

TOWN OF INDEPENDENCE, LOUISIANA

FINANCIAL STATEMENTS

June 30, 2014

TOWN OF INDEPENDENCE, LOUISIANA

TABLE OF CONTENTS

June 30, 2014

	<u>Exhibit</u>	<u>Page</u>
FINANCIAL SECTION		
Independent Auditors' Report		1
Management's Discussion and Analysis		4
Basic Financial Statements:		
Government-wide Financial Statements:		
Statement of Net Position	A	14
Statement of Activities	A-1	15
Fund Financial Statements:		
Governmental Funds:		
Balance Sheet	A-2	16
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	A-3	17
Statement of Revenues, Expenditures, and Changes in Fund Balance	A-4	18
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of the Governmental Funds to the Statement of Activities	A-5	19
Proprietary Funds:		
Statement of Net Position	A-6	20
Statement of Revenues, Expenses, and Changes in Net Position	A-7	21
Statement of Cash Flows	A-8	22
Notes to Financial Statements	A-9	23
Required Supplementary Information:		
General Fund:		
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (GAAP Basis) and Actual	B	47
Innovative Housing Fund:		
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (GAAP Basis) and Actual	B-2	48
Notes to Required Supplementary Information	B-3	49

Supplementary Information:

Combining Balance Sheet – Non-major Governmental Funds	C	51
Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Non-major Governmental Funds	C-1	52

SPECIAL INDEPENDENT AUDITORS' REPORTS

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		54
Schedule of Findings and Recommendations		56
Summary of Findings and Recommendations		57
Schedule of Prior Year Findings and Questioned Costs		64

Schedules (Supplementary Financial Information)

Water and Sewer System Schedule (Without Audit)	Schedule 1	66
Insurance in Force (Without Audit)	Schedule 2	68



INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and
Members of the Board of Aldermen,
Town of 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** (the Town) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town'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 responsibility 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.

Auditors' 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 auditors' 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 auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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.

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 as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 12 and 47 through 49 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

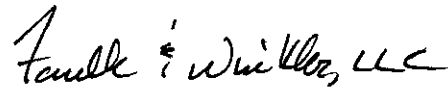
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The accompanying supplementary information on pages 65 through 68 has 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 it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 10, 2015, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.


Certified Public Accountants

Baton Rouge, Louisiana
March 10, 2015

TOWN OF INDEPENDENCE, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our analysis of The Town of Independence's (Town) financial performance provides an overview of the Town's financial activities for the year ended June 30, 2014. The Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes, and currently known facts. This MD&A should be read in conjunction with the financial statements which begin on Exhibit A.

FINANCIAL HIGHLIGHTS

In 2014, the Town of Independence experienced an increase in governmental revenues (1%) due to increases in sales and use tax, ad valorem tax, and franchise taxes but was offset by a decrease in grant revenue. The proprietary fund revenues, which consists of user fees for water and sewer system usage, increased 1% due to user volume and sales and use tax increases.

The major financial matters for 2014 are as follows:

Government-wide financial statements

- Assets of the Town's primary government exceeded its liabilities at the close of the year by \$5.9 million (net position).
- Total governmental fund balance increased by \$3,000, to \$956,000 during 2014.
- Capital expenditures related to utility system improvements exceeded \$290,000 during 2014.

Governmental Funds financial statements

- As of the end of the year, the primary government's governmental funds reported a fund balance of \$956,000, an increase of \$3,000 in comparison to the prior year. Fund balance of \$469,000 is non-spendable because it is in the form of long-term notes receivable, whereas \$388,000 is restricted for grant programs or debt service. The remaining \$99,000 is unassigned and can be used at the Town's discretion.

Significant aspects of the Town's financial well being as of and for the year ended June 30, 2014, are detailed throughout this analysis.

(Continued)

USING THIS ANNUAL REPORT

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

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 14 and 15) provide information about the activities of the Town as a whole and present a longer-term view of the Town's finances.

Fund financial statements start on page 16. For governmental activities, these statements depict how services were financed in the short term as well as what remains for future spending. Fund financial statements, for governmental and proprietary funds, report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant funds.

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

Reporting on the Town as a Whole

The analysis of the Town as a whole begins on page 14. The Statement of Net Position and the Statement of Activities report information about the Town as a whole and its activities in a way to determine if the Town is in better condition, compared to the prior year. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to accounting methods used by most private-sector companies. All of the current year's revenues and expenses are reported regardless of when cash is received or paid. Thus, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods.

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

(Continued)

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

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

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

At June 30, 2014, the Town's net position was \$5.9 million. Restricted net position is reported separately to show legal constraints from legislation that limits the Town's ability to use that net position for day-to-day operations.

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 1,140	\$ 1,060	\$ 1,062	\$ 647	\$ 2,202	\$ 1,707
Capital assets	1,747	1,807	3,956	3,833	5,703	5,640
Total assets	<u>\$ 2,887</u>	<u>\$ 2,867</u>	<u>\$ 5,018</u>	<u>\$ 4,480</u>	<u>\$ 7,905</u>	<u>\$ 7,347</u>
Current and other liabilities	\$ 195	\$ 103	\$ 199	\$ 168	\$ 394	\$ 271
Long-term liabilities	223	248	1,358	771	1,581	1,019
Total liabilities	<u>418</u>	<u>351</u>	<u>1,557</u>	<u>939</u>	<u>1,975</u>	<u>1,290</u>
Deferred inflows of resources	<u>12</u>	<u>14</u>	<u>37</u>	<u>40</u>	<u>49</u>	<u>54</u>
Net position:						
Net investment in capital assets	1,491	1,526	2,958	3,029	4,449	5,640
Restricted	388	280	111	104	499	384
Unrestricted	<u>578</u>	<u>696</u>	<u>355</u>	<u>368</u>	<u>933</u>	<u>1,064</u>
Total net position	<u>2,457</u>	<u>2,502</u>	<u>3,424</u>	<u>3,501</u>	<u>5,881</u>	<u>6,003</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 2,887</u>	<u>\$ 2,867</u>	<u>\$ 5,018</u>	<u>\$ 4,480</u>	<u>\$ 7,905</u>	<u>\$ 7,347</u>

Net position of the Town's governmental activities decreased by \$45,000, or 2%, during 2014. Unrestricted net position represents the part of net position that can be used to finance day-to-day operations without constraints established by legislation or other legal requirements. The Town has unrestricted net position of \$578,000 in its governmental activities. The changes in net position are discussed later in this analysis.

The net position of the Town's business activities decreased by \$77,000, or 2%, during 2014. The results of this year's operations for the primary government as a whole, as reported in the Statement of Activities, are as follows:

Town of Independence
Changes in Net Position
For the years ended June 30, 2014 and 2013
(in thousands)

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues:						
Charges for services	\$ 402	\$ 408	\$ 546	\$ 539	\$ 948	\$ 947
Operating grants	65	56	10	-	75	56
Capital grants	33	46	30	20	63	66
General revenues:						
Sales taxes	532	496	133	124	665	620
Ad valorem taxes	134	128	-	-	134	128
Franchise taxes	78	70	-	-	78	70
Other	102	127	2	1	104	128
Total revenues	<u>1,346</u>	<u>1,331</u>	<u>721</u>	<u>684</u>	<u>2,067</u>	<u>2,015</u>
Functions/Program Expenses:						
General government	401	402	-	-	401	402
Public safety	667	695	-	-	667	695
Streets and parks	208	191	-	-	208	191
Solid waste	92	94	-	-	92	94
Health and recreation	11	8	-	-	11	8
Interest	12	6	-	-	12	6
Utility operations	-	-	798	718	798	718
Total expenses	<u>1,391</u>	<u>1,396</u>	<u>798</u>	<u>718</u>	<u>2,189</u>	<u>2,114</u>
Decrease in net position	(45)	(65)	(77)	(34)	(122)	(99)
Beginning net position	<u>2,502</u>	<u>2,567</u>	<u>3,501</u>	<u>3,535</u>	<u>6,003</u>	<u>6,102</u>
Ending net position	<u>\$ 2,457</u>	<u>\$ 2,502</u>	<u>\$ 3,424</u>	<u>\$ 3,501</u>	<u>\$ 5,881</u>	<u>\$ 6,003</u>

The overall decrease in net position of \$122,000 in 2014 is attributable to the increased expenses of utility operations and streets and parks.

(Continued)

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Traditional users of governmental financial statements will find the fund financial statement presentation more familiar. The focus is on major funds, rather than generic fund types.

Reporting the Town's Most Significant Funds

The analysis of the Town's major funds begins on page 16 with the fund financial statements that provide detailed information about the most significant funds—not the Town as a whole. Some funds are required to be established by State law or by bond covenants. However, the Town Council establishes other funds to control and manage money for particular purposes or meeting legal responsibilities for using certain taxes, grants, and other money. The Town's two fund types—governmental and proprietary—use different accounting approaches.

Governmental funds - Governmental funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. Most of the Town's basic services are reported in governmental funds. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation to the financial statements. The governmental major funds (Exhibits A-2 and A-4) presentation is presented using modified accrual basis and focuses on the major funds of the Town. The Town has two major governmental funds, which are the General Fund and the Innovative Housing Fund.

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

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

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

Financial Analysis of the Government's Funds

The general government operations of the Town are accounted for in the General Fund, Special Revenue Funds, and Capital Project Funds. The focus of these funds, as noted earlier, is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. A summary of general governmental operations for 2014 by fund type is as follows:

	General Fund	Innovative Housing	Non-major Funds	(in thousands)	
	2014	2014	2014	2014	2013
Revenues and transfers in	\$ 1,327	\$ 9	\$ 7	\$ 1,343	\$ 1,457
Expenditures and transfers out	1,340	-	-	1,340	1,447
Excess (deficiency) of revenues over expenditures	(13)	9	7	3	10
Fund balance - beginning	181	762	10	953	943
Fund balance - ending	<u>\$ 168</u>	<u>\$ 771</u>	<u>\$ 17</u>	<u>\$ 956</u>	<u>\$ 953</u>

The Town's governmental funds experienced an increase in fund balance of \$3,000 during 2014 that related to an increase in sales, ad valorem, and franchise taxes, along with an increase in capital outlay spending. At year end, fund balances were \$956,000, \$99,000 of which is unassigned.

The General Fund is the primary operating fund of the Town. At the end of the year, the fund balance of the General Fund was \$168,000 compared to the fund balance of \$181,000 in 2013.

The Town's other major fund, the Innovative Housing Fund, increased by \$9,000 during 2014, which was the result of interest earned on notes receivable.

(Continued)

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

<u>Source of Revenue</u>	(In thousands)			
	2014		2013	
Taxes	\$ 745	56%	\$ 696	53%
Solid waste	125	9%	120	9%
Licenses and permits	113	8%	123	9%
Fines and forfeitures	97	7%	102	8%
Intergovernmental	97	7%	103	8%
Rental	79	6%	60	5%
Other	87	7%	101	8%
Total	<u>\$ 1,343</u>	<u>100%</u>	<u>\$ 1,305</u>	<u>100%</u>

Revenues of the primary government for general governmental fund types for 2014 totaled \$1.3 million; the increase of \$38,000 was primarily accredited to an increase in tax revenue of \$49,000. As noted above, the Town's activities are largely supported by tax revenues, solid waste fees, and licenses and permits, which represent 73% of total governmental resources.

Expenditures of the primary government for governmental fund types increased in 2014 by \$45,000 or 3%. The change is attributable to an increase in streets and parks expenditures and capital outlay spending for two police vehicles, as well as reductions in operating expenditures within the General Fund. General governmental expenditures by functions are summarized as follows:

<u>Function</u>	(In thousands)			
	2014		2013	
General government	\$ 366	27%	\$ 376	29%
Public safety	636	47%	665	51%
Streets and parks	137	10%	121	9%
Solid waste	92	7%	94	7%
Health and recreation	10	1%	8	1%
Debt service	24	2%	22	2%
Capital outlay	75	6%	9	1%
Total	<u>\$ 1,340</u>	<u>100%</u>	<u>\$ 1,295</u>	<u>100%</u>

(Continued)

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year the Town's General Fund budget was amended which is a customary practice of the Town for changes that occur with financial related matters. The only significant budgetary change during 2014 was to allocate \$57,000 in insurance expenses from the general government function to the public safety function.

After adjustments, the actual charges to appropriations (expenditures) were \$116,000 more than the related final budget appropriation of \$1.2 million.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2014, the Town had \$5.7 million invested in a broad range of capital assets, including vehicles, equipment, land, buildings, water and sewer lines, and sewer treatment plants. This amount represents a net increase of \$63,000, or 1%, over the prior year. The increase primarily relates to construction in progress for the Town's water system upgrade, which includes a new water tower and the installation of new water lines and meters.

	(in thousands)					
	Governmental Activities		Business-type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Land	\$ 83	\$ 83	\$ 70	\$ 70	\$ 153	\$ 153
Construction in process	341	336	282	-	623	336
Buildings	1,113	1,113	-	-	1,113	1,113
Vehicles and equipment	750	681	489	462	1,239	1,143
Infrastructure	2,696	2,696	-	-	2,696	2,696
Utility systems	-	-	6,251	6,239	6,251	6,239
Accumulated depreciation	<u>(3,236)</u>	<u>(3,102)</u>	<u>(3,136)</u>	<u>(2,938)</u>	<u>(6,372)</u>	<u>(6,040)</u>
Total assets, net of depreciation	<u>\$ 1,747</u>	<u>\$ 1,807</u>	<u>\$ 3,956</u>	<u>\$ 3,833</u>	<u>\$ 5,703</u>	<u>\$ 5,640</u>

More detailed information about the Town's capital assets is presented in Note 9 to the financial statements.

(Continued)

Debt

At year-end, the Town had \$1.6 million in revenue bonds, notes payable, and capital leases outstanding compared to \$1.1 million last year – a net increase of \$558,000 as shown below:

	Beginning of Year	Additions	Deletions	End of Year
Governmental activities	\$ 280,901	\$ -	\$ 24,863	\$ 256,038
Business-type activities	803,882	616,500	33,658	1,386,724
	<u>\$ 1,084,783</u>	<u>\$ 616,500</u>	<u>\$ 58,521</u>	<u>\$ 1,642,762</u>

In 2014, the Town obtained interim financing of \$616,500 for the construction of a new water tower and installation of new water lines and meters throughout the Town. This interim financing is provided by United States Department of Agriculture (USDA) bonds, which are secured by a pledge of future water system revenues, and payable over 40 years upon the conclusion of the construction project. The Town retired \$58,500 in debt during 2014. More detailed information about the Town's long-term liabilities is presented in Note 10 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The Town's elected and appointed officials considered many factors when setting the fiscal-year 2014 budget and tax rates. One of those factors is the local economy with the major economic industries being agriculture and manufacturing.

An important factor affecting the budget is the Town's sales tax revenue that approximates 42% of budgeted revenue in the governmental funds. For 2015, the Town budgeted an increase in overall revenue of \$141,000 from the 2014 budget in governmental funds for a capital grant of \$155,000 to construct a community pavilion and park, and a modest ½ percent projected increase in sales and use tax revenues. Additionally, the Town is projecting an increase in expenditures of \$290,000 for capital outlay to construct the pavilion and park, which is the cause for the significant increase in streets and parks expenditures. If these estimates are incurred during 2015, the Town's budgetary fund balances will decrease by \$4,000, compared to a \$3,000 increase during 2014.

Contacting the Town's Financial Management

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

BASIC FINANCIAL STATEMENTS

TOWN OF INDEPENDENCE, LOUISIANA
STATEMENT OF NET POSITION

June 30, 2014

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 463,386	\$ 418,324	\$ 881,710
Receivables, net	176,525	100,002	276,527
Internal balances	51,261	(51,261)	-
Restricted cash	69,325	594,664	663,989
Notes receivable, net	379,104	-	379,104
Capital assets:			
Nondepreciable	423,724	351,554	775,278
Depreciable, net	1,323,567	3,604,445	4,928,012
 Total assets	 <u>\$ 2,886,892</u>	 <u>\$ 5,017,728</u>	 <u>\$ 7,904,620</u>
LIABILITIES			
Accounts and contracts payable	\$ 133,748	\$ 95,430	\$ 229,178
Accrued liabilities	28,107	9,100	37,207
Customer deposits	-	65,682	65,682
Long-term payables:			
Due within one year	33,458	28,416	61,874
Due in more than one year	222,580	1,358,308	1,580,888
 Total liabilities	 <u>417,893</u>	 <u>1,556,936</u>	 <u>1,974,829</u>
DEFERRED INFLOWS OF RESOURCES			
Unearned revenue	12,146	36,386	48,532
NET POSITION			
Net investment in capital assets	1,491,253	2,958,116	4,449,369
Restricted for:			
Culture and recreation	319,040	-	319,040
Debt service	69,325	110,730	180,055
Unrestricted	577,235	355,560	932,795
 Total net position	 <u>2,456,853</u>	 <u>3,424,406</u>	 <u>5,881,259</u>
 Total liabilities, deferred inflows of resources, and net position	 <u>\$ 2,886,892</u>	 <u>\$ 5,017,728</u>	 <u>\$ 7,904,620</u>

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

TOWN OF INDEPENDENCE, LOUISIANA
STATEMENT OF ACTIVITIES

For the year ended June 30, 2014

	Program Revenues			Net Revenue (Expenses) and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Functions/Programs							
Primary government:							
Governmental activities:							
General government	\$ 401,454	\$ 112,797	\$ 26,914	\$ -	\$ (261,743)	\$ -	\$ (261,743)
Public safety	666,491	164,522	45,063	33,000	(423,906)	-	(423,906)
Streets and parks	208,305	-	-	-	(208,305)	-	(208,305)
Solid waste	91,924	124,736	-	-	32,812	-	32,812
Health and recreation	10,473	-	-	-	(10,473)	-	(10,473)
Interest on long term debt	12,421	-	-	-	(12,421)	-	(12,421)
Total governmental activities	1,391,068	402,055	71,977	33,000	(884,036)	-	(884,036)
Business-type activities:							
Water	317,883	261,719	-	-	-	(56,164)	(56,164)
Sewer	479,714	284,216	10,103	30,037	-	(155,358)	(155,358)
Total business-type activities	797,597	545,935	10,103	30,037	-	(211,522)	(211,522)
Total primary government	\$ 2,188,665	\$ 947,990	\$ 82,080	\$ 63,037	(884,036)	(211,522)	(1,095,558)
General revenues:							
Taxes:							
Sales and use					531,706	132,927	664,633
Ad valorem					133,562	-	133,562
Franchise					77,778	-	77,778
Beer					1,944	-	1,944
Rental income and other					84,310	-	84,310
Interest income on notes receivable					9,141	-	9,141
Investment earnings					509	1,724	2,233
Total general revenues					838,950	134,651	973,601
Change in net position					(45,086)	(76,871)	(121,957)
Net position - beginning of year					2,501,939	3,501,277	6,003,216
Net position - end of year					\$ 2,456,853	\$ 3,424,406	\$ 5,881,259

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

TOWN OF INDEPENDENCE, LOUISIANA

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2014

	General Fund	Innovative Housing Fund	Non-Major Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 156,776	\$ 292,608	\$ 14,002	\$ 463,386
Receivables, net	155,241	-	21,284	176,525
Restricted cash	69,325	-	-	69,325
Notes receivable, net	-	379,104	-	379,104
Due from other funds	59,451	8,811	11,290	79,552
Interfund advance	-	90,150	-	90,150
Total assets	<u>\$ 440,793</u>	<u>\$ 770,673</u>	<u>\$ 46,576</u>	<u>\$ 1,258,042</u>
LIABILITIES				
Accounts and contracts payable	\$ 133,748	\$ -	\$ -	\$ 133,748
Accrued liabilities	16,830	-	-	16,830
Due to other funds	20,101	-	8,190	28,291
Interfund advance	90,150	-	-	90,150
Total liabilities	<u>260,829</u>	<u>-</u>	<u>8,190</u>	<u>269,019</u>
DEFERRED INFLOWS OF RESOURCES				
Unearned revenues	<u>12,146</u>	<u>-</u>	<u>20,765</u>	<u>32,911</u>
FUND BALANCE				
Non-spendable	-	469,254	-	469,254
Restricted:				
Economic development	-	301,419	17,621	319,040
Debt service	69,325	-	-	69,325
Unassigned	<u>98,493</u>	<u>-</u>	<u>-</u>	<u>98,493</u>
Total fund balance	<u>167,818</u>	<u>770,673</u>	<u>17,621</u>	<u>956,112</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 440,793</u>	<u>\$ 770,673</u>	<u>\$ 46,576</u>	<u>\$ 1,258,042</u>

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

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

June 30, 2014

Total net position reported for governmental activities in the statement of net position are different because:	<u>Amount</u>
Total fund balances - governmental funds (Exhibit A-2)	\$ 956,112
Capital assets used in governmental activities that are not financial resources and, therefore, are not reported in the governmental funds, net of accumulated depreciation.	1,747,291
Some revenues were collected more than sixty days after year-end and, therefore, are not available soon enough to pay for current period expenditures.	20,765
Long-term liabilities (e.g. bonds, leases), are not due and payable in the current period and, therefore, are not reported in the governmental funds.	
Accrued interest payable	\$ (6,570)
Bonds and capital lease payable	(256,038)
Compensated absences payable	<u>(4,707)</u> <u>(267,315)</u>
Net position of governmental activities (Exhibit A)	<u>\$ 2,456,853</u>

TOWN OF INDEPENDENCE, LOUISIANA

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

For the year ended June 30, 2014

	General Fund	Innovative Housing Fund	Non-Major Funds	Total Governmental Funds
REVENUES				
Taxes:				
Sales and use	\$ 531,706	\$ -	\$ -	\$ 531,706
Ad valorem	133,562	-	-	133,562
Franchise	77,778	-	-	77,778
Beer	1,944	-	-	1,944
Solid waste fees	124,736	-	-	124,736
License and permits	112,797	-	-	112,797
Fines and forfeitures	97,199	-	-	97,199
Rental income	72,025	-	7,268	79,293
Charges for services	67,323	-	-	67,323
Intergovernmental	59,914	-	-	59,914
On-behalf payments from the State	37,200	-	-	37,200
Investment income	462	-	47	509
Other	10,268	9,141	-	19,409
Total revenues	<u>1,326,914</u>	<u>9,141</u>	<u>7,315</u>	<u>1,343,370</u>
EXPENDITURES				
Current function:				
General government	366,619	-	-	366,619
Public safety	635,654	-	-	635,654
Streets and parks	136,923	-	-	136,923
Solid waste	91,924	-	-	91,924
Health and recreation	10,473	-	-	10,473
Debt service	23,521	-	-	23,521
Capital outlay	75,213	-	-	75,213
Total expenditures	<u>1,340,327</u>	<u>-</u>	<u>-</u>	<u>1,340,327</u>
Net change in fund balance	(13,413)	9,141	7,315	3,043
FUND BALANCE				
Beginning of year	<u>181,231</u>	<u>761,532</u>	<u>10,306</u>	<u>953,069</u>
End of year	<u>\$ 167,818</u>	<u>\$ 770,673</u>	<u>\$ 17,621</u>	<u>\$ 956,112</u>

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

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

For the year ended June 30, 2014

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

		<u>Amount</u>
Net change in fund balance - total governmental funds (Exhibit A-4)	\$	3,043
<p>Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation.</p>		
Capital outlay	\$ 75,213	
Depreciation expense	<u>(134,955)</u>	(59,742)
<p>The liability and expense for compensated absences are not reported in governmental funds. Payments for compensated absences are reported as salaries when they occur. The payment consumes current financial resources, and it would take a catastrophic event for this liability to become a current liability.</p>		
Change in accrued compensated absences		(2,099)
<p>Some revenues were collected more than sixty days after year-end and, therefore, are not available soon enough to pay for current period expenditures.</p>		
		(5,251)
<p>Long-term debt payments made by other entities on the Town's behalf do not provide current financial resources and are not reported in governmental funds. These amounts are reported as operating grants in the statement of activities.</p>		
		7,863
<p>The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, payment of principal is an expenditure in the governmental funds but reduces the liability in the statement of activities.</p>		
Principal payments on debt		17,000
Increase in accrued interest		<u>(5,900)</u>
Change in net position of governmental activities (Exhibit A-1)	\$	<u>(45,086)</u>

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

TOWN OF INDEPENDENCE, LOUISIANA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

June 30, 2014

	Water Fund	Sewer Fund	Total Enterprise Funds
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 112,840	\$ 305,484	\$ 418,324
Accounts receivable, net	22,723	77,279	100,002
Due from other funds	-	69,374	69,374
Total current assets	135,563	452,137	587,700
Restricted cash	455,518	139,146	594,664
Capital assets:			
Nondepreciable	306,046	45,508	351,554
Depreciable, net	901,569	2,702,876	3,604,445
Total assets	\$ 1,798,696	\$ 3,339,667	\$ 5,138,363
LIABILITIES			
Current liabilities:			
Accounts and contracts payable	\$ 36,853	\$ 58,577	\$ 95,430
Accrued liabilities	6,649	2,451	9,100
Due to other funds	104,400	16,235	120,635
Customer deposits	65,682	-	65,682
Current portion of long-term debt	-	28,416	28,416
Total current liabilities	213,584	105,679	319,263
Noncurrent liabilities:			
Water revenue bonds	616,500	-	616,500
Sewer revenue bonds	-	741,808	741,808
Total noncurrent liabilities	616,500	741,808	1,358,308
Total liabilities	830,084	847,487	1,677,571
DEFERRED INFLOWS OF RESOURCES			
Unearned revenues	17,962	18,424	36,386
NET POSITION			
Net investment in capital assets	979,956	1,978,160	2,958,116
Restricted for debt service	-	110,730	110,730
Unrestricted	(29,306)	384,866	355,560
Total net position	950,650	2,473,756	3,424,406
Total liabilities, deferred inflows of resources, and net position	\$ 1,798,696	\$ 3,339,667	\$ 5,138,363

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

TOWN OF INDEPENDENCE, LOUISIANA

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

For the year ended June 30, 2014

	Water Fund	Sewer Fund	Total Enterprise Funds
OPERATING REVENUES			
Charges for services:			
Water	\$ 258,877	\$ -	\$ 258,877
Sewer	-	277,539	277,539
Other	2,842	6,677	9,519
Total operating revenues	<u>261,719</u>	<u>284,216</u>	<u>545,935</u>
OPERATING EXPENSES			
Personnel	106,838	91,966	198,804
Depreciation	61,524	136,442	197,966
Maintenance and supplies	42,235	101,727	143,962
Professional services	53,697	33,509	87,206
Utilities	26,576	56,470	83,046
Insurance	14,582	16,404	30,986
General and administrative	4,859	3,147	8,006
Miscellaneous	7,572	6,040	13,612
Total operating expenses	<u>317,883</u>	<u>445,705</u>	<u>763,588</u>
Operating loss	<u>(56,164)</u>	<u>(161,489)</u>	<u>(217,653)</u>
NONOPERATING, NET			
Capital grants	-	30,037	30,037
Operating grants	-	10,103	10,103
Sales and use	-	132,927	132,927
Interest	281	1,443	1,724
Interest expense	-	(34,009)	(34,009)
Total nonoperating, net	<u>281</u>	<u>140,501</u>	<u>140,782</u>
Net loss	(55,883)	(20,988)	(76,871)
NET POSITION			
Beginning of year	<u>1,006,533</u>	<u>2,494,744</u>	<u>3,501,277</u>
End of year	<u>\$ 950,650</u>	<u>\$ 2,473,756</u>	<u>\$ 3,424,406</u>

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

TOWN OF INDEPENDENCE, LOUISIANA

**PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS**

For the year ended June 30, 2014

	Water Fund	Sewer Fund	Total Enterprise Funds
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 271,053	\$ 250,252	\$ 521,305
Payments to suppliers	(114,177)	(219,422)	(333,599)
Payment to employees	(106,838)	(91,966)	(198,804)
	50,038	(61,136)	(11,098)
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES			
Operating grants	-	10,103	10,103
Increase (decrease) in amounts due to other funds, net	97,135	(61,139)	35,996
	97,135	(51,036)	46,099
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital grants	-	30,037	30,037
Proceeds from sales tax collections	-	132,927	132,927
Proceeds from long-term debt	616,500	-	616,500
Interest paid on debt	-	(34,009)	(34,009)
Principal paid on debt	(1,700)	(31,958)	(33,658)
Purchases of capital assets	(279,213)	(41,642)	(320,855)
	335,587	55,355	390,942
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on investments	281	1,443	1,724
	483,041	(55,374)	427,667
CASH			
Beginning of period	85,317	500,004	585,321
End of period	\$ 568,358	\$ 444,630	\$ 1,012,988
RECONCILIATION OF CASH			
Cash and cash equivalents	\$ 112,840	\$ 305,484	\$ 418,324
Restricted cash	455,518	139,146	594,664
Total cash	\$ 568,358	\$ 444,630	\$ 1,012,988
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating loss	\$ (56,164)	\$ (161,489)	\$ (217,653)
Adjustments for non-cash items:			
Depreciation	61,524	136,442	197,966
Change in operating assets and liabilities:			
Accounts receivable and other assets	11,172	(33,964)	(22,792)
Accounts payable, accrued liabilities and deferred revenues	33,506	(2,125)	31,381
Net cash provided (used) by operating activities	\$ 50,038	\$ (61,136)	\$ (11,098)

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

TOWN OF INDEPENDENCE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement Presentation

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

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

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

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

Reporting Entity

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

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reporting Entity (continued)

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

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

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

Basis of Presentation

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

Government-wide Financial Statements

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-wide Financial Statements (continued)

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

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

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

Fund Financial Statements

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

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

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

- Total assets 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 combined.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Financial Statements (continued)

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

Governmental Fund Types

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

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

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

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

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

Proprietary Fund Types

Enterprise Funds - Enterprise funds are used to account for operations (1) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs and expenses, including depreciation, of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (2) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Proprietary Fund Types (continued)

Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The Town considers the Water and Sewer Funds to be major enterprise funds.

Basis of Accounting and Measurement Focus

Government-wide financial statements

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

Fund financial statements

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

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

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund financial statements (continued)

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

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

Cash, Cash Equivalents and Investments

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

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

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

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. For governmental activities uncollectible amounts due for receivables are recognized as bad debts and directly charged off at the time information becomes available which indicates that the particular receivable is not collectible. In governmental fund types, the uncollectible amount is charged to the revenue reported. In business-type activities, uncollectible amounts due from utility billing receivables are recognized as bad debts through the use of an allowance account or are directly charged off at the time information becomes available which indicates that the particular receivable is not collectible. An allowance for doubtful accounts of \$32,406 was recorded at June 30, 2014.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interfund Receivables/Payables

During the course of operations, transactions may occur between individual funds. Those related to short-term borrowings are classified as “due from other funds” or “due to other funds” on the balance sheet. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Capital Assets

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

Government-wide Statements

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

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

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

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

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

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (continued)

Fund Financial Statements

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

Compensated Absences

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

Employees' are allowed vacation pay based on employee classification and length of service. Vacation pay is non-cumulative with any unpaid amounts paid to employees upon separation from Town's service. In governmental funds, the cost of vacation pay is recognized when payments are made to employees. No liability has been recorded in the Water and Sewer Enterprise Fund for unused vacation pay at June 30, 2014, as the amount is immaterial. Accrued compensated absences of \$4,707 have been recorded in the governmental activities of the government-wide financial statements.

The Town's employees earn sick pay benefits based on length of service. Employees may accumulate sick leave benefits to a maximum of 360 days. Sick pay benefits have not been accrued, as the employee's right to sick pay benefits are not paid at termination of employment.

Government-wide and Proprietary Fund Net Position

Government-wide and proprietary fund net position is divided into three components:

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

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental Fund Balances

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

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

Use of Restricted Resources

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

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

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net position is reported as restricted when there are limitations imposed on its use by external parties such as creditors, grantors, or the laws or regulations of other governments.

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

Interfund Transfers

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budget Policy and Budgetary Accounting

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

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

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

Estimates

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

Subsequent events

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

NOTE 2 - CASH AND INVESTMENTS

At June 30, 2014, the Town had cash and cash equivalents totaling:

Cash and cash equivalents	\$ 1,431,097
Certificates of deposit	114,602
Total cash and cash equivalents	<u>\$ 1,545,699</u>

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

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

Custodial credit risk is the risk that in the event of a financial institution failure, the Town's deposits may not be returned to them. To mitigate this risk, state law requires deposits to be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent financial institution. As of June 30, 2014, securities pledged in the Town's name to insure deposits in excess of federal deposit insurance limits had a market value of approximately \$1,640,800. As a result, the Town's deposits were not exposed to any custodial risk.

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

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

NOTE 3 - CONCENTRATION OF CREDIT RISK – PROPRIETARY FUNDS

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

NOTE 4 - RECEIVABLES

Accounts receivable at June 30, 2014 were as follows:

Governmental activities

Sales and use tax	\$ 98,346
Rent	29,284
User fees	18,404
Franchise fees	18,348
Grants	9,515
Ad valorem taxes	7,000
Other	<u>6,443</u>
Subtotal	187,340
Less allowance for doubtful accounts	<u>(10,815)</u>
Total governmental receivables, net	<u>\$ 176,525</u>

(Continued)

NOTE 4 - RECEIVABLES (CONTINUED)

Business-type activities	
Utility charges	\$ 55,546
Sales and use tax	24,586
Grants	30,037
Other	<u>18</u>
Subtotal	110,187
Less allowance for doubtful accounts	<u>(10,185)</u>
Total business-type receivables, net	<u>\$ 100,002</u>

NOTE 5 - 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 (15) 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, 2014, the total outstanding balance of the notes was \$390,510, with an allowance for uncollectible amounts of \$11,406.

NOTE 6 - AD VALOREM TAXES

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

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

Taxes are levied by the Town in September or October, and are billed to the taxpayers in November. Billed taxes become delinquent on December 31st. Revenues from ad valorem taxes are budgeted in the year assessed and recognized as revenue when billed. Ad valorem taxes attach as an enforceable lien on property as of January 1st of each year.

NOTE 6 - AD VALOREM TAXES (CONTINUED)

For the year ended June 30, 2014, taxes of 16.23 mills were levied on property with assessed valuations totaling \$7,947,754, and were dedicated to general government (6.23 mills), police (5 mills) and fire protection (5 mills). Current year taxes levied were \$128,992. Taxes collected were \$133,532, which includes delinquent taxes collected from prior years.

NOTE 7 - SALES AND USE TAXES

Sales and use taxes of two and one-half percent are levied on taxable sales within the Town. The sales tax is collected by the Tangipahoa Parish School Board, Sales Tax Division, and remitted to the Town in the month following receipt by the School Board. The School Board receives the sales tax approximately one month after collection by vendors. Sales taxes collected 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, 2014.

Unrestricted Sales and Use Taxes

The Town collects a one percent sales and use tax that is undedicated and used by the Town's General Fund, with \$265,853 collected in 2014. The proceeds of the 1966 1% sales and use tax levied by the Town were dedicated for the payment of the 1967 Public Improvement Bonds. Since April 1992, these March 14, 1967 Public Improvement Bonds were paid in full and the sales tax are now undedicated and used for general government expenditures. As a result, the entire fund balance was transferred to the General Fund in the prior year. Collections were \$265,853 in 2014.

Dedicated Sales and Use Taxes

1980 ½ % Sales and Use Tax (Sewer Fund)

The proceeds of the 1980 ½ % sales and use tax levied by the Town were dedicated for the payment of the \$290,000 Public Improvement Bonds. Current year collections were \$132,927 as of June 30, 2014.

NOTE 8 - RESTRICTED CASH

Restricted cash is related to utility customer deposits and reserve amounts required in debt service agreements. Restricted cash at June 30, 2014, was as follows:

Water distribution system project	\$ 388,841
Debt service	208,471
Customer meter deposits	<u>66,677</u>
Total	<u>\$ 663,989</u>

NOTE 9 - CAPITAL ASSETS

A summary of changes in governmental capital assets for the year ended June 30, 2014, is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 82,250	\$ -	\$ -	\$ 82,250
Construction in progress	336,203	5,271	-	341,474
Total capital assets not being depreciated	418,453	5,271	-	423,724
Capital assets being depreciated:				
Buildings	1,113,098	-	-	1,113,098
Vehicles and equipment	680,548	69,942	-	750,490
Infrastructure	2,696,451	-	-	2,696,451
Total capital assets being depreciated	4,490,097	69,942	-	4,560,039
Less accumulated depreciation for:				
Buildings	307,712	31,753	-	339,465
Vehicles and equipment	545,452	35,790	-	581,242
Infrastructure	2,248,353	67,412	-	2,315,765
Total accumulated depreciation	3,101,517	134,955	-	3,236,472
Total capital assets being depreciated, net	1,388,580	(65,013)	-	1,323,567
Governmental activities capital assets, net	\$ 1,807,033	\$ (59,742)	\$ -	\$ 1,747,291

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

Governmental activities:	
Streets and parks	\$ 71,382
General government	32,736
Public safety	30,837
Total depreciation expense - governmental activities	\$ 134,955

(Continued)

NOTE 9 - CAPITAL ASSETS (CONTINUED)

A summary of changes in business-type capital assets for the year ended June 30, 2014, is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 69,808	\$ -	\$ -	\$ 69,808
Construction in progress	-	281,745	-	281,745
Total capital assets not being depreciated	<u>69,808</u>	<u>281,745</u>	<u>-</u>	<u>351,553</u>
Capital assets being depreciated:				
Vehicles and equipment	462,157	27,035	-	489,192
Water & Sewer Lines	2,527,787	-	-	2,527,787
Water Storage Tanks	145,520	-	-	145,520
Water Wells	141,687	-	-	141,687
Sewer Treatment Plant	2,644,972	-	-	2,644,972
Sewer Pumps and Lift Stations	778,712	12,075	-	790,787
Total capital assets being depreciated	<u>6,700,835</u>	<u>39,110</u>	<u>-</u>	<u>6,739,945</u>
Less accumulated depreciation for:				
Vehicles and equipment	127,862	55,172	-	183,034
Water & Sewer Line	912,433	56,878	-	969,311
Water Storage Tanks	90,803	3,821	-	94,624
Water Wells	138,865	77	-	138,942
Sewer Treatment Plant	1,013,050	66,124	-	1,079,174
Sewer Pumps and Lift Stations	654,520	15,894	-	670,414
Total accumulated depreciation	<u>2,937,533</u>	<u>197,966</u>	<u>-</u>	<u>3,135,499</u>
Total capital assets being depreciated, net	<u>3,763,302</u>	<u>(158,856)</u>	<u>-</u>	<u>3,604,446</u>
Business-type activities capital assets, net	<u>\$ 3,833,110</u>	<u>\$ 122,889</u>	<u>\$ -</u>	<u>\$ 3,955,999</u>

(Continued)

NOTE 10 - LONG-TERM DEBT

At June 30, 2014, long-term debt consisted of the following:

Governmental Activities:

\$300,000 Revenue Bond dated March 11, 2010. Due in bi-annual installments of \$27,325 - \$31,160 until January 1, 2025. Interest at 6.0%. Payable from a pledge of the excess of the annual revenues of the Town above statutory, necessary, and usual charges. \$ 237,000

\$65,150 Note Payable, dated December 31, 2004 originally in the name of the Independence Volunteer Fire Department, Inc. Due in ten annual installments of \$9,032, interest at 6.25%, secured through a pledge and dedication of excess revenues of the Town above statutory, necessary, and usual charges. 19,038

Total governmental activities 256,038

Business-type Activities:

\$975,000 Revenue Bond dated December 16, 1997. Due in monthly installments of \$4,388 through December 16, 2037. Interest at 4.5%. Payable from a pledge of the Town's revenues of the Sewer System. 760,619

Inerim Financing through Louisiana Public Facilities Authority Rural Development Loan Participation Program for \$1,425,000 of Bond Anticipation Notes. Due in estimated monthly installments of \$4,974 over 40 years from the date of the bonds. Interest at 2.75% . Payable from a pledge of the Town's revenues of the Water System. 336,000

Inerim Financing through Louisiana Public Facilities Authority Rural Development Loan Participation Program for \$1,150,000 of Bond Anticipation Notes. Payment amounts and interest rates to be finalized upon issuance of the bonds, due in equal monthly installments over 40 years. Payable from a pledge of the Town's revenues of the Water System 280,500

Capital Leases Payable:

\$61,700 Capital Lease Payable, dated April 15, 2010. Due in 60 monthly installments of \$1,109, interest at 3.54%, and secured through a pledge of the Town's income and revenues of the Sewer System. 9,605

Total business-type activities 1,386,724

Total long-term debt \$ 1,642,762

(Continued)

NOTE 10 - LONG-TERM DEBT (CONTINUED)

Long-term debt transactions for the year ended June 30, 2014, were as follows:

	7/1/2013			6/30/2014		Due in
	Outstanding	Additions	Reductions	Outstanding		one year
Capital Leases Payable	\$ 24,032	\$ -	\$ 14,427	\$ 9,605		\$ 9,605
Note Payable	26,901	-	7,863	19,038		16,458
Revenue Bonds	1,033,850	-	36,231	997,619		35,811
Interim Financing	-	616,500	-	616,500		-
Total indebtedness	<u>\$1,084,783</u>	<u>\$ 616,500</u>	<u>\$ 58,521</u>	<u>\$ 1,642,762</u>		<u>\$ 61,874</u>

Debt service requirements to maturity

The annual debt service requirements to amortize outstanding long-term debt at June 30, 2014 are as follows:

Maturity	Revenue Bonds		Note Payable		Capital Lease Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	35,811	45,245	16,458	1,606	9,605	139
2016	36,675	43,981	2,580	182	-	-
2017	38,579	42,227	-	-	-	-
2018	40,524	40,382	-	-	-	-
2019	42,513	38,443	-	-	-	-
2020-2024	247,062	159,568	-	-	-	-
2025-2029	189,559	103,121	-	-	-	-
2030-2034	202,239	61,041	-	-	-	-
2035-2039	164,657	13,137	-	-	-	-
Totals	<u>\$ 997,619</u>	<u>\$ 547,145</u>	<u>\$ 19,038</u>	<u>\$ 1,788</u>	<u>\$ 9,605</u>	<u>\$ 139</u>

As discussed above, the Town has obtained interim financing for future revenue bonds from the United States Department of Agriculture (USDA). Final amortization requirements will not be known until the projects are completed and the bonds are issued. Debt service payments will be made in equal monthly installments over 40 years from the date of the bonds. As a result, the Town is expected to have debt service requirements through 2054.

NOTE 11 - ON-BEHALF PAYMENTS FOR SALARIES AND BENEFITS

The State of Louisiana makes supplementary salary payments to certain groups of employees. The Town is not legally responsible for these salaries. In 2014, supplementary salaries were paid to the law enforcement employees that required the Town's payment of payroll taxes and retirement contributions for these on-behalf payments from its budget. Total supplemental pay for 2014 is \$37,200.

NOTE 12 - PENSION PLANS

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

Municipal Employees' Retirement System of Louisiana

Plan Description

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

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

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

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

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained from the Municipal Employees Retirement System of Louisiana, 7937 Office Park Boulevard, Baton Rouge, Louisiana, 70809, or (225) 925-4810.

Funding Policy

Plan members are required by state statute to contribute 9.5 percent of their annual covered salary and the Town is required to contribute at an actuarially determined rate. The current rate is 18.75 percent of annual payroll. The contribution requirements of plan members and the Town are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year.

The Town's contribution to the System under Plan A for the years ended June 30, 2014, 2013 and 2012 was approximately \$6,371, \$6,935 and \$7,059, respectively. See Note 13.

NOTE 12 - PENSION PLANS (CONTINUED)

Municipal Police Employees' Retirement System of Louisiana

Plan Description

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

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

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Municipal Police Employees Retirement System of Louisiana, 8401 United Plaza Boulevard, Baton Rouge, Louisiana, 70809-2250, or (225)929-7411.

Funding Policy

Plan members are required by state statute to contribute 10 percent of their annual covered salary and the Town is required to contribute at an actuarially determined rate of 31 percent as of June 30, 2014. The contribution requirements of plan members and the Town are established by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Town had contributions of approximately \$13,662, \$21,118 and \$12,555 during 2014, 2013 and 2012, respectively. See Note 13.

NOTE 13 - 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.

NOTE 13 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

Risk Management

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

Grants

The Town receives federal and state grants for 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.

Leases

The Town is the lessor in a lease entered into in 2010 with SDT, Inc. During 2014, rental revenue was \$55,268. The lease expires in September 2017. Additionally, the Town funded certain improvements to the building. The cost of these improvements increased the monthly rental amount by \$1,170. Subsequent to June 30, 2014, the Town collected the outstanding balance of past due amounts related to this rent. Total monthly lease payments will be \$5,170 for the remainder of this lease. Additionally, the Town receives \$2,000 per month in rental income from the Central Tangipahoa Head Start Program.

Construction contracts

The Town currently has construction contracts in progress for the construction of a water tower, lines, and meters. The estimated cost of the project is \$3.38 million, with approximately \$280,000 complete as of June 30, 2014. The project will be funded by USDA bonds in the amount of \$2.44 million (see Note 10) and federal grants. Additionally, the Town is in the process of acquiring additional USDA loan and grant funding for sewer improvements with an estimated cost of \$4.6 million.

Missing deposits

Subsequent to year end, the Town discovered certain utility deposits were missing in October 2014, totaling \$3,542.

Retirement systems

The Town participates in two retirement systems as described in Note 12. The Town has not made participation mandatory for employees with only certain employees choosing to contribute to the system. As a result, the Town is determining whether an obligation for past years is owed. Although the obligation is unknown at this time, the amount could be substantial. Presently, the Town's legal counsel is reviewing this matter with each retirement system for settlement.

NOTE 13 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

Legislative auditor review

Subsequent to year end, certain matters of the Town are being reviewed by the Louisiana Legislative Auditor. These matters relate to compliance with certain laws and regulations including governmental ethics. The outcome of this review is unknown at this time including any financial impact.

NOTE 14 - INTERFUND TRANSACTIONS

Interfund advance

Interfund advances are considered long-term, as they are not expected to be repaid within the next fiscal year. As of June 30, 2014, the Innovative Housing Fund advanced \$90,150 to the General Fund.

Interfund transfers

There were no interfund transfers for the year ending June 30, 2014.

NOTE 14 - INTERFUND TRANSACTIONS (CONTINUED)

Interfund receivable and payable balances

Interfund receivables and payables represent short-term borrowing between funds. The interfund balances at June 30, 2014 were as follows:

Individual Fund	Receivable	Payable
Primary Government:		
Governmental activities:		
General Fund:		
Innovative Housing	\$ -	\$ 8,811
Economic Development	8,190	11,290
Sewer Fund	16,235	-
Water Fund	35,026	-
Total General Fund	59,451	20,101
Economic Development Fund:		
General Fund	11,290	8,190
Innovative Housing Fund:		
General Fund	8,811	-
Total governmental activities	79,552	28,291
Business-type activities:		
Sewer Fund:		
General Fund	-	16,235
Water Fund	69,374	-
Total Sewer Fund	69,374	16,235
Water Fund:		
General Fund	-	35,026
Sewer Fund	-	69,374
Total Water Fund	-	104,400
Total business-type activities	69,374	120,635
Total primary government	\$ 148,926	\$ 148,926

NOTE 15 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Excess of expenditures over appropriations in individual funds or departments within the funds occurred as follows:

	<u>Revised Budget</u>	<u>Actual (GAAP Basis)</u>	<u>Variance</u>
General Fund:			
General government	\$ 307,561	\$ 366,619	\$ (59,058)
Public safety	596,641	635,654	(39,013)
Streets and parks	122,917	136,923	(14,006)
Health and recreation	7,000	10,473	(3,473)
Capital outlay	50,000	75,213	(25,213)

NOTE 16 - COMPENSATION OF GOVERNING BODY

During the year ended June 30, 2014, the Mayor and Aldermen received compensation as follows:

	<u>Salary</u>	<u>Vehicle per diem</u>
Mayor - Michael Ragusa	\$ 16,500	\$ 4,400
Aldermen		
Michael Muscarello	4,950	-
Jimmy Gregory	4,950	-
Larry Cardaronella	4,950	-
Angelo Mannino	4,950	-
Calvin Batiste	4,950	-
Total	<u>\$ 41,250</u>	<u>\$ 4,400</u>

TOWN OF INDEPENDENCE, LOUISIANA

REQUIRED SUPPLEMENTARY INFORMATION

**TOWN OF INDEPENDENCE, LOUISIANA
GENERAL FUND**

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

For the year ended June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - positive (negative)</u>
REVENUES				
Taxes:				
Sales and use	\$ 476,000	\$ 476,000	\$ 531,706	\$ 55,706
Ad valorem	129,000	129,000	133,562	4,562
Franchise	67,500	67,500	77,778	10,278
Beer	3,500	3,500	1,944	(1,556)
Solid waste fees	95,000	95,000	124,736	29,736
Licenses and permits	81,000	81,000	112,797	31,797
Fines and forfeitures	100,000	100,000	97,199	(2,801)
Rental income	72,000	72,000	72,025	25
Charges for services	51,000	51,000	67,323	16,323
Intergovernmental	57,500	57,500	59,914	2,414
On-behalf payments from the State	36,000	36,000	37,200	1,200
Investment income	350	350	462	112
Other	-	-	10,268	10,268
	<u>1,168,850</u>	<u>1,168,850</u>	<u>1,326,914</u>	<u>158,064</u>
EXPENDITURES				
Current function:				
General government	364,968	307,561	366,619	(59,058)
Public safety:				
Police	302,734	360,141	384,598	(24,457)
Fire	236,500	236,500	251,056	(14,556)
Streets and parks	117,917	122,917	136,923	(14,006)
Solid waste	100,000	100,000	91,924	8,076
Health and recreation	7,000	7,000	10,473	(3,473)
Debt service	40,192	40,192	23,521	16,671
Capital outlay	50,000	50,000	75,213	(25,213)
	<u>1,219,311</u>	<u>1,224,311</u>	<u>1,340,327</u>	<u>(116,016)</u>
Excess (deficiency) of revenues over expenditures	(50,461)	(55,461)	(13,413)	42,048
OTHER FINANCING SOURCES				
Transfers out	(6,000)	(6,000)	-	6,000
Net change in fund balance	<u>\$ (56,461)</u>	<u>\$ (61,461)</u>	(13,413)	<u>\$ 48,048</u>
FUND BALANCE				
Beginning of year			181,231	
End of year			<u>\$ 167,818</u>	

**TOWN OF INDEPENDENCE, LOUISIANA
INNOVATIVE HOUSING**

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

For the year ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance - positive (negative)
REVENUES				
Other - Interest on notes receivable	\$ 10,000	\$ 10,000	\$ 9,141	\$ (859)
EXPENDITURES				
General government	<u>19,000</u>	<u>19,000</u>	<u>-</u>	<u>19,000</u>
Excess (deficiency) of revenues over expenditures	(9,000)	(9,000)	9,141	18,141
OTHER FINANCING SOURCES				
Transfers in	<u>6,000</u>	<u>6,000</u>	<u>-</u>	<u>(6,000)</u>
Net change in fund balance	<u><u>\$ (3,000)</u></u>	<u><u>\$ (3,000)</u></u>	9,141	<u><u>\$ 12,141</u></u>
FUND BALANCE				
Beginning of year			<u>761,532</u>	
End of year			<u><u>\$ 770,673</u></u>	

TOWN OF INDEPENDENCE, LOUISIANA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

For the year ended June 30, 2014

NOTE 1 - BUDGETS

Budget Policy and Budgetary Accounting

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

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

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

Basis of Accounting

All of the Town's fund budgets are prepared on the accrual basis of accounting, which is described in Note 1 to the Town's financial statements for the year ended June 30, 2014. The Town's basis of budgetary accounting follows generally accepted accounting principles.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Excess of expenditures over appropriations in individual funds or departments within the funds occurred as follows:

	<u>Revised Budget</u>	<u>Actual (GAAP Basis)</u>	<u>Variance</u>
General Fund:			
General government	\$ 307,561	\$ 366,619	\$ (59,058)
Public safety	596,641	635,654	(39,013)
Streets and parks	122,917	136,923	(14,006)
Health and recreation	7,000	10,473	(3,473)
Capital outlay	50,000	75,213	(25,213)

TOWN OF INDEPENDENCE, LOUISIANA

SUPPLEMENTARY INFORMATION

TOWN OF INDEPENDENCE, LOUISIANA

COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS

June 30, 2014

	LCDBG Economic Development Fund	2010 Revenue Bond Capital Projects Fund	Total Non-Major Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 5,014	\$ 8,988	\$ 14,002
Accounts receivable, net	21,284	-	21,284
Due from other funds	11,290	-	11,290
	<u>37,588</u>	<u>8,988</u>	<u>46,576</u>
Total assets	<u>\$ 37,588</u>	<u>\$ 8,988</u>	<u>\$ 46,576</u>
LIABILITIES			
Due to other funds	\$ 8,190	\$ -	\$ 8,190
DEFERRED INFLOWS OF RESOURCES			
Unearned revenue	20,765	-	20,765
FUND BALANCE			
Restricted:			
Economic development	<u>8,633</u>	<u>8,988</u>	<u>17,621</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 37,588</u>	<u>\$ 8,988</u>	<u>\$ 46,576</u>

TOWN OF INDEPENDENCE, LOUISIANA
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS

For the year ended June 30, 2014

	LCDBG Economic Development 1987 Fund	2010 Revenue Bond Capital Projects Fund	Total Non-Major Governmental Funds
REVENUES			
Rental income	\$ 7,268	\$ -	\$ 7,268
Investment income	21	26	47
Total revenues	7,289	26	7,315
FUND BALANCE			
Beginning of year	1,344	8,962	10,306
End of year	\$ 8,633	\$ 8,988	\$ 17,621

SPECIAL INDEPENDENT AUDITORS' REPORTS

For the year ended June 30, 2014



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

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

We have audited, in accordance with the 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 (TOWN)** as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated March 10, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompany schedule of findings and recommendations as items 2014-1 through 2014-7 that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and recommendations as items 2014-5, 2014-7, 2014-8, 2014-9, and 2014-10.

The Town's Response to Findings

The Town's responses to the findings identified in our audit are described in the accompanying schedule of findings and recommendations. The Town's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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



Certified Public Accountants

Baton Rouge, Louisiana
March 10, 2015

TOWN OF INDEPENDENCE, LOUISIANA
SCHEDULE OF FINDINGS AND RECOMMENDATIONS

For the year ended June 30, 2014

1) Summary of Auditors' Results:

- A) The type of report issued on the financial statements: **Unqualified opinion.**
- B) Significant deficiencies in internal control were disclosed by the audit of financial statements: **2014-1, 2014-2, 2014-3, 2014-4, 2014-5, 2014-6, and 2014-7.**
Material weaknesses: **None.**
- C) Noncompliance that is material to the financial statements: **2014-5, 2014-7, 2014-8, 2014-9 and 2014-10.**
- D) Findings relating to the financial statements reported in accordance with *Government Auditing Standards*: **2014-1, 2014-2, 2014-3, 2014-4, 2014-5, 2014-6, 2014-7, 2014-8, 2014-9, and 2014-10.**

TOWN OF INDEPENDENCE, LOUISIANA

SUMMARY OF FINDINGS AND RECOMMENDATIONS

For the year ended June 30, 2014

2) FINDINGS – FINANCIAL STATEMENT AUDIT

2014-1 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 daily operations of the financial processes, which restricts meaningful segregation of duties.

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

Effect: The segregation of duties is inadequate to provide effective system of internal control over the Town's financial reporting processes in order to timely identify error or irregularities.

Cause: The size of the Town's finance staff does not allow for proper segregation of duties to maintain an effective system of internal control.

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 and/or external CPA,
- Review of the Town's monthly financial statements, including budget to actual comparisons, along with a listing of monthly cash disbursements, by the Mayor and Board of Aldermen.

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

(Continued)

2014-2 Operating Deficits

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

- 1) The 2014 net deficits are \$55,883 and \$20,988 for the Water and Sewer Funds, respectively.
- 2) The Town charges residents a flat rate monthly for water and sewer services.

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

Effect: The Town could deplete the financial position of its utility operations and experience financial stress in these funds.

Cause: The user fees are not adequate for the expenses of operating the systems.

Recommendation: The Town should consider the following:

- 1) Increase the amount of current utility rates, with consideration to pricing based on volume consumed. The current fee is insufficient to fund current operations of the proprietary funds.
- 2) Reduce spending to levels below operating revenues.
- 3) Develop a policy to require minimum fund balance levels and criteria for spending such reserves.
- 4) Monitor the volume of water received and sold for analysis purposes.

Management's corrective action plan: The Town is currently in the process of implementing new water meters for all customers of the Town, at which point customers' monthly charges will be based on consumption. Additionally, the Town has increased its utility rates in an effort to eliminate or reduce these operating deficits and has a dedicated sales tax to support sewer operations. The Town plans to review this matter until it is resolved.

2014-3 Delinquent Receivables

Condition: The Town has \$11,400 past due for loans provided under the Innovative Housing Grant Program. Additionally, the Town was due approximately \$21,000 in delinquent rent payments from one of its lessees as of June 30, 2014.

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

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

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

(Continued)

2014-3 Delinquent Receivables (continued)

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

Management's corrective action plan: The Town is monitoring payments and amounts owed during 2014 and has developed a written policy for administration of delinquent receivables.

In December 2014, the Town collected the delinquent rent of approximately \$21,000. The Town considers this portion of the reportable condition to be resolved.

2014-4 Written Policies and Procedures

Condition: The Town does not have a written procedure manual for accounting procedures, Town policy or other matters. This matter was reported for the three previous audits of the Town's financial statements.

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

Effect: Lack of written instruction can lead to inconsistent practices and lack of proper internal controls.

Cause: The Town has not adopted a written policy and procedure manual.

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

Management's corrective action plan: In December 2014, the policies and procedures manual was presented to the Board of Aldermen for adoption. The item was tabled for future consideration in 2015.

2014-5 Undeposited Receipts and Timeliness of Deposits

Condition: During November 2014, the Town's monthly bank reconciliation process for October 2014 identified three instances where funds were recorded in the Town's accounting system, but not deposited into the Town's bank account.

The receipts related to utility services were recorded in the Town's accounting system, but are not on record as being deposited with the Town's bank, are as follows:

1. October 3, 2014 - Receipts of \$2,674 were entered into the Town's utility billing system as collections from customers. There is no deposit on record with the Town's bank for this amount.
2. October 31, 2014 - Receipts of \$738 were entered into the utility billing system as collections from customers. There is no deposit on record with the Town's bank for this amount.

2014-5 Undeposited Receipts and Timeliness of Deposits (continued)

3. November 3, 2014 - Two Town utility customers presented the Town Clerk with proof of payment, each for \$65, or \$130 total. Neither payment is present on either customer's account in the Town's utility billing system. There is also no deposit on record with the Town's bank for these two cash receipts.

Additionally, it was noted that the Town was not consistently making daily deposits of receipts, with lag times as long as five business days.

Criteria: Louisiana Revised Statute 39:1212 requires that municipalities and other local subdivision of State government make daily deposit of all receipts.

Effect: When deposits are not made on a daily basis, it increases the risk that all funds are not deposited into the bank.

Cause: The Town does not have a comprehensive written policy and procedure manual and employees are not held accountable for delinquent daily deposits. Additionally, the Town employees were not reconciling daily receipts per the utility billing system to the daily deposit form.

Recommendation: We recommend the Town maintain compliance with Louisiana Revised Statute 39:1212. The Town's financial policies and procedures should include a requirement that deposits are made on a daily basis. Additionally, the Town should implement controls to ensure all utility receipts are deposited into the bank. These procedures should include the following:

1. Receipts should be issued to customers in numerical sequence for all payments received in Town Hall.
2. All receipts should be placed into the cash register on-site.
3. Receipts from utility customers should be entered into the applicable software immediately upon receipt.
4. At the conclusion of the day, the bank deposit amount should be reconciled to the cash receipt book, cash register totals, and receipt reports from the utility billing system.
5. Disciplinary action should be taken when employees do not follow the procedures above.

Secondly, the Town should request the District Attorney or Sheriff's Office to conduct a formal investigation of the deposits listed that were missing in October 2014. The Town should consider the missing deposits a theft of funds unless proven otherwise. The individuals involved in daily collections should be interviewed so this matter can be properly reviewed. This matter should be resolved and the results of the investigation reported to the Board of Aldermen.

Management's corrective action plan: The Town began to draft a comprehensive policy and procedures manual during 2014. The Town plans to take formal action to adopt these procedures in 2015 which will include the procedures recommended above. Additionally, the Town began to implement the procedures referenced above subsequent to the instances in which the receipts were not deposited into the bank.

2014-6 Supporting Documentation for Cash Disbursements

Condition: The Town could not provide sufficient documentation for certain cash disbursements tested, totaling \$6,321. The expenditures related to normal recurring expenses of the Town, to include: vehicle per diem and supply purchases.

Criteria: Original supporting documentation should be retained for all transactions of the Town.

Effect: Failing to retain supporting documentation is a deficiency in internal controls over cash disbursements.

Cause: The Town does not have a written policy regarding record retention. Additionally, the Town experienced turnover in the Town Clerk position, causing inconsistencies in record retention and document maintenance.

Recommendation: We recommend the Town develop a written policy to provide guidance on record retention that is in accordance with state law. Additionally, the Town should ensure that all supporting documentation for financial transactions is filed in a consistent manner so all financial transactions can be located in a timely and efficient manner.

Management's corrective action plan: In December 2014, the policies and procedures manual was presented to the Board of Aldermen for adoption. The item was tabled for adoption in 2015. The Town believes that current procedures for retaining supporting documentation are sufficient and does not expect this matter to be identified in future audits.

2014-7 Utility Billings

Condition: Rates charged to utility customers are not consistently charged in accordance with rates adopted by Town ordinance. The previous rates adopted by the Town include different rates for customers based on whether or not the customer resides inside or outside of the municipal limits. Additionally, the Town's official municipal limit boundaries are difficult to interpret and some customers' parcels are dissected by the municipal city limit boundaries.

Criteria: Utility billings should be charged in accordance rates established by Town ordinance.

Effect: The Town is not in compliance with Town ordinances governing utility rate charges.

Cause: The Town does not routinely review bill amounts for consistency with the rates adopted by Town ordinance. Additionally, some customers whose parcels are dissected by the city limit boundary have requested to be charged inside rates and be included in the city limits for purposes of fire and police protection (with additional rates charged for those services).

Recommendation: The Town should consider simplifying its billing rates by using consistent rates regardless of a customer's location in relation to the municipal limits.

2014-7 Utility Billings (continued)

Management's corrective action plan: The Town is in the process of making upgrades to its water and sewer systems that will include automatic meter reading systems. This will provide the Town the ability to charge all customers accurately and based on water consumption. Additionally, management of the Town intends to propose an ordinance to amend the utility rates in a manner that does not consider customers' proximity to municipal limits for billing amounts.

3) FINDINGS –NONCOMPLIANCE WITH STATE LAWS AND REGULATIONS

2014-8 Compliance with Louisiana Local Government Budget Act

Condition: The Town's General Fund had expenditures in excess of 5% of the final appropriated operating budget for 2014.

Criteria: Louisiana Revised Statute 39:1301, Louisiana Local Government Budget Act require the Mayor to notify the governing body (Board of Aldermen) when amendment of the budgeted revenues or expenditures is needed due to an expected negative variance of 5% or more of projected actual results.

Effect: The Town is not in compliance with the Louisiana Local Government Budget Act.

Cause: The Town's actual expenditures exceeded projected expenditures in the General Fund by \$116,016, or 9.5%.

Recommendation: The Town should monitor actual operational results and amend its budget, as necessary, to ensure compliance with the Louisiana Local Government Budget Act.

2014-8 Compliance with Louisiana Local Government Budget Act (continued)

Management's corrective action plan: The Town will monitor the budget to actual revenue and expenditures comparisons on a monthly basis. To the extent an amendment is required to maintain compliance with the Louisiana Local Government Budget Act, the Town will propose such amendment to the operating budget.

2014-9 Public Bid Law

Condition: The Town could not provide sufficient evidence that the public bid law was followed for the purchase of a used dump truck for \$22,500.

Criteria: For the purchases of equipment, materials, and supplies in excess of \$10,000, but less than \$30,000, the Town should obtain at least three quotes by telephone or facsimile. Documentation of this procurement procedure should be maintained by the Town.

Effect: The Town is not in compliance with the Louisiana Revised Statute 38:2211, Public Bid Law.

2014-9 Public Bid Law (continued)

Cause: The Town did not maintain sufficient evidence of procurement as required under the Public Bid Law.

Recommendation: The Town should implement written procurement procedures that adhere to the State of Louisiana's Public Bid Law and maintain supporting documentation to ensure compliance with the Public Bid Law.

Management's corrective action plan: The Mayor and former Town Clerk have stated that three quotes were received and that sufficient documentation was obtained and placed on file at Town Hall. The Mayor has instructed the current Town Clerk to maintain all Public Bid Law files a secure location at Town Hall.

2014-10 Retirement Plan Participation

Condition: The Town has not required eligible participants to participate in the Municipal Employees Retirement System and Municipal Police Employees Retirement System. Amounts owed for prior years is unknown at this time.

Criteria: As a participant in MERS and MPERS, the Town is required by law to mandate eligible employees participate in each retirement system to include withholding of employee contributions and matching of employer contributions by the Town.

Effect: The Town is not in compliance with Louisiana law and agreements with MERS and MPERS. As a result, required contributions to each system are not being made as required by law.

Cause: The Town did not mandate participation by employees eligible to participate in each system.

Recommendation: The Town mandate participation in the system immediately for all prospective compensation calculation, to include mandatory employee withholding along with employer contributions.

Furthermore, the Town should work with MERS and MPERS to determine the amount of contributions that may be required for past service provided by eligible employees. Additionally, in the event the Town is required to fund past contributions, the Town should request a legal opinion relative to funding any portion of employee contributions. Since payroll has been processed without employee withholdings for retirement, it is unclear as to the legality of the Town funding an employee's obligation.

Management's corrective action plan: Management of the Town is working diligently with the Town's legal counsel to resolve this matter, including resolution of amounts owed. The Town is planning to take the following actions: 1) make contributions that are owed and participate in the systems as mandated by law, and/or 2) elect out of participation in the retirement systems due to budgetary constraints of the Town.

TOWN OF INDEPENDENCE, LOUISIANA

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

For the year ended June 30, 2014

2013-1 Segregation of Duties

This matter has been reported as Item 2014-1.

2013-2 Operating Deficits

This matter has been reported as Item 2014-2.

2013-3 Fuel Purchases (Resolved)

The Town has implemented procedures to monitor monthly fuel consumption. This matter is considered resolved.

2013-4 Receivables

This matter has been reported as Item 2014-3.

2013-5 Written Policies

This matter has been reported as Item 2014-4.

2013-6 Asset Inventory (Resolved)

A physical inventory was conducted for the year under audit. This matter is considered resolved.

2013-7 Use of Public Assets (Resolved)

The Town has adopted an ordinance outlining the policies and procedures to be followed when conducting private security details. This matter is considered resolved.

TOWN OF INDEPENDENCE, LOUISIANA

**SCHEDULES
(SUPPLEMENTARY FINANCIAL INFORMATION)**

TOWN OF INDEPENDENCE, LOUISIANA

WATER AND SEWER SYSTEM SCHEDULE

June 30, 2014
(Without Audit)

Records maintained by the Town of Independence indicated the number of residential and commercial users for the water and sewer systems at June 30, 2014 were as follows:

	<u>Water</u>	<u>Sewer</u>
Residential	689	613
Commercial	59	59
Governmental	2	2
School	5	5

At June 30, 2014, the aging of accounts receivable for the Enterprise Funds was as follows:

Current	\$ 32,939
31-60 days	7,721
61-90 days	6,499
91-120 days	611
Over 120 days	<u>7,776</u>
 Total outstanding	 <u>\$ 55,546</u>

(Continued)

Schedule 1
(Continued)

At June 30, 2014, the Town was charging the following rates for usage of their water and sewer systems:

Description	Total	Water	DHH Fee	Garbage	Fire Service	Police Service	Sewer
Residential (1)	55.00	15.00	0.27	13.73	3.50	2.50	20.00
Residential (2)	110.00	30.00	0.54	27.46	7.00	5.00	40.00
Residential (3)	165.00	45.00	0.81	41.19	10.50	7.50	60.00
Residential (4)	220.00	60.00	1.08	54.92	14.00	10.00	80.00
Residential (5)	275.00	75.00	1.35	68.65	17.50	12.50	100.00
Residential (6)	330.00	90.00	1.62	82.38	21.00	15.00	120.00
Residential (8)	440.00	120.00	2.16	109.84	28.00	20.00	160.00
Outside - Water (1)	38.27	38.00	0.27	-	-	-	-
Outside - Water (2)	76.54	76.00	0.54	-	-	-	-
Outside - Water (3)	114.81	114.00	0.81	-	-	-	-
Outside - Water & Sewer	90.27	38.00	0.27	-	-	-	52.00
Outside - No Sewer w/ Garbage	52.00	38.00	0.27	13.73	-	-	-
Outside - No Sewer w/o Garbage	38.27	38.00	0.27	-	-	-	-
Inside / No Garbage	41.27	15.00	0.27	-	3.50	2.50	20.00
Commercial - Washateria	130.00	60.00	0.27	13.73	3.50	2.50	50.00
Commercial Rate (1)	130.00	60.00	0.27	13.73	3.50	2.50	50.00
Commercial Rate (2)	260.00	120.00	0.54	27.46	7.00	5.00	100.00
Car Wash	130.00	60.00	0.27	13.73	3.50	2.50	50.00
Car Wash - C&G	130.00	60.00	0.27	13.73	3.50	2.50	50.00
Head Start	285.50	9.00	0.27	13.73	3.50	2.50	256.50
French Settlement	100.27	100.00	0.27	-	-	-	-
Mater Dolorosa	440.52	177.75	0.27	-	3.50	2.50	256.50
Indy Middle School	476.89	214.12	0.27	-	3.50	2.50	256.50
Indy Elementary School	528.27	265.50	0.27	-	3.50	2.50	256.50
Indy High School	543.64	280.87	0.27	-	3.50	2.50	256.50
Lallie Kemp Hospital	1,033.77	750.00	0.27	-	-	-	283.50
Housing Authority	3,190.00	870.00	15.66	796.34	203.00	145.00	1,160.00
Industrial (Base Rate)	486.27	240.00	0.27	-	3.50	2.50	200.00

Delinquent fee \$5.00

TOWN OF INDEPENDENCE, LOUISIANA

SCHEDULE OF INSURANCE IN FORCE

June 30, 2014
(Without Audit)

Insurance Company	Coverage	Amount	Expiration Date
First Louisiana Insurance	Buildings	\$ 1,202,185	09/16/14
	Contents	142,595	09/16/14
	Pumping Equipment	5,962	09/16/14
	Tower 3	64,210	09/16/14
	75K W Generator	78,000	09/16/14
	Lift Stations	778,230	09/16/14
EMC Insurance Company	Public official bond		
	Per Employee	100,000	05/07/15
Progressive Insurance Company	Commercial Auto Policy		
	Comprehensive and Collision	30,650	05/14/15
Audubon Insurance Company	Commercial Coverage		
	Comprehensive and Collision	205,821	
LA Mucicipal Risk Management Agency	Automobile liabilty		
	Uninsured Motorist, BI & PD	500,000	05/01/15
	Commercial General Liability		
	Premises / Operations	500,000	05/01/15
	Products / Completed Operations	500,000	05/01/15
	Law Enforcement Officers		
	Comprehensive Liability, Personal Injury	500,000	05/01/15
	Public Officials		
	Liability Errors & Omissions	500,000	05/01/15
	Auto Physical Damage	130,000	05/01/15