources</b>				
Pension Related	62,863	43,684	106,547	173,574
Total Deferred Outflows of Resources	62,863	43,684	106,547	173,574

(Continued)

**Town of Independence, Louisiana**  
**Statements of Net Position – Proprietary Funds (Continued)**  
**June 30, 2019 and 2018**

Exhibit G

	Business-Type Activities - Enterprise Funds		Total (Memorandum Only)	
	Water	Sewer	2019	2018
<b>Liabilities</b>				
<b>Current Liabilities (Payable from Current Assets):</b>				
Accounts Payable	13,276	13,276	26,552	35,074
Accrued Liabilities	2,311	2,165	4,476	3,773
Due to General Fund	29,426	-	29,426	50,336
Due to Sewer Fund	-	-	-	161,942
Due to Other Governments	961	961	1,922	1,922
<b>Total Current Liabilities (Payable from Current Assets)</b>	45,974	16,402	62,376	253,047
<b>Current Liabilities (Payable from Restricted Assets):</b>				
Utility Customer Deposits	86,557	-	86,557	97,950
Current Portion of Capital Lease	8,192	-	8,192	8,192
Current Portion of Long-Term Debt	38,474	65,364	103,838	100,514
<b>Total Current Liabilities (Payable from Restricted Assets)</b>	133,223	65,364	198,587	206,656
<b>Non-Current Liabilities:</b>				
Capital Lease	8,191	-	8,191	16,383
Revenue Bonds	2,418,197	3,099,116	5,517,313	5,621,151
Net Pension Liability	87,452	60,772	148,224	199,699
<b>Total Non-Current Liabilities</b>	2,513,840	3,159,888	5,673,728	5,837,233
<b>Total Liabilities</b>	2,693,037	3,241,654	5,934,691	6,296,936
<b>Deferred Inflows of Resources</b>				
Pension Related	8,994	6,166	15,160	4,335
<b>Total Deferred Inflows of Resources</b>	8,994	6,166	15,160	4,335
<b>Net Position</b>				
Net Investment in Capital Assets	1,610,667	3,600,913	5,211,580	5,208,602
Restricted	116,435	142,451	258,886	-
Unrestricted	44,756	152,714	197,470	421,052
<b>Total Net Position</b>	<u>\$ 1,771,858</u>	<u>\$ 3,896,078</u>	<u>\$ 5,667,936</u>	<u>\$ 5,629,654</u>

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, 2019 and 2018**

Exhibit H

	Business-Type Activities - Enterprise Funds		Total (Memorandum Only)	
	Sewer	Water	2019	2018
<b>Operating Revenues:</b>				
Charges for Services	\$ 474,920	\$ 466,296	\$ 941,216	\$ 870,835
Other Revenue	99	167	266	363
<b>Total Operating Revenues</b>	<u>475,019</u>	<u>466,463</u>	<u>941,482</u>	<u>871,198</u>
<b>Operating Expenses:</b>				
Depreciation and Amortization	249,318	157,703	407,021	404,998
Salaries and Employee Benefits	98,963	85,044	184,007	200,898
Repairs and Maintenance	73,349	86,677	160,026	89,566
Utilities and Telephone	66,117	22,018	88,135	98,352
Supplies	877	2,990	3,867	22,565
Professional Fees	32,331	32,333	64,664	47,098
Environmental Testing	33,386	-	33,386	34,745
Insurance	29,751	17,387	47,138	30,987
Bad Debt	-	-	-	32,866
Vehicle Expense	2,564	4,001	6,565	4,316
Miscellaneous	12,699	30,801	43,500	39,613
Pension Expense	16,609	16,608	33,217	10,884
<b>Total Operating Expenses</b>	<u>615,964</u>	<u>455,562</u>	<u>1,071,526</u>	<u>1,016,888</u>
<b>Operating Income / (Loss)</b>	(140,945)	10,901	(130,044)	(145,690)
<b>Non-Operating Revenues /</b>				
<b>(Expenses):</b>				
Non-Employer Contributions	3,420	3,420	6,840	9,350
Investment Income	1,022	1,734	2,756	2,623
Grant Revenue	160,380	10,234	170,614	-
Sales and Use Tax	151,487	-	151,487	153,439
Sales of Fixed Asset	-	-	-	20,000
Other Income	-	786	786	-
Interest Expense	(99,692)	(76,465)	(176,157)	(179,370)
<b>Total Non-Operating</b>				
<b>Revenues / (Expenses)</b>	<u>216,617</u>	<u>(60,291)</u>	<u>156,326</u>	<u>6,042</u>
<b>Change in Net Position</b>	75,672	(49,390)	26,282	(139,648)
<b>Net Position - Beginning of Year</b>	<u>4,005,491</u>	<u>1,624,163</u>	<u>5,629,654</u>	<u>5,769,302</u>
<b>Net Position - End of the Year</b>	<u>\$ 4,081,163</u>	<u>\$ 1,574,773</u>	<u>\$ 5,655,936</u>	<u>\$ 5,629,654</u>

The accompanying notes are an integral part of this statement.

**Town of Independence, Louisiana**  
**Statements of Cash Flows – Proprietary Funds**  
**For the Years Ended June 30, 2019 and 2018**

Exhibit I

	Business-Type Activities		Total	
	Enterprise Funds		(Memorandum Only)	
	Water	Sewer	2019	2018
<b>Cash Flows from Operating Activities:</b>				
Receipts from Customers and Users	\$ 454,693	\$ 473,457	\$ 928,150	\$ 858,976
Payments to Suppliers	(200,219)	(261,698)	(461,917)	(376,263)
Payments to Employees	(85,970)	(104,174)	(190,144)	(216,496)
<b>Net Cash Provided by / (Used in) Operating Activities</b>	<b>168,504</b>	<b>107,585</b>	<b>276,089</b>	<b>266,217</b>
<b>Cash Flows From Noncapital Financing Activities:</b>				
Increase / (Decrease) in Amounts Due to Other Funds, Net	2,233	(53,861)	(51,628)	53,426
<b>Net Cash Provided by / (Used in) Noncapital Financing Activities</b>	<b>2,233</b>	<b>(53,861)</b>	<b>(51,628)</b>	<b>53,426</b>
<b>Cash Flows From Capital and Related Financing Activities:</b>				
Capital Grants, F.E.M.A Non-Employer Contributions	14,440	163,800	178,240	29,726
Proceeds from Sales Tax Collections	-	151,487	151,487	153,318
Proceeds from Capital Lease	-	-	-	32,766
Proceeds from Sale of Fixed Assets	-	-	-	20,000
Principal Paid on Capital Lease	-	-	-	(8,191)
Interest Paid on Debt	(76,465)	(99,692)	(176,157)	(179,370)
Principal Paid on Debt	(45,511)	(63,195)	(108,706)	(97,302)
Payments for Capital Assets	(10,248)	(299,237)	(309,485)	(44,566)
<b>Net Cash Provided by / (Used in) Capital and Related Financing Activities</b>	<b>(117,784)</b>	<b>(146,837)</b>	<b>(264,621)</b>	<b>(93,619)</b>
<b>Cash Flows From Investing Activities:</b>				
Interest Earned on Investments	1,734	1,022	2,756	2,623
<b>Net Cash Provided by / (Used in) Investing Activities</b>	<b>1,734</b>	<b>1,022</b>	<b>2,756</b>	<b>2,623</b>
	<b>54,687</b>			
<b>Net Increase / (Decrease) in Cash</b>		<b>(92,091)</b>	<b>(37,404)</b>	<b>228,647</b>
<b>Cash and Cash Equivalents - Beginning of the Year</b>	<b>186,086</b>	<b>245,654</b>	<b>431,740</b>	<b>203,093</b>
<b>Cash and Cash Equivalents - End of the Year</b>	<b>\$ 240,773</b>	<b>\$ 153,563</b>	<b>\$ 394,336</b>	<b>\$ 431,740</b>
<b>Reconciliation of Cash Accounts:</b>				
Unrestricted Cash and Cash Equivalents	\$ 37,781	\$ 11,112	\$ 48,893	\$ 110,965
Restricted Cash and Cash Equivalents	202,992	142,451	345,443	320,775
<b>Cash and Cash Equivalents - End of the Year</b>	<b>\$ 240,773</b>	<b>\$ 153,563</b>	<b>\$ 394,336</b>	<b>\$ 431,740</b>

**Town of Independence, Louisiana**  
**Statements of Cash Flows – Proprietary Funds (Continued)**  
**For the Years Ended June 30, 2019 and 2018**

Exhibit I

	Business-Type Activities Enterprise Funds		Total (Memorandum Only)	
	Water	Sewer	2019	2018
<b>Reconciliation of Operating Income / (Loss) to Net Cash Provided by / (Used in) Operating Activities:</b>				
Operating Income / (Loss)	\$ 10,901	\$ (140,945)	\$ (130,044)	\$ (145,690)
Adjustments to Reconcile Operating Loss to Net Cash Provided by (Used in) / Operating Activities:				
Depreciation and Amortization	157,703	249,318	407,021	404,998
Changes in Assets and Liabilities:				
(Increase) / Decrease in Accounts Receivable	(12,377)	(1,562)	(13,939)	(27,421)
(Increase) / Decrease in Internal Balances	-	-	-	-
(Increase) / Decrease in Prepaid Insurance	-	(6,114)	(6,114)	(2,377)
(Increase) / Decrease in Deferred Outflows	38,331	28,696	67,027	(59,105)
Increase / (Decrease) in Accounts Payable	(4,012)	(4,510)	(8,522)	(3,140)
Increase / (Decrease) in Accrued Liabilities	(144)	847	703	(1,087)
Increase / (Decrease) in Due to Unclaimed Properties	-	-	-	-
Increase / (Decrease) in Prior Year M.E.R.S. Liabilities	-	-	-	-
Increase / (Decrease) in Net Pension Liability	(28,972)	(22,503)	(51,475)	72,295
Increase / (Decrease) in Deferred Inflows	6,467	4,358	10,825	(11,656)
Increase / (Decrease) in Meter Deposits	607	-	607	15,200
<b>Net Cash Provided By / (Used In) Operating Activities</b>	<u><u>\$ 168,504</u></u>	<u><u>\$ 107,585</u></u>	<u><u>\$ 276,089</u></u>	<u><u>\$ 242,017</u></u>
<b>Supplemental Disclosure of Cash Flow Information:</b>				
Interest Paid			<u>\$ 176,157</u>	<u>\$ 179,370</u>

The accompanying notes are an integral part of this statement.

## **Notes to the Financial Statements**

## **Town of Independence, Louisiana**

### Notes to Financial Statements

For the Year Ended June 30, 2019

#### **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, 2019

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

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

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

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

The Town does not allocate indirect costs.

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

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

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

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

**Town of Independence, Louisiana**  
Notes to Financial Statements (Continued)  
For the Year Ended June 30, 2019

Major Funds are determined by the following criteria:

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

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

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

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

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

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

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

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

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

**Town of Independence, Louisiana**  
Notes to Financial Statements (Continued)  
For the Year Ended June 30, 2019

purposes. Proprietary funds also distinguish between operating and non-operating items. Operating 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 fund 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, 2019

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

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

**F. Cash, Cash Equivalents, and Investments**

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

**Interest Rate Risk** – The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value arising from increasing interest rates.

**Town of Independence, Louisiana**  
Notes to Financial Statements (Continued)  
For the Year Ended June 30, 2019

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.

**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 uncollectable amount is charged to the revenue reported. In business-type activities, uncollectible amounts due from utility billing receivables are recognized as bad debts through the use of an allowance account or are directly charged off at the time information becomes available that a receivable is not collectible. Allowances for uncollectible accounts receivable are based on historical trends and the periodic aging of accounts receivable. An allowance for doubtful accounts of \$24,200 was recorded in the proprietary funds at June 30, 2019.

**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.

**Town of Independence, Louisiana**  
Notes to Financial Statements (Continued)  
For the Year Ended June 30, 2019

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.

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, 2019, \$1,210 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.

**Town of Independence, Louisiana**  
Notes to Financial Statements (Continued)  
For the Year Ended June 30, 2019

**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.
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.

**Town of Independence, Louisiana**  
Notes to Financial Statements (Continued)  
For the Year Ended June 30, 2019

O. 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, 2019.

- 1966 1% Sales and Use Tax

The proceeds of the 1966 1% sales and use tax levied by the Town (current collections were \$302,974 for the year ended June 30, 2019) 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 \$302,974 for the year ended June 30, 2019) were originally dedicated for the following purpose: constructing, acquiring, extending, improving, operating and / or maintaining sewers and sewerage disposal works for the Town, constructing, paving, widening, and improving streets in the Town and for construction, acquiring, extending, improving, operating and / or maintaining waterworks facilities.

On October 2, 2010, voters of the Town approved a proposition to amend the original sales tax dedication to include any lawful corporate purposes of the Town. As a result of this proposition, the remaining balances in the 1982 Sales Tax Fund were transferred to the General Fund through a residual equity transfer. On January 11, 2010, the Town issued \$300,000 of Taxable Revenue Bonds, Series 2010 to fund improvements to a building owned by the Town and leased to a commercial business. These bonds are secured by a pledge and dedication of the excess of annual revenues of the Town including the proceeds of the 1982 1% sales and use tax.

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

The proceeds of the 1980 ½% sales and use tax levied by the Town (current collections were \$151,487 for the year ended June 30, 2019) were dedicated for the payment of the \$290,000 Public Improvement Bonds. 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. 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. . On July 9, 2013, the Town issued \$2,632,000 of Sewer Revenue Bonds, Series 2014 to fund improvements to the Town's sewer system. These bonds are secured by a pledge and dedication of the excess of annual revenues of the Town including the proceeds of the 1980 ½% sales and use tax.

**Town of Independence, Louisiana**  
Notes to Financial Statements (Continued)  
For the Year Ended June 30, 2019

P. 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.

**2. Stewardship, Compliance, and Accountability**

A. Budgetary Information

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

Total expenditures for the General Fund exceeded the final budgeted amount by \$62,926 or 3.9%. This did not result in a budget violation.

B. Deposits, Investment Laws, and Regulations

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

C. Deficit Fund Equity

As of June 30, 2019, the General Fund had a deficit fund balance of \$68,107.

D. Compliance with Bond Covenants

As of June 30, 2019, the Town was not in compliance with the requirements of the outstanding Revenue Bonds and Limited Tax Bonds.

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

At June 30, 2019, the Town had cash and cash equivalents (book balances) totaling \$462,357. These deposits are stated at cost, which approximates market.

	Statement of Net Position
Cash and Cash Equivalents	\$ 116,914
Restricted Cash and Cash Equivalents	345,443
<b>Total Interest-Bearing Deposits</b>	<b><u>\$ 462,357</u></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, 2019, \$261,694 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

**Town of Independence, Louisiana**  
Notes to Financial Statements (Continued)  
For the Year Ended June 30, 2019

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 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, 2019 was as follows:

	Governmental Activities	Business- Type Activities	Total
Debt Service	\$ -	\$ 253,231	\$ 253,231
Customer Meter Deposits	-	92,212	92,212
<b>Total</b>	<u>\$ -</u>	<u>\$ 345,443</u>	<u>\$ 345,443</u>

#### 5. Receivables

As of June 30, 2019, accounts receivable for governmental activities were as follows:

	General Fund	Special Revenue Funds	Total Governmental Funds
Accounts Receivable:			
Franchise Fees	\$ 17,111	-	\$ 17,111
Total Governmental Fund Receivables, Net	<u>\$ 17,111</u>	<u>\$ -</u>	<u>\$ 17,111</u>
Due From Other Governments:			
Sales and Use Tax	\$ 108,001	\$ -	\$ 108,001
Tax on Insurance Premiums	2,020	-	2,020
Beer Tax	1,600	-	1,600
Total Due From Other Governments	<u>\$ 111,621</u>	<u>\$ -</u>	<u>\$ 111,621</u>

**Town of Independence, Louisiana**  
Notes to Financial Statements (Continued)  
For the Year Ended June 30, 2019

As of June 30, 2019, accounts receivable for business-type activities were as follows:

Accounts Receivable:

Utility Charges	\$ 124,819
Less: Uncollectible Allowance	<u>(24,200)</u>
Total Proprietary Fund Receivables, Net	<u>\$ 100,619</u>

Due From Other Governments:

Sales and Use Tax	<u>\$ 27,000</u>
Total Due From Other Governments	<u>\$ 27,000</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, 2019) are payable to the Town over a long-term payment schedule. The notes range in maturity, with interest between 1 and 3 percent and are secured by the improved real estate. As of June 30, 2019, the total outstanding balance of the notes was \$228,201.

**Town of Independence, Louisiana**  
Notes to Financial Statements (Continued)  
For the Year Ended June 30, 2019

**8. Capital Assets**

The following is a summary of changes in capital assets for the governmental activities for the year ended June 30, 2019:

	Balance June 30, 2018	Increases	Decreases	Balance June 30, 2019
<b>Capital Assets Not Being Depreciated:</b>				
Land	\$ 100,150	\$ -	\$ -	\$ 100,150
Construction in Progress	338,203	-	-	338,203
<b>Total Capital Assets Not Being Depreciated</b>	438,353	-	-	438,353
<b>Capital Assets:</b>				
Building	1,793,520	30,370	-	1,823,890
Vehicles and Equipment	572,089	103,014	-	675,103
Infrastructure	2,712,846	-	-	2,712,846
<b>Total Capital Assets</b>	5,078,455	133,384	-	5,211,839
<b>Less: Accumulated Depreciation:</b>				
Building	482,502	45,511	-	528,013
Vehicles and Equipment	495,383	28,542	-	523,925
Infrastructure	2,586,140	67,820	-	2,653,960
<b>Total Accumulated Depreciation</b>	3,564,025	141,873	-	3,705,898
<b>Total Governmental Capital Assets, Net</b>	\$ 1,952,783	\$ (8,489)	\$ -	\$ 1,944,294

Depreciation expense was charged to governmental functions as follows:

<b>Governmental Activities:</b>	
General Government	\$ 38,910
Public Safety	35,142
Public Works	67,821
<b>Total</b>	<u>\$ 141,873</u>

**Town of Independence, Louisiana**  
Notes to Financial Statements (Continued)  
For the Year Ended June 30, 2019

The following is a summary of changes in capital assets for business-type activities for the year ended June 30, 2019:

	Balance June 30, 2018	Increases	Decreases	Balance June 30, 2019
<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	608,347	30,122	-	638,469
Water & Sewer Lines	9,017,293	213,006	-	9,230,299
Water Storage Tanks	1,753,115	-	-	1,753,115
Water Wells	432,698	-	-	432,698
Sewer Treatment Plan	2,669,371	3,280	-	2,672,651
Sewer Pumps and Lift Stations	790,787	63,076	-	853,863
<b>Total Capital Assets</b>	15,271,611	309,484	-	15,581,095
<b>Less: Accumulated Depreciation:</b>				
Vehicles and Equipment	386,988	53,684	-	440,672
Water & Sewer Lines	1,548,696	211,519	-	1,760,215
Water Storage Tanks	215,598	50,318	-	265,916
Water Wells	164,713	7,352	-	172,065
Sewer Treatment Plan	1,344,280	66,728	-	1,411,008
Sewer Pumps and Lift Stations	734,494	17,419	-	751,913
<b>Total Accumulated Depreciation</b>	4,394,769	407,020	-	4,801,789
<b>Total Business-Type Capital Assets, Net</b>	<u>\$ 10,946,650</u>	<u>\$ (97,536)</u>	<u>\$ -</u>	<u>\$ 10,849,114</u>

## 9. Capital Lease

On July 17, 2017 the Town entered into a lease purchase agreement to purchase a Utility Cab Tractor. The lease is for 48 months with sixteen payments of \$2,048 paid quarterly. The lease contains a bargain purchase agreement of \$100 at the end of the lease. As of June 30, 2019, the Town has recorded an asset of \$32,768 with accumulated depreciation of \$6,281. The balance of this lease payable is \$16,383 with a current maturity of the lease is \$8,192.

In November 2018, the Town entered into a lease purchase agreement with Bancorp South Equipment Finance for the purchase of a Bush Hog 3510 Cutter. The lease is for 36 months with 36 monthly payments at an interest rate of 4.5%. Title is passed to the Town at the expiration of the lease for no further consideration. At June 30, 2019, the Town recorded an asset of \$11,600 with accumulated depreciation of \$1,243. The balance of the lease is \$9,773 with a current maturity of \$3,778 at June 30, 2019.

**Town of Independence, Louisiana**  
Notes to Financial Statements (Continued)  
For the Year Ended June 30, 2019

Amortization schedules of the outstanding Capital Leases including interest expense of \$362.51 is as follows:

Utility Cab Tractor Year End	Lease Payments	Bush Hog Cutter Year End	Lease Payments
06/30/20	\$ 8,192	06/30/20	\$ 3,778
06/30/21	8,191	06/30/21	3,952
06/30/22	-	06/30/22	2,043
	<u>\$ 16,383</u>		<u>\$ 9,773</u>

#### 10. Long-Term Debt

The Town's long-term debt is segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities. The following is a summary of long-term liabilities of the Town for the year ended June 30, 2019:

	Total Debt 6/30/2018	Increase in Debt	Debt Retired	Total Debt 6/30/2019	Due in One Year
Revenue Bonds	\$ 5,887,665	\$ -	\$ 120,514	\$ 5,767,151	\$ 124,837
Limited Tax Bonds	117,000	-	12,000	105,000	12,000
<b>Total</b>	<u>\$ 6,004,665</u>	<u>\$ -</u>	<u>\$ 132,514</u>	<u>\$ 5,872,151</u>	<u>\$ 136,837</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.

\$ 146,000

\$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.

105,000

#### **Total Governmental Activities**

\$ 251,000

**Town of Independence, Louisiana**  
Notes to Financial Statements (Continued)  
For the Year Ended June 30, 2019

An amortization schedule of the outstanding long-term debt of the Governmental Activities including interest expense of \$40,134 is as follows:

Governmental Activities  
Revenue & Limited Tax Bonds

Year End	Series 2010	Series 2015	Total
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
06/30/24	28,700	14,513	43,213
2025 - 2027	29,400	44,310	73,710
<b>Total</b>	<u>\$ 172,767</u>	<u>\$ 118,367</u>	<u>\$ 291,134</u>

Business-Type Activities:

\$975,000 Sewer Revenue Bond dated December 16, 1997; Due in monthly installments of \$4,388 through December 16, 2037; Interest at 4.5%; Payable from a pledge of the Town's revenues of the Sewer System	\$ 657,568
\$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.	1,351,683
\$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.	1,104,989
\$2,632,000 Sewer Revenue Bonds dated, April 28, 2015; Due in monthly installments of \$9,186 through April 16, 2055; Interest at 2.75%; Payable from a pledge of the Town's revenues of the Water System.	<u>2,506,911</u>
<b>Total Business-Type Activities</b>	<u>\$ 5,621,151</u>

**Town of Independence, Louisiana**  
Notes to Financial Statements (Continued)  
For the Year Ended June 30, 2019

An amortization schedule of the outstanding long-term debt of the Business-Type Activities including interest expense of \$3,295,280 is as follows:

Business-Type Activities						
Year End	Sewer			Water		Totals
	Series 2015	Revenue Bond	Revenue Bond	Series 2015 A	Series 2015 B	
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
06/30/24	110,232	9,612	43,044	54,096	59,688	276,672
2025 - 2055	3,389,311	119,095	532,662	1,672,082	1,819,921	7,533,071
<b>Total</b>	<u>\$ 3,940,471</u>	<u>\$ 167,155</u>	<u>\$ 747,882</u>	<u>\$ 1,942,562</u>	<u>\$ 2,118,361</u>	<u>\$ 8,916,431</u>

## 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 <sup>3</sup>/<sub>4</sub>% per annum. The bonds shall be paid solely from the income and revenues derived by the Town from the operation of the sewer system, after paying reasonable and necessary expenses of operating and maintaining the system. The bond resolutions require the revenues earned from operations of the system be deposited in a "Sewer Revenue Fund." After payment of all reasonable and necessary costs and expenses of maintaining the system, certain monthly payments must be made from the Sewer Revenue Fund as follows:

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

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

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

**Town of Independence, Louisiana**  
Notes to Financial Statements (Continued)  
For the Year Ended June 30, 2019

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 of June 30, 2019.

***\$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 not exceeding forty years and bear an interest rate not exceeding 4 ¼% per annum. The Bonds shall be paid solely from the income and revenues derived by the Town from the operation of the water system, after paying reasonable and necessary expenses of operating and maintaining the system. The bond resolutions require the revenues earned from operations of system be deposited in a "Water System Revenue Fund." After payment of all reasonable and necessary costs and expenses of maintaining the system, certain monthly payments must be made from the Water System Revenue Fund as follows:

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

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

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

The Town was not in compliance with the bond covenants as of June 30, 2019.

***\$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 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

**Town of Independence, Louisiana**  
Notes to Financial Statements (Continued)  
For the Year Ended June 30, 2019

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 of June 30, 2019.

***\$300,000 Revenue Bonds***

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

The Town was in compliance with the bond covenants.

***\$150,000 Limited Tax Bonds, Series 2015***

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

The Town was not in compliance with the bond covenants as of June 30, 2019.

**Town of Independence, Louisiana**  
Notes to Financial Statements (Continued)  
For the Year Ended June 30, 2019

***\$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 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 of June 30, 2019.

## **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

**Town of Independence, Louisiana**  
Notes to Financial Statements (Continued)  
For the Year Ended June 30, 2019

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.

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, 2019, was 14.00 % of annual payroll. Contributions to the System from the Town were \$51,626 for the year ended June 30, 2019.

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

At June 30, 2019, the Town reported a liability of \$294,797 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, 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, 2019 contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

**Town of Independence, Louisiana**  
Notes to Financial Statements (Continued)  
For the Year Ended June 30, 2019

For the year ended June 30, 2019, the Town recognized pension expense of \$71,243. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	\$ 13,278
Changes of Assumptions	11,032	-
Changes of Experience	790	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	47,915	-
Changes in Proportion and Differences Between Town Contributions and Proportionate Share of Contributions	114,067	16,873
Town Contributions Subsequent to the Measurement Date	38,103	-
	<u>\$ 211,907</u>	<u>\$ 30,151</u>

\$38,103 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, 2019. 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, 2019	\$ 75,224
June 30, 2020	62,598
June 30, 2021	4,345
June 30, 2022	1,485
Thereafter	-

Actuarial Assumptions – The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60%
Salary Increases	5.00%
Investment Rate of Return	7.28%

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, 2018 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.

**Town of Independence, Louisiana**  
Notes to Financial Statements (Continued)  
For the Year Ended June 30, 2019

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public Equity	50.00%	2.20%
Public Fixed Income	35.00%	1.50%
Alternatives	15.00%	0.60%
Total	100.00%	4.30%
Inflation		2.70%
Expected Arithmetic Nominal Return		7.00%

Discount Rate – The discount rate used to measure the total pension liability was 7.275%. 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 7.275%, 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 (6.275%) or one percentage-point higher (8.275%) than the current rate:

	1.0% Decrease 6.275%	Current Discount Rate 7.275%	1.0% Increase 8.275%
Town's Proportionate Share of the Net Pension Liability	\$ 386,885	\$ 294,797	\$ 216,514

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

**Town of Independence, Louisiana**  
Notes to Financial Statements (Continued)  
For the Year Ended June 30, 2019

**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 Employees' Retirement System of Louisiana, 7722 Office Park Boulevard, Suite 200, Baton Rouge, LA 70809-7601, or by calling (225) 99-7411.

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

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

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

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

Contributions – Per Act 189 of the 1973 Regular Session of the Louisiana Legislature, contribution rates for employees are established by state law and employer contribution rates are actuarially determined each year by the Police System's Board of Trustees. Employees are required to contribute 10.00% of their annual pay. The Town's contractually required contribution rate for the year ended June 30, 2019, was 32.25% of annual payroll. Contributions to the Police System from the Town were \$93,361 for the year ended June 30, 2019.

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

At June 30, 2019, the Town reported a liability of \$556,455 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used

**Town of Independence, Louisiana**  
Notes to Financial Statements (Continued)  
For the Year Ended June 30, 2019

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. At June 30, 2018, the Town's proportion was 0.065821% compared to 0.063511%, at June 30, 2017.

For the year ended June 30, 2019, the Town recognized pension expense of \$114,894. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	\$ 28,436
Changes of Assumptions	36,364	-
Changes of Experience	2,509	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	26,675	-
Changes in Proportion and Differences Between Town Contributions and Proportionate Share of Contributions	119,645	
Town Contributions Subsequent to the Measurement Date	71,264	-
	<u>\$ 256,457</u>	<u>\$ 28,436</u>

\$71,264 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, 2019. 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, 2019	125,923
June 30, 2020	40,546
June 30, 2021	(10,679)
June 30, 2022	967
Thereafter	-

**Town of Independence, Louisiana**  
Notes to Financial Statements (Continued)  
For the Year Ended June 30, 2019

Actuarial Assumptions – The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation 2.60%

Salary Increases, Including Inflation &  
Merit

<u>Service Years</u>	<u>Growth Rate</u>
1-2	9.75%
3-23	4.75%
Over 23	4.25%

Investment Rate of Return 7.20%, Net of Investment Expense

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the assumptions used in the June 30, 2018 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Equity	52.00%	3.58%
Fixed Income	22.00%	0.46%
Alternatives	20.00%	1.07%
Other	6.00%	0.17%
Total	100.00%	5.28%
Inflation		2.75%
Expected Nominal Return		8.03%

Discount Rate – The discount rate used to measure the total pension liability was 7.20%. 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

**Town of Independence, Louisiana**  
Notes to Financial Statements (Continued)  
For the Year Ended June 30, 2019

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 7.20%, 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 (6.20%) or one percentage-point higher (8.20%) than the current rate:

	1.0% Decrease (6.20%)	Current Discount Rate (7.20%)	1.0% Increase (8.20%)
Town's Proportionate Share of the Net Pension Liability	\$ 781,973	\$ 556,455	\$ 367,254

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, 2019, were as follows:

	Due From	Due To
<b>General Fund:</b>		
Due from Enterprise Fund	\$ 29,426	\$ 131,680
<b>Innovative Housing:</b>		
Due from Economic Development	3,658	-
<b>Economic Development:</b>		
Due to Innovative Housing	-	3,658
<b>Enterprise Fund:</b>		
Due from General Fund	131,680	-
Due to General Fund	-	29,426
Total All Funds	<u>\$ 164,764</u>	<u>\$ 164,764</u>

**Town of Independence, Louisiana**  
Notes to Financial Statements (Continued)  
For the Year Ended June 30, 2019

*Interfund Transfers*

The following is a summary of the operating transfers between funds during the fiscal year ending June 30, 2019.

	<u>Transfers In</u>	<u>Transfers Out</u>
<b>General Fund</b>	\$ 108,578	\$ -
<b>Special Revenue Funds:</b>		
Innovative Housing Fund	-	108,578
<b>Total All Funds</b>	<u>\$ 108,578</u>	<u>\$ 108,578</u>

#### 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 measurable. 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, 2019, taxes of 16.23 mills were levied on property with taxable assessed valuations totaling \$8,417,675 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 \$136,619. At June 30, 2019, taxes receivable was \$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 2019, 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, 2019

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

	State Supplemental Salaries
Policemen Supplemental Pay	\$ 35,750
<b>Total On-Behalf Payments</b>	<b>\$ 35,750</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 January 2, 2020.

## **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, 2019

Schedule 1

	Original Budget	Final Budget	Actual Amounts	Final Budget Variance - Favorable / (Unfavorable)
<b>Revenues:</b>				
Taxes:				
Sales Taxes	\$ 630,400	\$ 595,200	\$ 605,948	\$ 10,748
Property Taxes	157,600	172,000	180,742	8,742
Utility Franchise	6,600	8,200	8,220	20
Solid Waste Fees	140,300	142,200	141,986	(214)
Licenses and Permits	200,200	194,100	189,715	(4,385)
Fines and Forfeitures	75,000	97,100	101,182	4,082
Rental Income	98,000	107,400	113,424	6,024
Charges for Services	56,800	57,800	57,768	(32)
Intergovernmental	10,400	13,100	5,575	(7,525)
On-Behalf payments from State	42,000	35,800	35,750	(50)
Worker's Comp Credit	-	-	2	2
Other Revenues	12,600	74,300	74,518	218
Interest Income	1,000	500	493	(7)
<b>Total Revenues</b>	<u>1,430,900</u>	<u>1,497,700</u>	<u>1,515,323</u>	<u>17,623</u>
<b>Expenditures:</b>				
Current:				
General Government	263,990	249,800	268,479	(18,679)
Municipal Court	26,800	29,100	28,926	174
Public Safety	779,836	764,900	784,951	(20,051)
Public Works	146,162	256,300	259,916	(3,616)
Solid Waste	120,900	120,100	120,063	37
Health and Recreation	31,300	29,100	33,921	(4,821)
Debt Service	-	-	-	-
Principal	32,000	32,000	33,826	(1,826)
Interest	10,440	8,200	12,960	(4,760)
Capital Outlay	43,000	124,000	133,384	(9,384)
<b>Total Expenditures</b>	<u>1,454,428</u>	<u>1,613,500</u>	<u>1,676,426</u>	<u>(62,926)</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	(23,528)	(115,800)	(161,103)	(45,303)
<b>Other Financing Sources:</b>				
Capital Lease Proceeds	-	-	11,600	11,600
Transfers In	23,528	108,526	108,578	52
Sale of Fixed Assets	-	12,788	12,788	-
<b>Total Other Financing Sources</b>	<u>23,528</u>	<u>121,314</u>	<u>132,966</u>	<u>11,652</u>
<b>Change in Fund Balances</b>	-	5,514	(28,137)	(33,651)
<b>Fund Balances:</b>				
Beginning of the Year,	15,284	(39,971)	(39,971)	-
End of the Year	<u>\$ 15,284</u>	<u>\$ (34,457)</u>	<u>\$ (68,108)</u>	<u>\$ (33,651)</u>

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, 2019

Schedule 2

	Original Budget	Final Budget	Actual Amounts	Final Budget Variance - Favorable / (Unfavorable)
<b>Revenues:</b>				
Investment Interest	\$ 5,000	\$ 4,500	\$ 4,104	\$ (396)
<b>Total Revenues</b>	5,000	4,500	4,104	(396)
<b>Expenditures:</b>				
General Government	500	400	-	400
<b>Total Expenditures</b>	500	400	-	400
<b>Excess of Revenues over Expenditures</b>	4,500	4,100	4,104	4
<b>Other Financing Sources (Uses):</b>				
Operating Transfers Out	(23,528)	(108,526)	(108,578)	(52)
<b>Total Other Financing Sources (Uses)</b>	(23,528)	(108,526)	(108,578)	(52)
<b>Change in Fund Balance</b>	(19,028)	(104,426)	(104,474)	(48)
<b>Fund Balance - Beginning of the Year</b>	403,009	353,901	353,901	-
<b>Fund Balance - End of the Year</b>	<u>\$ 383,981</u>	<u>\$ 249,475</u>	<u>\$ 249,427</u>	<u>\$ (48)</u>

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, 2019

Schedule 3-A

	* Last 5 Fiscal Years Ending June 30				
	2019	2018	2017	2016	2015
Town's Proportion of the Net Pension Liability	0.348529%	0.386929%	0.521281%	0.000000%	0.020476%
Town's Proportionate Share of the Net Pension Liability	\$ 294,797	\$ 334,784	\$ 213,658	\$ -	\$ 52,551
Town's Covered-Employee Payroll	\$ 272,163	\$ 271,951	\$ 305,452	\$ 93,120	\$ -
Town's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	108.32%	123.10%	69.95%	0.00%	-
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	63.94%	63.49%	62.11%	66.18%	73.99%

\* 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 Proportionate Share of the Net Pension Liability –  
Municipal Police Employees' Retirement System of Louisiana  
For the Year Ended June 30, 2019

Schedule 3-B

	* Last 5 Fiscal Years Ending June 30				
	2019	2018	2017	2016	2015
Town's Proportion of the Net Pension Liability	0.065900%	0.063511%	0.005447%	0.015900%	0.017003%
Town's Proportionate Share of the Net Pension Liability	\$ 556,455	\$ 554,478	\$ 510,565	\$ 124,560	\$ 106,372
Town's Covered-Employee Payroll	\$ 220,972	\$ 237,833	\$ 189,602	\$ 152,193	\$ 42,540
Town's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	251.82%	233.14%	269.28%	81.84%	250.05%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.88%	70.08%	66.00%	70.73%	75.10%

\* 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, 2019

Schedule 4-A

	Last 5 Fiscal Years Ending June 30				
	2019	2018	2017	2016	2015
Contractually Required Contribution	\$ 38,103	\$ 35,353	\$ 68,476	\$ 18,391	\$ -
Contributions in Relation to the Contractually Required Contribution	(38,103)	(35,353)	(68,476)	(18,391)	-
Contribution Deficiency / (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Town's Covered-Employee Payroll	\$ 272,164	\$ 271,951	\$ 305,452	\$ 93,120	\$ -
Contributions as a Percentage of Covered-Employee Payroll	14.00%	13.00%	22.42%	19.75%	-

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, 2019

Schedule 4-B

	Last 5 Fiscal Years Ending June 30				
	2019	2018	2017	2016	2015
Contractually Required Contribution	\$ 71,264	\$ 62,636	\$ 60,248	\$ 44,897	\$ 13,400
Contributions in Relation to the Contractually Required Contribution	(71,264)	(62,636)	(60,248)	(44,897)	13,400
Contribution Deficiency / (Excess)	\$ -	\$ -	\$ -	\$ -	\$ 26,800
Town's Covered-Employee Payroll	\$ 220,974	\$ 203,694	\$ 189,125	\$ 152,193	\$ 42,540
Contributions as a Percentage of Covered-Employee Payroll	32.25%	30.75%	31.86%	29.50%	31.50%

See auditor's report.

## **Other Supplemental Information**

**Town of Independence, Louisiana**  
Combining Balance Sheet – Non-Major Governmental Funds  
June 30, 2019

Schedule 5

	LCDBG Economic Development 1987 Fund	2010 Revenue Bond Capital Projects Fund	Total Non-Major Governmental Funds
<b>Assets</b>			
Cash and Cash Equivalents	\$ 1,617	\$ 8	\$ 1,625
<b>Total Assets</b>	<u>\$ 1,617</u>	<u>\$ 8</u>	<u>\$ 1,625</u>
 <b>Liabilities and Fund Balances</b>			
<b>Liabilities:</b>			
Accounts Payable	\$ -	\$ -	\$ -
Due to Other Funds	<u>3,658</u>	<u>-</u>	<u>3,658</u>
<b>Total Liabilities</b>	<u>3,658</u>	<u>-</u>	<u>3,658</u>
 <b>Fund Balances:</b>			
Restricted for Economic Development	<u>(2,041)</u>	<u>8</u>	<u>(2,033)</u>
<b>Total Fund Balances</b>	<u>(2,041)</u>	<u>8</u>	<u>(2,033)</u>
 <b>Total Liabilities and Fund Balances</b>	<u>\$ 1,617</u>	<u>\$ 8</u>	<u>\$ 1,625</u>

See auditor's report.

Schedule 6

**Town of Independence, Louisiana**  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances –  
Non-Major Governmental Funds  
For the Year Ended June 30, 2019

	LCDBG Economic Development 1987 Fund	2010 Revenue Bond Capital Projects Fund	Total Non-Major Governmental Funds
<b>Revenues:</b>			
Investment Interest	\$ 27	\$ -	\$ 27
<b>Total Revenues</b>	<u>27</u>	<u>-</u>	<u>27</u>
<b>Expenditures:</b>			
General Government:			
Professional Fees	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Excess of Revenues over Expenditures</b>	27	-	27
<b>Other Financing Sources (Uses):</b>			
Operating Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Change in Fund Balance</b>	27	-	27
<b>Fund Balances - Beginning of the Year</b>	<u>(2,068)</u>	<u>8</u>	<u>(2,060)</u>
<b>Fund Balances - End of the Year</b>	<u>\$ (2,041)</u>	<u>\$ 8</u>	<u>\$ (2,033)</u>

See auditor's report.

**Town of Independence, Louisiana**  
Schedule of Compensation of Paid Elected Officials  
For the Year Ended June 30, 2019

Schedule 7

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

See auditor's report.

**Town of Independence, Louisiana**  
Schedule of Compensation, Benefits, and Other Payments to Agency Head  
For the Year Ended June 30, 2019

Schedule 8

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

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 14,667
Benefits - Health Insurance	-
Benefits - Other Insurance	-
Social Security & Medicare	1,309
Benefits - Retirement	2,396
Deferred Compensation	-
Benefits - Other - Supplemental Pay	-
Car Allowance	-
Vehicle Provided by Government	-
Vehicle Rental	-
Cell Phone	-
Dues	-
Per Diem	-
Reimbursements	200
Travel	-
Registration Fees	-
Conference Travel	-
Housing	-
Unvouchered Expenses	-
Special Meals	-
Mayor Meetings	2,444
	<u>\$ 21,016</u>

See auditor's report.

**Town of Independence, Louisiana**  
Schedule of Insurance Coverage in Force  
For the Year Ended June 30, 2019

Schedule 9

Insurance Company	Coverage	Amount	Expiration Date
Landmark American	Buildings	1,246,411	04/11/20
	Contents	142,595	04/11/20
	Pumping Equipment	5,962	04/11/20
	Tower 3	64,210	04/11/20
	75k W Generator	78,000	04/11/20
	Lift Stations	209,664	04/11/20
	Sewer Treatment Plant	474,000	04/11/20
	Equipment	217,421	04/11/20
EMC Insurance Company	Public Official Bond		
	Per Employee	100,000	05/07/20
LA Municipal Risk Management Agency	Automobile Liability	500,000	05/01/20
	Uninsured Motorist, BI & PD		
	Commercian General Liability	500,000	05/01/20
	Premises/Operations		
	Products/Completed Operations		
	Law Enforcement Officer	500,000	05/01/20
	Comprehensive Liability, Personal Injury		
	Public Officials	500,000	05/01/20
	Liability Errors & Omissions		
Rod & Prejan	Auto Physical Damage	102,500	05/07/20

See auditor's report.

**Town of Independence, Louisiana**  
**Water and Sewer Rate Schedule**  
June 30, 2019

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	682			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	58			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>761</u>						

See auditor's report.

**Town of Independence, Louisiana**  
Schedule of Water and Sewer Information  
June 30, 2019

Schedule 11

*Accounts Receivable:*

As of June 30, 2019, accounts receivable from water and sewer billings were as follows:

<u>Water, Sewer, Garbage, Fire &amp; Police Receivable</u>	
Total Per Billing System	\$ 124,819
Allowance for Doubtful Accounts	<u>(24,200)</u>
	<u>\$ 100,619</u>

*Schedule of Aged Receivables*

<u>Balance</u>	<u>Current</u>	<u>30 Days</u>	<u>60 Days</u>	<u>Over 60 Days</u>
<u>\$ 124,819</u>	<u>\$ 95,167</u>	<u>\$ 23,022</u>	<u>\$ 3,201</u>	<u>\$ 3,429</u>

*Water and Sewer Users*

As of June 30, 2019, water and sewer users were composed of the following:

<u>Customer Type</u>	<u>Number</u>
Residential	682
Commercial	58
Schools	5
Major Commercial / Industrial	2
Church	<u>14</u>
Total	<u>761</u>

See auditor's report.

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

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

J. Bryan Ehricht, CPA  
Samantha D. Wagner, CPA  
Megan E. Lynch, CPA  
Christie J. Barado  
B. Jacob Steib  
Connor J. Collura  
Sharon B. Bravata  
Krystal L. Waddell  
Debbie G. Faust, EA



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

The Honorable 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, 2019, 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 January 2, 2020.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Town of Independence, Louisiana's internal control over financial reporting (internal control) 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 did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2019-004 and 2019-005 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompany schedule of findings and questioned costs as items 2019-001 to 2019-003 to be significant deficiencies.

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

### **Compliance and Other Matters**

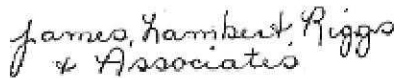
As part of obtaining reasonable assurance about whether the Town of Independence, Louisiana's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have 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 2019-006 and 2019-007.

### **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.

Handwritten signature of James Lambert Riggs, with "James, Lambert, Riggs" written above and "& Associates" written below.

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

January 2, 2020

**Town of Independence, Louisiana**  
Schedule of Current Year Findings and Questioned Costs  
For the Year Ended June 30, 2019

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, 2019, 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 January 2, 2020. Our audit of the basic financial statements resulted in an unmodified opinion.

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

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

**Internal Control:**

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

**Compliance:**

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

Was a management letter issued?	___	Yes	<u>X</u>	No
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**Section II – Financial Statement Findings**

**Internal Control over Financial Reporting**

**2019-001 – 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, 2019

**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 January 2, 2020.

**2019-002 – Lack of Adequate Internal Controls over Occupational Licenses**

**Condition:**

During our audit and testing of the internal control procedures over occupational licenses and sales taxes, we noted a business located in the Town owned by the Mayor was operating without an occupational license. According to the Town Clerk, the Mayor's business was also delinquent with filing and paying its sales taxes to the Town. The estimate by the Tangipahoa Parish School Board Sales Tax Office of the unpaid sales tax totaled approximately \$13,000 (which includes accrued penalties and interest). Despite this, the Town allowed the business to continue to receive sewer and water services and operate without the business having a valid occupational license in effect.

Per conversation with the Town attorney, the Town and Tangipahoa Parish School Board Sales Tax Office are currently in the process of working with the Tangipahoa Parish School Board's attorney to collect the outstanding balance of sales taxes, including penalties and interest, on the Mayor's business.

**Criteria:**

Internal controls over occupational licenses should be suitably designed so that business are required to pay their occupational license fees timely and that business do not operate without a valid license.

**Cause:**

The cause of this condition appears to be a lack of oversight over businesses either operating without valid occupational licenses or businesses delinquent in paying their sales taxes.

**Effect:**

These internal control weaknesses create an environment in which business could continue to operate while owing either occupational license fees or sales taxes to the Town.

**Recommendation:**

We recommend the Town establish policies to allow for cutting off sewer and water services for those businesses either operating without a valid occupational license or operating while delinquent on sales taxes. In addition, we also recommend the Town establish policies to require businesses to be up-to-date and in compliance with all sales taxes and occupational licenses before restoring sewer and water services to delinquent businesses.

**Management's Corrective Action Plan:**

See management's response dated January 2, 2020.

**Town of Independence, Louisiana**  
Schedule of Current Year Findings and Questioned Costs  
For the Year Ended June 30, 2019

**2019-003 – Lack of Adequate Internal Controls over Used Equipment Purchase**

**Condition:**

During our audit and testing of fixed assets, we noted that the Town purchased a used OKADA AIYON Jack Hammer Model Number 305 for \$5,000 from a local vendor. The Town did not solicit other quotes on this equipment and did not perform any research online to determine typical fair market value for this type of used equipment.

**Criteria:**

Internal controls should be established to ensure that the Town is always paying fair market value for purchases.

**Cause:**

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

**Effect:**

By not determining the appropriate fair market value for a used piece of equipment, the possibility exists that the Town could end up overpaying for such equipment.

**Recommendation:**

We recommend the Town follow all applicable laws associated with the Louisiana Public Bid law. For the purchase of used equipment not falling under the Louisiana Public Bid Law, we recommend the Town perform due diligence in determining the appropriate fair market value of such used equipment before agreeing to a price from a local vendor.

**Management's Corrective Action Plan:**

See management's response dated January 2, 2020.

**2019-004 – Lack of Adequate Internal Controls over Capital Assets**

**Condition:**

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

- The Town is not following best practices and state law that requires identification tags be affixed to all moveable property exceeding the Town's capitalization policy.
- The Town does not conduct an annual inventory of moveable property to determine if assets purchased with public funds are missing as is required by state law and best practices.
- The Town does not maintain a "master" inventory list that includes all Town assets across all departments and funds.
- During our audit and testing of fixed assets, we noted that it is common practice for Town employees to bring Town equipment to their personal residences in order to repair and maintain the equipment outside of normal business hours.

**Town of Independence, Louisiana**  
Schedule of Current Year Findings and Questioned Costs  
For the Year Ended June 30, 2019

**Criteria:**

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

**Cause:**

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

**Effect:**

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

**Recommendation:**

We recommend that the Town follow best practices recommended by the Louisiana Legislative Auditor in regards to tagging all moveable equipment purchased, maintain a permanent record of these tagged items and conduct an annual inventory to determine that all tagged equipment is still in the Town's possession. We also recommend that the practice of repairing Town assets at personal residences be discontinued.

**Management's Corrective Action Plan:**

See management's response dated January 2, 2020.

**2019-005 – Lack of Adequate Internal Controls over Utility Billing Adjustments**

**Condition:**

During our audit and testing of the internal control procedures utility billing adjustments, we noted that the Town's forms used to document adjustments made to the utility billing system did not contain the signature of an individual other than the Utility Billing Clerk. We did note, however, that the Mayor's approval for the adjustments were documented on utility system work order forms.

Best practices over utility billing adjustments include the signature of the Utility Billing Clerk and at least one supervisor, either by the Town Clerk or the Mayor.

**Criteria:**

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

**Cause:**

The cause of this condition appears to be poor design and operation of controls over utility billing adjustments.

**Effect:**

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

**Town of Independence, Louisiana**  
Schedule of Current Year Findings and Questioned Costs  
For the Year Ended June 30, 2019

**Recommendation:**

We recommend that the Town follow best practices recommended by the Louisiana Legislative Auditor in regards to documenting utility billing adjustments by requiring at least two (2) signatures on all utility billing adjustment forms.

**Management's Corrective Action Plan:**

See management's response dated January 2, 2020.

**Compliance and Other Matters**

**2019-006 – Bond Covenant Compliance**

**Condition:**

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

This condition was noted in the prior fiscal year.

**Criteria:**

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

- The \$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. Based on our audit procedures, it appears as though some sinking and reserve funds have not yet been setup for these bonds.
- The \$975,000 Sewer Revenue Bonds, Series 1997; the \$1,425,000 Water Revenue Bonds, Series 2015; and the \$2,632,000 Sewer Revenue Bonds all have requirements for various sinking and reserve funds to be setup funded based on various requirements. Based on our calculations, various sinking and reserve funds for these bonds appear to be underfunded.
- The \$1,425,000 Water Revenue Bonds, Series 2015 and the \$1,150,000 Water Revenue Bonds have requirements for the Town to set water rates adequate to pay all reasonable and necessary expenses of operating and maintaining the system and at least 120% of the largest amount of principal and interest maturing on the bonds. Based on a projection of future-year cash flows, rates do not appear to be adequate in accordance with the bond resolutions.

**Cause:**

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

**Effect:**

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

**Town of Independence, Louisiana**  
Schedule of Current Year Findings and Questioned Costs  
For the Year Ended June 30, 2019

**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 \$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.
- Immediately fund the various sinking and reserve funds required by the \$975,000 Sewer Revenue Bonds, Series 1997; the \$1,425,000 Water Revenue Bonds, Series 2015; and the \$2,632,000 Sewer Revenue Bonds.
- Immediately examine existing and adjust water rates, if necessary, to ensure adequate compliance with the \$1,425,000 Water Revenue Bonds, Series 2015 and the \$1,150,000 Water Revenue Bonds.

**Management's Response:**

See management's response dated January 2, 2020.

**2019-007 – Violation of State Ethics Law by Mayor**

**Condition:**

During the audit and testing of compliance, we came across a transaction that appears to be a violation of the Louisiana Code of Governmental Ethics by the Mayor. The Mayor sold the Town a personally owned generator for \$500.

**Criteria:**

Louisiana Code of Governmental Ethics Law, R.S. 42:1111(A)(1)(a) and R.S. 42:1112(A) which state:

1111(A)(1)(a) – *"Payments for services to the governmental entity. No public servant shall receive anything of economic value, other than compensation and benefits from the governmental entity to which he is duly entitled, for the performance of the duties and responsibilities of his office or position."*

1112(A) – *"No public servant, except as provided in R.S. 42:1120, shall participate in a transaction in which he has a personal substantial economic interest of which he may be reasonably expected to know involving the governmental entity."*

**Cause:**

The cause of the condition appears to be that the Mayor did not follow the provisions of the Louisiana Code of Governmental Ethics Law R.S. 42:1111(A)(1)(a) and R.S. 42:1112(A).

**Effect:**

The Mayor appears to be in violation of the Louisiana Code of Governmental Ethics, specifically R.S. 42:1111(A)(1)(a) and R.S. 42:1112(A).

**Recommendations:**

We recommend that the Mayor should confer with the Louisiana Board of Ethics for an opinion on this matter and repay the \$500 sale price back to the Town.

**Management's Response:**

See management's response dated January 2, 2020.

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

<u>Ref.#</u>	<u>Description of Findings</u>	<u>Corrective Action Taken</u>	<u>Plan Corrective Action - Partial Corrective Action Taken</u>
<b><u>Internal Control Findings</u></b>			
2018-001	Segregation of Duties	Partial	Some new policies & procedures developed
2018-002	Delinquent Town Receivables	Resolved	Old receivables written off
<b><u>Compliance Findings</u></b>			
2018-003	Louisiana Local Government Budget Act	Resolved	Budget adopted timely
2018-004	Bond Covenant Compliance	None	Inadequate reserve balances

# Town of Independence

Mayor Angelo Mannino



Post Office Box 35  
Independence, Louisiana 70443

ROBIN DAGRO  
Town Clerk

KATHY KREUTZER  
Assistant Clerk

FRANK EDWARDS III  
Chief of Police

JIM PAINE  
Mayor Pro-Tem

Aldermen  
CALVIN BATISTE  
JIMMY GREGORY JR.  
LARRY CARDARONELLA  
LUKE SUAREZ

January 2, 2020

James, Lambert, Riggs and Associates, Inc.  
401 East 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, 2019. The Town agrees with all of the current year findings. We have been working closely with the Board of Aldermen and Town CPA, Phil Hebert, to correct findings.

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, 2019**

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

J. Bryan Ehricht, CPA  
Samantha D. Wagner, CPA  
Megan E. Lynch, CPA  
Christie J. Barado  
B. Jacob Steib  
Connor J. Collura  
Sharon B. Bravata  
Krystal L. Waddell  
Debbie G. Faust, EA



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LAMBERT RIGGS  
& ASSOCIATES, INC.  
CERTIFIED PUBLIC ACCOUNTANTS  
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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, Louisiana and the Louisiana Legislative Auditor on the control and compliance areas identified in the Louisiana Legislative Auditor's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2018 through June 30, 2019. The Town of Independence, Louisiana's management is responsible for those control and compliance areas identified in the SAUPs. The sufficiency of these procedures is solely the responsibility of the Town of Independence, Louisiana and the Louisiana Legislative Auditor. 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".

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*, issued by the Comptroller General of the United States. 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. This report is intended solely for the information and use of the Town of Independence, Louisiana and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than those specified parties. 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

January 2, 2020

**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 were found as a result of this 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:** No exceptions were found as a result of this procedure.

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

**Results:** No exceptions were found as a result of this 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 were found as a result of this 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 were found as a result of this 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 were found as a result of this 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 were found as a result of this 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 were found as a result of this 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:** The Town did not have any policies or procedures regarding debt service.

- k) ***Disaster Recovery / Business Continuity***, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing / verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches / updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

**Results:** The Town did not have any policies or procedures regarding disaster recovery / business continuity.

### **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:** No exceptions were found as a result of this procedure.

- 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:** No exceptions were found as a result of this procedure.

- 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:** No exceptions were found as a result of this procedure.

**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:** No exceptions were found as a result of this procedure.

- 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 can collect cash, prepare, and make deposits. Each employee is responsible for reconciling their own collection documentation; however, bank reconciliations are performed by the outside accountant and bank statements are signed by a Board Member.

- 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:** No exceptions were found as a result of this procedure.

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:** No exceptions were found as a result of this procedure.

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

**Results:** No exceptions were found as a result of this procedure.

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

**Results:** No exceptions were found as a result of this procedure.

- 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:** No exceptions were found as a result of this procedure.

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

**Results:** No exceptions were found as a result of this procedure.

**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:** No exceptions were found as a result of this procedure.

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

**Results:** No exceptions were found as a result of this procedure.

- 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, no other employee is responsible for periodically reviewing changes to 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:** No exceptions were found as a result of this procedure.

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:** No exceptions were found as a result of this procedure.

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

**Results:** No exceptions were found as a result of this procedure.

**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. The

credit card statement held by the Mayor is reviewed by the Mayor himself; however, all charges on this card are individually verified by the Town Clerk.

- 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, all contained proper documentation including original itemized receipts and documentation of the business / public purpose; however, one (1) credit card did not include a list of individuals participating in meals for the meal charges.

**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:** No exceptions were found as a result of this procedure.

- 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, four (4) 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



Post Office Box 35  
Independence, Louisiana 70443

ROBIN DAGRO  
Town Clerk

KATHY KREUTZER  
Assistant Clerk

FRANK EDWARDS III  
Chief of Police

JIM PAINE  
Mayor Pro-Tem

Aldermen  
CALVIN BATISTE  
JIMMY GREGORY JR.  
LARRY CARDARONELLA  
LUKE SUAREZ

January 2, 2020

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

This letter is in response to the Agreed Upon Procedures for the Fiscal Year ending June 30, 2020. The Town agrees with the current year findings. We will continue to work closely with the Board of Aldermen, Town CPA, Phil Hebert, to correct any findings and/or deficiencies.

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

Sincerely,

Angelo Mannino  
Mayor

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