

TOWN OF INDEPENDENCE, LOUISIANA
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

Town of Independence, Louisiana
Table of Contents
For the Year Ended June 30, 2015

	<u>Exhibit</u>	<u>Schedule</u>	<u>Page</u>
Independent Auditor's Report	-	-	1 - 4
Required Supplemental Information (Part I):			
Management's Discussion and Analysis	-	-	6 - 13
Basic Financial Statements:			
Government-Wide Financial Statements:			
Statement of Net Position	A	-	15
Statement of Activities	B	-	16
Fund Financial Statements:			
Governmental Funds:			
Balance Sheet	C	-	18
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	D	-	19
Statement of Revenues, Expenditures, and Changes in Fund Balances	E	-	20
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of the Governmental Funds to the Statement of Activities	F	-	21
Proprietary Funds:			
Statements of Net Position	G	-	22 - 23
Statements of Revenues, Expenses, and Changes in Net Position	H	-	24
Statements of Cash Flows	I	-	25 - 26
Notes to the Financial Statements	-	-	28 - 57
Required Supplementary Information (Part II):			
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual			
General Fund	-	1	59
Innovative Housing Fund	-	2	60
Schedule of the Town's Proportionate Share of the Net Pension Liability			
Municipal Employees' Retirement System of Louisiana	-	3-A	61
Municipal Police Employees' Retirement System of Louisiana	-	3-B	62
Schedule of the Town's Contribution			
Municipal Employees' Retirement System of Louisiana	-	4-A	63
Municipal Police Employees' Retirement System of Louisiana	-	4-B	64

Town of Independence, Louisiana
Table of Contents (Continued)
For the Year Ended June 30, 2015

	Exhibit	Schedule	Page
Other Supplementary Information:			
Non-Major Governmental Funds:			
Combining Balance Sheet	-	5	66
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	-	6	67
Schedule of Expenditures of Federal and State Awards	-	7	68
Schedule of Compensation of Paid Elected Officials	-	8	69
Schedule of Compensation, Benefits, and Other Payments to Agency Head	-	9	70
Schedule of Insurance Coverage in Force (Unaudited)	-	10	71
Water and Sewer Rate Schedule (Unaudited)	-	11	72
Schedule of Water and Sewer Information (Unaudited)	-	12	73
Other Independent Auditors' Reports and Findings and Recommendations:			
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	-	-	75 - 76
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133	-	-	77 - 78
Schedule of Findings and Questioned Costs	-	-	79 - 104
Schedule of Prior Year Findings and Questioned Costs	-	-	105

Durnin & James

CERTIFIED PUBLIC ACCOUNTANTS
A PROFESSIONAL CORPORATION
www.djepa.com

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

Members of
American Institute of CPAs
Society of Louisiana CPAs

Jared R. Lauderdale, CPA

December 4, 2015

Independent Auditor's Report

The Honorable Michael Ragusa, Mayor
and Members of the Board of Aldermen
Independence, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Independence, Louisiana, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town of Independence, Louisiana's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Adverse
Business-Type Activities	Adverse
General Fund	Adverse
Innovative Housing Special Revenue Fund	Unmodified
Sewer Enterprise Fund	Adverse
Water Enterprise Fund	Adverse
Aggregate Remaining Fund Information	Unmodified

Basis for Adverse Opinion on the Governmental Activities, Business-Type Activities, General Fund, Sewer Enterprise Fund, and Water Enterprise Fund

Management has not enrolled eligible employees in the Municipal Employees' Retirement System of Louisiana and the Municipal Police Employees' Retirement System of Louisiana as required. The Town has failed to record certain expenses and liabilities in the governmental activities, business-type activities, general fund, sewer enterprise fund, and water enterprise fund in relation to the lack of retirement system participation. Accounting principles generally accepted in the United States of America require that the Town record liabilities as they are incurred, which would increase the liabilities and expenses of the governmental activities, business-type activities, general fund, sewer enterprise fund, and water enterprise fund. The amount by which this departure would affect the assets, liabilities, net position, and expenses of the governmental activities, business-type activities, general fund, sewer enterprise fund, and water enterprise fund has not been determined.

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on the Governmental Activities, Business-Type Activities, General Fund, Sewer Enterprise Fund, and Water Enterprise Fund" paragraph, the financial statements referred to above do not present fairly the financial position of the governmental activities, business-type activities, general fund, sewer enterprise fund, and water enterprise fund of the Town of Independence, Louisiana as of June 30, 2015 or the changes in financial position or, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Innovative Housing Fund and the aggregate remaining fund information of the Town of Independence, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, the schedules of the Town's proportionate share of the net pension liability, and the schedules of Town contributions on pages 6 – 13, 59 – 60, 61 – 62, and 63 – 64, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Independence, Louisiana's basic financial statements. The combining and individual non-major fund financial statements; the schedule of compensation of paid elected officials; the schedule of compensation, benefits, and other payments to agency head; the schedule of insurance coverage in force; the water and sewer rate schedule; and the schedule of water and sewer information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2015, on our consideration of the Town of Independence, Louisiana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Independence, Louisiana's internal control over financial reporting and compliance.

Respectfully submitted,

A handwritten signature in cursive script that reads "Durnin & James, CPAs". The signature is written in black ink and is positioned above the printed name of the firm.

Durnin & James, CPAs
(A Professional Corporation)

Required Supplemental Information (Part I):

Management's Discussion and Analysis

Town of Independence, Louisiana
Management's Discussion and Analysis
For the Year Ended June 30, 2015

As management of the Town of Independence, Louisiana (the "Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the year ended June 30, 2015. This Management Discussion and Analysis (the "MD&A") is designed to provide an objective and easy to read analysis of the Town's financial activities based on currently known facts, decisions, or conditions. It is designed to be read in conjunction with the financial statements and to provide readers with a broad overview of Town finances. It is also intended to provide readers with an analysis of the short and long-term activities of the Town based on information presented in this financial report, as well as fiscal policies that have been adopted by the Town. Specifically, this section is designed to assist the reader in focusing on significant financial issues, provide an overview of the Town's financial activity, identify changes in the Town's financial position, identify any material deviations from the financial plan (the approved budget), and identify individual fund issues or concerns.

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

The Town's auditor has provided assurances (or lack of assurances) in their independent auditors' report, located immediately preceding this MD&A. Varying degrees of assurances 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.

Financial Highlights

- Total assets for the year were \$14,428,509 at June 30, 2015, and exceeded liabilities in the amount of \$7,055,227 (i.e., net position). Of the total net position, \$701,772 was unrestricted and available to support short-term operations, \$5,693,868 was invested in capital assets, with the balance of \$659,587 reserved for debt service, economic development, and housing rehabilitation.
- The Town's total revenues for the year increased from the prior year by 74.14%, from \$2,066,708 to \$3,599,068, largely because of additional federal grant funding.
- Expenditures for the year were relatively flat when compared to prior year amounts. Total expenditures decreased by \$11,532 from the prior year, from \$2,188,665 to \$2,177,133.
- Total governmental net position decreased by \$191,321 to \$2,265,532 in 2015.
- Capital expenditures in 2015 exceeded \$6,000,000. This was a result of the construction of a new police station, water system improvements, and sewer system improvements. Some of these improvements were not completed as of June 30, 2015, and are considered construction in progress.

Town of Independence, Louisiana
Management's Discussion and Analysis (Continued)
For the Year Ended June 30, 2015

Overview of the Financial Statements

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

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

Government-Wide Financial Statements

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

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

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

Government-Wide Financial Analysis

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

Town of Independence, Louisiana
Management's Discussion and Analysis (Continued)
For the Year Ended June 30, 2015

Condensed Statement of Net Position

	<u>2015</u>	<u>2014</u>	<u>\$ Change</u>	<u>% Change</u>
Assets:				
Current and Other Assets	\$ 2,566,700	\$ 2,201,330	\$ 365,370	16.60%
Capital Assets	<u>11,861,809</u>	<u>5,703,290</u>	<u>6,158,519</u>	107.98%
Total Assets	<u>\$ 14,428,509</u>	<u>\$ 7,904,620</u>	<u>\$ 6,523,889</u>	82.53%
Deferred Outflows of Resources	<u>\$ 26,023</u>	<u>\$ -</u>	<u>\$ 26,023</u>	-
Liabilities:				
Current Liabilities	\$ 1,007,196	\$ 332,065	\$ 675,131	203.31%
Long-Term Debt	6,142,700	1,642,762	4,499,938	273.93%
Net Pension Liability	<u>158,923</u>	<u>-</u>	<u>158,923</u>	-
Total Liabilities	<u>\$ 7,308,819</u>	<u>\$ 1,974,827</u>	<u>\$ 5,333,992</u>	270.10%
Deferred Inflows of Resources	<u>\$ 90,486</u>	<u>\$ 48,532</u>	<u>\$ 41,954</u>	86.45%
Net Position:				
Net Investment in Capital Assets	\$ 5,693,868	\$ 4,449,369	\$ 1,244,499	27.97%
Restricted Net Position	659,587	499,095	160,492	32.16%
Unrestricted Net Position	<u>701,772</u>	<u>932,797</u>	<u>(231,025)</u>	-24.77%
Total Net Position	<u>\$ 7,055,227</u>	<u>\$ 5,881,261</u>	<u>\$ 1,173,966</u>	19.96%

The Town's assets exceeded its liabilities at the close of the most recent fiscal year by \$7,055,227 (net position). Of this amount, \$701,772 is unrestricted net position. The Town's net position is comprised of \$2,265,532 from Governmental Activities and \$4,789,695 from Business-Type Activities, as shown on Exhibit A. The net position of the Town's governmental activities decreased by \$191,321 to \$2,265,532 during 2015. The net position of the Town's business activities increased by \$1,365,289 or 39.87%, during 2015.

The largest portion of the Town's net position (80.70%) reflects its investment in capital assets (e.g., land, buildings, machinery & equipment, vehicles, infrastructure, etc.), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's net position (9.35%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$701,772) may be used to meet the government's ongoing obligations to citizens and creditors. At the end of the current fiscal year, the Town is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

Town of Independence, Louisiana
Management's Discussion and Analysis (Continued)
For the Year Ended June 30, 2015

Condensed Statement of Activities

	<u>2015</u>	<u>2014</u>	<u>\$ Change</u>	<u>% Change</u>
Revenues:				
Program Revenues:				
Charges for Services	\$ 879,285	\$ 947,990	\$ (68,705)	-7.25%
Grants and Contributions	1,445,596	145,117	1,300,479	896.16%
General Revenues	<u>1,274,187</u>	<u>973,601</u>	<u>300,586</u>	30.87%
Total Revenues	3,599,068	2,066,708	1,532,360	74.14%
Expenses:				
Governmental Activities	1,343,285	1,391,068	(47,783)	-3.43%
Business-Type Activities	<u>833,848</u>	<u>797,597</u>	<u>36,251</u>	4.55%
Total Expenses	<u>2,177,133</u>	<u>2,188,665</u>	<u>(11,532)</u>	-0.53%
Change in Net Position	1,421,935	(121,957)	1,543,892	-1265.93%
Net Position:				
Beginning of the Year, Original	5,881,261	6,003,218	(121,957)	-2.03%
Prior Period Adjustment	<u>(247,969)</u>	<u>-</u>	<u>(247,969)</u>	-
Beginning of the Year, Restated	<u>5,633,292</u>	<u>6,003,218</u>	<u>(369,926)</u>	-6.16%
End of the Year	<u>\$ 7,055,227</u>	<u>\$ 5,881,261</u>	<u>\$ 1,173,966</u>	19.96%

While the Statement of Net Position shows the change in financial position of net position, the Statement of Activities provides answers to the nature and scope of these changes. The above table gives an indication of how the Town is being conservatively managed. The overall increase in net position of \$1,543,892 in 2015 is attributable to the increase in grant revenue. "Program Revenues" increased by \$1,231,774 (112.68%). Total expenses decreased by \$11,532 from the prior fiscal year. Overall, the Town showed net income of \$1,421,935 for the fiscal year ended June 30, 2015, as compared to a loss of \$121,957 for the fiscal year ended June 30, 2014.

Fund Financial Statements

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

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

Town of Independence, Louisiana
Management's Discussion and Analysis (Continued)
For the Year Ended June 30, 2015

Independence has two major funds, which are the general fund and the Innovative Housing Fund. Governmental funds are reconciled back to the fund balance displayed in the governmental activities in Exhibit F.

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

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

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

Financial Analysis of the Government's Funds

The general government operations of the Town are accounted for in the General Fund and Special Revenue Funds. The focus of these funds, as noted earlier, is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. A summary of general governmental operations of 2015 by fund type is as follows:

	General Fund	Innovative Housing	Non-Major Funds	2015
Revenues and Transfers In	\$ 1,559,232	\$ 10,771	\$ 34,810	\$ 1,604,813
Expenditures and Transfers Out	<u>1,438,498</u>	<u>38,210</u>	<u>7,350</u>	<u>1,484,058</u>
Excess (Deficiency) of				
Revenues over Expenditures	120,734	(27,439)	27,460	120,755
Fund Balance - Beginning	<u>150,255</u>	<u>770,673</u>	<u>17,621</u>	<u>938,549</u>
Fund Balance - Ending	<u>\$ 270,989</u>	<u>\$ 743,234</u>	<u>\$ 45,081</u>	<u>\$ 1,059,304</u>

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 \$270,989 compared to the fund balance of \$150,255 in 2014.

The Town's other major fund, the Innovative Housing Fund, decreased by \$27,439 during 2015, which was the result of transfers to the general fund.

Town of Independence, Louisiana
Management's Discussion and Analysis (Continued)
For the Year Ended June 30, 2015

Revenues of the primary government for the general governmental fund types for 2015 totaled \$1,420,723; the increase was accredited to an increase in sales tax from the presence of a large retailer that opened during the year. The Town's activities are largely supported by tax revenues, solid waste fees, and licenses and permits, which represent 73.97% of the total governmental resources. Sources of governmental revenues, excluding other financial sources, are summarized below.

Source of Revenue	2015		2014	
Taxes	\$ 818,132	57.59%	\$ 744,990	55.46%
Solid Waste	118,018	8.31%	124,736	9.29%
License and Permits	114,590	8.07%	112,797	8.40%
Fines and Forfeitures	91,005	6.41%	97,199	7.24%
Intergovernmental	40,643	2.86%	59,914	4.46%
Rental	106,781	7.52%	79,293	5.90%
Other	131,554	9.26%	124,441	9.26%
Total	<u>\$ 1,420,723</u>	<u>100.00%</u>	<u>\$ 1,343,370</u>	<u>100.00%</u>

Expenditures of the primary government for governmental fund types increased in 2015 by \$109,641 or 8.18%. The change is attributable to an increase in streets and parks expenditures and capital outlay spending for two police vehicles, as well as in / decrease in operating expenses. General governmental expenditures by functions are summarized as follows:

Function	2015		2014	
General Government	\$ 376,091	25.94%	\$ 366,619	27.35%
Public Safety	582,040	40.14%	635,654	47.43%
Public Works	157,266	10.85%	136,923	10.22%
Solid Waste	89,182	6.15%	91,924	6.86%
Health and Recreation	4,618	0.32%	10,473	0.78%
Debt Service	53,173	3.67%	23,521	1.75%
Capital Outlay	187,598	12.94%	75,213	5.61%
Total	<u>\$ 1,449,968</u>	<u>100.00%</u>	<u>\$ 1,340,327</u>	<u>100.00%</u>

Budgetary Highlights

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

Many of the expenditure categories incurred expenditures that exceeded budgeted amounts. General Governmental expenditures exceeded the budgeted amount by \$141,709. Capital Outlay expenses exceeded budgeted amounts by \$39,517. Tax revenue was over budget due to the collection of additional sales taxes.

Town of Independence, Louisiana
Management's Discussion and Analysis (Continued)
For the Year Ended June 30, 2015

Capital Asset and Debt Administration

Capital Assets

The Town's investment in capital assets for its governmental and business type activities as of June 30, 2015 amounts to \$11,861,809 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery and equipment, park facilities, roads, and water and sewer infrastructure and current construction in process. A summary of capital assets at year-end includes the following:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	2015	2014	2015	2014
Land	\$ 87,650	\$ 82,250	\$ 69,808	\$ 69,808
Construction in Progress	504,083	341,474	6,281,494	281,745
Buildings and Equipment	1,666,408	1,863,588	505,191	489,192
Infrastructure	2,696,451	2,696,451	-	-
Utility Systems	-	-	6,541,765	6,250,753
Accumulated Depreciation	<u>(3,155,897)</u>	<u>(3,236,472)</u>	<u>(3,335,144)</u>	<u>(3,135,499)</u>
Net Capital Assets	<u>\$ 1,798,695</u>	<u>\$ 1,747,291</u>	<u>\$ 10,063,114</u>	<u>\$ 3,955,999</u>

The increase primarily relates to construction in progress for the Town's water and sewer system upgrade, which includes a new water tower, installation of the new water lines and meters as well as sewer line improvements. The Town is currently in the process of building a new police station, which also attributes to the increase in capital assets. Additional information on the Town's capital assets can be found in footnotes of this report.

Long-Term Debt

At the end of the current fiscal year, the Town had total bonded debt outstanding of \$6,193,937. Of this amount, \$370,000 comprises debt backed by a pledge of the excess revenues of the General Fund and other governmental funds and \$5,823,937 payable from a pledge of the Town's sewer and water revenues.

During the year, new long-term debt totaling \$5,084,000 was issued by the Town's sewer and water systems. The increase primarily relates to construction in progress for the Town's water and sewer system upgrade, which were financed through bond issuances.

Economic Factors and Next Year's Budget

The following factors were considered in preparing the Town's budget for the 2016 fiscal year:

As noted in the government activities section above, sales taxes were the Town's largest revenue source. For fiscal year ending June 30, 2016, budgeted sales taxes are the same as the June 30, 2015 fiscal year.

At the present time, local governments are experiencing continuing increases in the cost of their share of employee retirement. Nationwide, most public employee retirement systems share this problem. Although municipal retirement and police retirement rates are not expected to increase during the next fiscal year, the rates continue to be at very high levels. Additionally, the town will consider the impact of the bond issuances and their repayment schedule with respect to future budgets.

Town of Independence, Louisiana
Management's Discussion and Analysis (Continued)
For the Year Ended June 30, 2015

Requests for Information

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

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

Town of Independence, Louisiana
Statement of Net Position
June 30, 2015

Exhibit A

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash & Cash Equivalents	\$ 625,057	\$ 371,634	\$ 996,691
Investments	56,094	-	56,094
Receivables, Net	26,799	47,395	74,194
Due From Other Governments	108,872	600,111	708,983
Internal Balances	(61,936)	61,936	-
Restricted Cash and Cash Equivalents	96,990	279,181	376,171
Notes Receivable, Net	354,567	-	354,567
Capital Assets, Net	1,798,695	10,063,114	11,861,809
Total Assets	\$ 3,005,138	\$ 11,423,371	\$ 14,428,509
Deferred Outflows of Resources			
Changes in Proportion and Differences Between Town			
Contributions & Proportionate Share of Contributions	\$ 12,623	\$ -	\$ 12,623
Town Contributions Subsequent to the Measurement Date	13,400	-	13,400
Total Deferred Outflows of Resources	\$ 26,023	\$ -	\$ 26,023
Liabilities			
Accounts Payable	\$ 100,266	\$ 36,634	\$ 136,900
Accrued Liabilities	18,352	9,596	27,948
Compensated Absences Payable	3,103	-	3,103
Construction Contracts & Retainages Payable	-	670,017	670,017
Accrued Interest Payable	24,499	20,994	45,493
Non-Current Liabilities:			
Due Within One Year	28,000	9,734	37,734
Due in More Than One Year	342,000	5,788,207	6,130,207
Payable from Restricted Assets:			
Utility Meter Deposits	-	60,005	60,005
Accrued Interest Payable	-	12,493	12,493
Current Portion Long-Term Debt		25,996	25,996
Net Pension Liability	158,923	-	158,923
Total Liabilities	\$ 675,143	\$ 6,633,676	\$ 7,308,819
Deferred Inflows of Resources			
Unearned Revenue	\$ 4,022	\$ -	\$ 4,022
Differences Between Expected and Actual Experience	4,634	-	4,634
Net Difference Between Projected and Actual			
Earnings on Pension Plan Investments	28,948	-	28,948
Changes of Assumptions	29	-	29
Changes in Proportion and Differences Between Town			
Contributions & Proportionate Share of Contributions	52,853	-	52,853
Total Deferred Inflows of Resources	\$ 90,486	\$ -	\$ 90,486
Net Position			
Net Investment in Capital Assets	\$ 1,428,695	\$ 4,265,173	\$ 5,693,868
Restricted for:			
Economic Development	495,700	-	495,700
Debt Service	72,491	91,396	163,887
Unrestricted	268,646	433,126	701,772
Total Net Position	\$ 2,265,532	\$ 4,789,695	\$ 7,055,227

The accompanying notes are an integral part of these financial statements.

Town of Independence, Louisiana
Statement of Activities
For the Year Ended June 30, 2015

Exhibit B

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenues & Change in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General Government	\$ 416,878	\$ -	\$ 31,324	\$ -	\$ (385,554)	\$ -	\$ (385,554)
Public Safety	597,364	148,666	-	-	(448,698)	-	(448,698)
Public Works	224,678	-	-	-	(224,678)	-	(224,678)
Solid Waste	89,182	118,018	-	-	28,836	-	28,836
Health and Recreation	4,618	-	-	-	(4,618)	-	(4,618)
Debt Service Interest	10,565	-	-	-	(10,565)	-	(10,565)
Total Governmental Activities	1,343,285	266,684	31,324	-	(1,045,277)	-	(1,045,277)
Business-Type Activities:							
Sewer	444,487	269,734	-	725,195	-	550,442	550,442
Water	389,361	342,867	-	689,077	-	642,583	642,583
Total Business-Type Activities	833,848	612,601	-	1,414,272	-	1,193,025	1,193,025
Total	\$ 2,177,133	\$ 879,285	\$ 31,324	\$ 1,414,272	(1,045,277)	1,193,025	147,748
General Revenues:							
Sales & Property Taxes					740,141	152,357	892,498
Licenses and Permits					114,590	-	114,590
Utility Franchise Fees					77,991	-	77,991
Intergovernmental					9,319	-	9,319
Rental Income					86,016	-	86,016
Miscellaneous					73,893	19,905	93,798
Gain / (Loss) on Disposition of Assets					(4,028)	-	(4,028)
Pension Contributions from Non-Employer Contributing Entities					4,003	-	4,003
Total General Revenues					1,101,925	172,262	1,274,187
Change in Net Position					56,648	1,365,287	1,421,935
Net Position - Beginning of the Year, Originally Stated					2,456,853	3,424,408	5,881,261
Prior Period Adjustment					(247,969)	-	(247,969)
Net Position - Beginning of the Year, Restated					2,208,884	3,424,408	5,633,292
Net Position - End of the Year					\$ 2,265,532	\$ 4,789,695	\$ 7,055,227

The accompanying notes are an integral part of these financial statements.

**Basic Financial Statements –
Fund Financial Statements**

Town of Independence, Louisiana
Balance Sheet – Governmental Funds
 June 30, 2015

Exhibit C

	<u>General Fund</u>	<u>Special Revenue Fund Innovative Housing Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Cash and Cash Equivalents	\$ 336,434	\$ 236,521	\$ 52,102	\$ 625,057
Investments	-	56,094	-	56,094
Receivables, Net	26,799	-	-	26,799
Due From Other Governments	108,872	-	-	108,872
Restricted Cash	96,990	-	-	96,990
Notes Receivable, Net	-	354,567	-	354,567
Due from Other Funds	40,026	96,052	2,851	138,929
Total Assets	<u>\$ 609,121</u>	<u>\$ 743,234</u>	<u>\$ 54,953</u>	<u>\$ 1,407,308</u>
 Liabilities, Deferred Inflows of Resources, and Fund Balances				
Liabilities:				
Accounts Payable	\$ 100,266	\$ -	\$ -	\$ 100,266
Accrued Liabilities	18,352	-	-	18,352
Due to Other Funds	195,015	-	5,850	200,865
Accrued Interest Payable	24,499	-	-	24,499
Total Liabilities	<u>338,132</u>	<u>-</u>	<u>5,850</u>	<u>343,982</u>
 Deferred Inflows of Resources:				
Unearned Revenue	-	-	4,022	4,022
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>4,022</u>	<u>4,022</u>
 Fund Balances:				
Nonspendable	-	450,619	-	450,619
Restricted for:				
Housing Rehabilitation		292,615		292,615
Economic Development			45,081	45,081
Debt Service	72,491		-	72,491
Unassigned	198,498	-	-	198,498
Total Fund Balances	<u>270,989</u>	<u>743,234</u>	<u>45,081</u>	<u>1,059,304</u>
 Total Liabilities, Deferred Inflows of Resources, and Fund Balances	 <u>\$ 609,121</u>	 <u>\$ 743,234</u>	 <u>\$ 54,953</u>	 <u>\$ 1,407,308</u>

The accompanying notes are an integral part of these financial statements.

Town of Independence, Louisiana
 Reconciliation of the Governmental Funds Balance Sheet to the
 Statement of Net Position
 For the Year Ended June 30, 2015

Exhibit D

Fund Balances - Total Governmental Funds (Exhibit C) \$ 1,059,304

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

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

Governmental Capital Assets	4,954,592
Less: Accumulated Depreciation	(3,155,897)

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

Governmental Bonds	(370,000)
Compensated Absences Payable	(3,103)

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

Net Pension Liability:

Municipal Employees Retirement System of Louisiana	(52,551)
Municipal Police Employees Retirement System of Louisiana	(106,372)

Deferred Outflows of Resources:

Changes in Proportion and Differences Between Town Contributions and Proportionate Share of Contributions	12,623
Town Contributions Subsequent to the Measurement Date	13,400

Deferred Inflows of Resources:

Differences Between Expected and Actual Experience	(4,634)
Changes of Assumptions	(29)
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	(28,948)
Changes in Proportion and Differences Between Town Contributions and Proportionate Share of Contributions	(52,853)

Net Position of Governmental Activities (Exhibit A) \$ 2,265,532

The accompanying notes are an integral part of these financial statements.

Town of Independence, Louisiana
Statement of Revenues, Expenditures, and Changes in
Fund Balances – Governmental Funds
For the Year Ended June 30, 2015

Exhibit E

	General Fund	Special Revenue Fund Innovative Housing Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues:				
Taxes:				
Sales Taxes	609,422	\$ -	\$ -	\$ 609,422
Property Taxes	130,719	-	-	130,719
Utility Franchise	77,991	-	-	77,991
Solid Waste Fees	118,018	-	-	118,018
Licenses and Permits	114,590	-	-	114,590
Fines and Forfeitures	91,005	-	-	91,005
Rental Income	72,000	-	34,781	106,781
Charges for Services	57,661	-	-	57,661
Intergovernmental	40,643	-	-	40,643
On-Behalf Payments from State	34,417	-	-	34,417
Other Revenues	27,843	-	-	27,843
Interest Income	833	10,771	29	11,633
Total Revenues	<u>1,375,142</u>	<u>10,771</u>	<u>34,810</u>	<u>1,420,723</u>
Expenditures:				
Current:				
General Government	370,471	4,120	1,500	376,091
Public Safety	582,040	-	-	582,040
Public Works	151,416	-	5,850	157,266
Solid Waste	89,182	-	-	89,182
Health and Recreation	4,618	-	-	4,618
Debt Service	53,173	-	-	53,173
Capital Outlay	187,598	-	-	187,598
Total Expenditures	<u>1,438,498</u>	<u>4,120</u>	<u>7,350</u>	<u>1,449,968</u>
Excess (Deficiency) of Revenues Over Expenditures	(63,356)	6,651	27,460	(29,245)
Other Financing Sources (Uses):				
Transfers In / (Out)	34,090	(34,090)	-	-
Bond Proceeds	150,000	-	-	150,000
Total Other Financing Sources (Uses)	<u>184,090</u>	<u>(34,090)</u>	<u>-</u>	<u>150,000</u>
Change in Fund Balances	120,734	(27,439)	27,460	120,755
Fund Balances:				
Beginning of the Year,				
Originally Stated	167,818	770,673	17,621	956,112
Prior Period Adjustments	(17,563)	-	-	(17,563)
Beginning of the Year, Restated	<u>150,255</u>	<u>770,673</u>	<u>17,621</u>	<u>938,549</u>
End of the Year	<u>\$ 270,989</u>	<u>\$ 743,234</u>	<u>\$ 45,081</u>	<u>\$ 1,059,304</u>

The accompanying notes are an integral part of these financial statements.

Town of Independence, Louisiana
 Reconciliation of the Statement of Revenues, Expenditures, and Changes in
 Fund Balances of the Governmental Funds to the Statement of Activities
 For the Year Ended June 30, 2015

Exhibit F

Net Change in Fund Balances - Total Governmental Funds (Exhibit E) \$ 120,755

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

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

Capital Outlay	187,598
Depreciation Expense	(132,166)

Losses on the disposal of assets reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. (4,028)

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

Change in Accrued Compensated Absences	1,604
--	-------

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)

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

Net Change in Pension Expense	7,039
Contributions from Non-Employer Contributing Entities	4,003

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

Issuance of Long-Term Debt	(150,000)
Payment of Long-Term Debt	36,038
Decrease in Accrued Interest	6,570
	6,570

Change in Net Position of Governmental Activities (Exhibit B) \$ 56,648

The accompanying notes are an integral part of these financial statements.

Town of Independence, Louisiana
Statements of Net Position – Proprietary Funds
June 30, 2015 and 2014

Exhibit G

	Business-Type Activities - Enterprise Funds		Total (Memorandum Only)	
	Sewer	Water	2015	2014
Assets				
Current Assets:				
Cash and Cash Equivalents	\$ 226,725	\$ 144,909	\$ 371,634	\$ 419,319
Customer Accounts Receivable, Net	18,450	28,945	47,395	45,379
Due from Other Governments	410,034	190,077	600,111	54,623
Due from Other Funds	194,370	-	194,370	69,374
Total Current Assets	\$ 849,579	\$ 363,931	\$ 1,213,510	\$ 588,695
Non-Current Assets:				
Restricted Cash:				
Customer Deposits	\$ -	\$ 60,005	\$ 60,005	65,682
Construction	-	89,291	89,291	388,841
Debt Service	129,885	-	129,885	139,146
Total Non-Current Assets	129,885	149,296	279,181	593,669
Capital Assets:				
Property, Plant, and Equipment, at Cost	\$ 4,664,371	\$ 2,382,585	\$ 7,046,956	\$ 6,739,945
Less: Accumulated Depreciation	(2,088,760)	(1,246,384)	(3,335,144)	(3,135,500)
Land	40,708	29,100	69,808	69,808
Construction in Progress	3,373,301	2,908,193	6,281,494	281,746
Total Capital Assets	5,989,620	4,073,494	10,063,114	3,955,999
Total Assets	\$ 6,969,084	\$ 4,586,721	\$ 11,555,805	\$ 5,138,363

(Continued)

Town of Independence, Louisiana
Statements of Net Position – Proprietary Funds (Continued)
June 30, 2015 and 2014

Exhibit G

	Business-Type Activities - Enterprise Funds		Total (Memorandum Only)	
	Sewer	Water	2015	2014
Liabilities				
Current Liabilities (Payable from Current Assets):				
Accounts Payable	\$ 17,452	\$ 19,182	\$ 36,634	\$ 65,393
Accrued Liabilities	4,589	5,007	9,596	9,100
Due to Other Funds	-	132,434	132,434	120,635
Construction Contracts & Retainage Payable	384,495	285,522	670,017	30,037
Accrued Interest Payable	-	20,994	20,994	-
Current Portion of Long-Term Debt	-	9,734	9,734	-
Total Current Liabilities (Payable from Current Assets)	\$ 406,536	\$ 472,873	\$ 879,409	\$ 225,165
Current Liabilities (Payable from Restricted Assets):				
Utility Customer Deposits	\$ -	\$ 60,005	\$ 60,005	\$ 65,682
Accrued Interest Payable	12,493	-	12,493	-
Current Portion of Long-Term Debt	25,996	-	25,996	28,416
Total Current Liabilities (Payable from Restricted Assets)	38,489	60,005	98,494	94,098
Non-Current Liabilities:				
Revenue Bonds	3,345,941	2,442,266	5,788,207	1,358,308
Total Non-Current Liabilities	3,345,941	2,442,266	5,788,207	1,358,308
Total Liabilities	\$ 3,790,966	\$ 2,975,144	\$ 6,766,110	\$ 1,677,571
Deferred Inflows of Resources				
Unearned Revenues	\$ -	\$ -	\$ -	\$ 36,386
Total Deferred Inflows of Resources	\$ -	\$ -	\$ -	\$ 36,386
Net Position				
Net Investment in Capital Assets	\$ 2,643,679	\$ 1,621,494	\$ 4,265,173	\$ 2,597,691
Restricted for Debt Service	91,396	-	91,396	110,730
Unrestricted	443,043	(9,917)	433,126	715,985
Total Net Position	\$ 3,178,118	\$ 1,611,577	\$ 4,789,695	\$ 3,424,406

The accompanying notes are an integral part of these financial statements.

Town of Independence, Louisiana
Statements of Revenues, Expenses, and Changes in Net Position –
Proprietary Funds
For the Years Ended June 30, 2015 and 2014

Exhibit H

	Business-Type Activities -		Total	
	Enterprise Funds		(Memorandum Only)	
	Sewer	Water	2015	2014
Operating Revenues:				
Charges for Services	\$ 269,734	\$ 342,867	\$ 612,601	\$ 536,416
Other Revenue	598	17,909	18,507	9,519
Total Operating Revenues	<u>270,332</u>	<u>360,776</u>	<u>631,108</u>	<u>545,935</u>
Operating Expenses:				
Depreciation and Amortization	135,266	64,379	199,645	197,966
Salaries and Employee Benefits	94,299	118,702	213,001	198,804
Repairs and Maintenance	40,565	36,494	77,059	104,941
Utilities and Telephone	59,099	29,219	88,318	83,046
Supplies	24,874	17,991	42,865	19,499
Professional Fees	23,447	79,358	102,805	87,206
Environmental Testing	7,007	-	7,007	19,543
Insurance	13,862	15,640	29,502	30,986
General and Administrative	6,628	17,397	24,025	7,985
Vehicle Expense	4,450	5,951	10,401	9,337
Miscellaneous	3,746	4,230	7,976	4,125
Total Operating Expenses	<u>413,243</u>	<u>389,361</u>	<u>802,604</u>	<u>763,438</u>
Operating Income / (Loss)	(142,911)	(28,585)	(171,496)	(217,503)
Non-Operating Revenues /				
(Expenses):				
Investment Income	963	435	1,398	1,724
Grant Revenue	725,195	689,077	1,414,272	40,140
Sales and Use Tax	152,357	-	152,357	132,927
Interest Expense	(31,244)	-	(31,244)	(34,159)
Total Non-Operating				
Revenues / (Expenses)	<u>847,271</u>	<u>689,512</u>	<u>1,536,783</u>	<u>140,632</u>
Change in Net Position	704,360	660,927	1,365,287	(76,871)
Net Position - Beginning of the Year	<u>2,473,758</u>	<u>950,650</u>	<u>3,424,408</u>	<u>3,501,277</u>
Net Position - End of the Year	<u>\$ 3,178,118</u>	<u>\$ 1,611,577</u>	<u>\$ 4,789,695</u>	<u>\$ 3,424,406</u>

The accompanying notes are an integral part of these financial statements.

Town of Independence, Louisiana
Statements of Cash Flows – Proprietary Funds
For the Years Ended June 30, 2015 and 2014

Exhibit I

	Business-Type Activities -		Total	
	Enterprise Funds		(Memorandum Only)	
	Sewer	Water	2015	2014
Cash Flows from Operating Activities:				
Receipts from Customers and Users	\$ 256,115	\$ 330,915	\$ 587,030	\$ 521,305
Payments to Suppliers	(194,766)	(223,951)	(418,717)	(333,599)
Payments to Employees	(92,161)	(120,344)	(212,505)	(198,804)
Net Cash Provided by / (Used in) Operating Activities	(30,812)	(13,380)	(44,192)	(11,098)
Cash Flows From Noncapital Financing Activities:				
Operating Grants	-	-	-	10,103
Increase / (Decrease) in Amounts Due to Other Funds, Net	(141,231)	28,034	(113,197)	35,996
Net Cash Provided by / (Used in) Noncapital Financing Activities	(141,231)	28,034	(113,197)	46,099
Cash Flows From Capital and Related Financing Activities:				
Capital Grants	370,737	499,000	869,737	30,037
Proceeds from Sales Tax Collections	151,404	-	151,404	132,927
Proceeds from Long-Term Debt	2,632,000	1,835,500	4,467,500	616,500
Interest Paid on Debt	(18,751)	-	(18,751)	(34,009)
Principal Paid on Debt	(30,287)	-	(30,287)	(33,658)
Purchases of Capital Assets	(3,022,043)	(2,623,742)	(5,645,785)	(320,855)
Net Cash Provided by / (Used in) Capital and Related Financing Activities	83,060	(289,242)	(206,182)	390,942
Cash Flows From Investing Activities:				
Interest Earned on Investments	963	435	1,398	1,724
Net Cash Provided by / (Used in) Investing Activities	963	435	1,398	1,724
Net Increase / (Decrease) in Cash	(88,020)	(274,153)	(362,173)	427,667
Cash and Cash Equivalents - Beginning of the Year	444,630	568,358	1,012,988	585,321
Cash and Cash Equivalents - End of the Year	\$ 356,610	\$ 294,205	\$ 650,815	\$ 1,012,988
Reconciliation of Cash Accounts:				
Unrestricted Cash and Cash Equivalents	\$ 226,725	\$ 144,909	\$ 371,634	\$ 418,324
Restricted Cash and Cash Equivalents	129,885	149,296	279,181	594,664
Cash and Cash Equivalents - End of the Year	\$ 356,610	\$ 294,205	\$ 650,815	\$ 1,012,988

Town of Independence, Louisiana
Statements of Cash Flows – Proprietary Funds (Continued)
For the Years Ended June 30, 2015 and 2014

Exhibit I

	Business-Type Activities - Enterprise Funds		Total (Memorandum Only)	
	Sewer	Water	2015	2014
Reconciliation of Operating Income / (Loss) to Net Cash Provided by / (Used in) Operating Activities:				
Operating Income / (Loss)	\$ (142,911)	\$ (28,585)	\$ (171,496)	\$ (217,653)
Adjustments to Reconcile Operating Loss to Net Cash Provided by (Used in) / Operating Activities:				
Depreciation and Amortization	135,266	64,379	199,645	197,966
Changes in Assets and Liabilities:				
(Increase) / Decrease in Accounts Receivable	4,207	(6,222)	(2,015)	(22,792)
Increase / (Decrease) in Accounts Payable	(11,088)	(17,671)	(28,759)	31,381
Increase / (Decrease) in Accrued Liabilities	2,138	(1,642)	496	-
Increase / (Decrease) in Deferred Revenue	(18,424)	(17,962)	(36,386)	
Increase / (Decrease) in Meter Deposits	-	(5,677)	(5,677)	-
Net Cash Provided By / (Used In) Operating Activities	\$ (30,812)	\$ (13,380)	\$ (44,192)	\$ (11,098)
Supplemental Disclosure of Cash Flow Information:				
Interest Paid	\$ 18,751	\$ -	\$ 18,751	\$ 34,009

The accompanying notes are an integral part of these financial statements.

Notes to the Financial Statements

Town of Independence, Louisiana

Notes to Financial Statements
For the Year Ended June 30, 2015

Narrative Profile

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

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

The Town follows GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Certain significant components in the Statement include a management discussion and analysis (MD&A) section providing an analysis of the Town's overall financial position and results of operations; financial statements prepared using accrual basis accounting for all of the Town's activities, including infrastructure (roads, bridges, etc.); and fund financial statements to focus on the major funds of the Town.

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity

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

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

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

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

Town of Independence, Louisiana
Notes to Financial Statements (Continued)
For the Year Ended June 30, 2015

B. Basic Financial Statements – Government-Wide Financial Statements

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

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

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

The Town does not allocate indirect costs.

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

C. Basic Financial Statements - Fund Financial Statements

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

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

Town of Independence, Louisiana
Notes to Financial Statements (Continued)
For the Year Ended June 30, 2015

Major Funds are determined by the following criteria:

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

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

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

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

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

Capital Projects Fund – accounts for all financial resources used for the acquisition or construction of major capital facilities. The 2010 Revenue Bond Capital Projects Fund is considered to be a non-major fund.

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

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

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

Town of Independence, Louisiana
Notes to Financial Statements (Continued)
For the Year Ended June 30, 2015

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

D. Basis of Accounting

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

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

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

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

E. Budgets and Budgetary Accounting

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

Town of Independence, Louisiana
Notes to Financial Statements (Continued)
For the Year Ended June 30, 2015

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

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

F. Cash, Cash Equivalents, and Investments

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

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

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

Town of Independence, Louisiana
Notes to Financial Statements (Continued)
For the Year Ended June 30, 2015

G. Receivables

In government-wide statements, receivables consist of all revenues earned at year-end and not yet received. For governmental activities, uncollectible amounts due for receivables are recognized as bad debts and directly charged off at the time information becomes available which indicates the receivable is not collectible. In governmental fund types, the uncollectible amount is charged to the revenue reported. In business-type activities, uncollectible amounts due from utility billing receivables are recognized as bad debts through the use of an allowance account or are directly charged off at the time information becomes available that a receivable is not collectible. Allowances for uncollectible accounts receivable are based on historical trends and the periodic aging of accounts receivable. An allowance for doubtful accounts of \$37,615 was recorded in the governmental funds and \$41,065 was recorded in the proprietary funds at June 30, 2015.

H. Short-Term Interfund Receivables / Payables

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

I. Capital Assets

Capital outlays are recorded as expenditures of the governmental funds and as assets in the government-wide financial statements to the extent the Town's capitalization threshold of \$1,000 is met. In accordance with GASB Statement No. 34, infrastructure has been capitalized retroactively to 1980. Although an exception exists for local governments with annual revenues of less than \$10 million, the Town has elected to report its infrastructure retroactively. Interest incurred during construction is capitalized on a government-wide basis. Interest attributable to capitalized assets as of June 30, 2015, totaled \$53,959.

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

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

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

Town of Independence, Louisiana
Notes to Financial Statements (Continued)
For the Year Ended June 30, 2015

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

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

J. Long-Term Obligations

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

K. Compensated Absences

The Town's policy is to allow employees' vacation pay based on employee classification and length of service. Vacation pay is non-cumulative with any unpaid amounts paid to employees upon separation from Town's service. In governmental funds, the cost of vacation pay is recognized when payments are made to employees. No liability has been recorded in the Water and Sewer Enterprise Fund for unused vacation pay at June 30, 2015, as the amount is not material. Accrued compensated absences of \$3,103 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 up to a maximum of 360 days. Sick pay benefits have not been accrued, as the employee's right to sick pay benefits, although cumulative, do not vest.

L. Pension Plans

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

M. Net Position

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

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

Town of Independence, Louisiana
Notes to Financial Statements (Continued)
For the Year Ended June 30, 2015

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

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

N. Fund Balance

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

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

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

O. Interfund Transactions

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

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

Sales and use taxes of two and one-half percent are levied on taxable sales within the Town. The sales tax is collected by the Tangipahoa Parish School Board, Sales Tax Division, and remitted to the Town in the month following receipt by the School Board. The School Board receives the sales tax approximately one month after collection by vendors. Sales taxes uncollected by Tangipahoa Parish in June and July (which represent sales for May and June) and received by the Town in July and August have been accrued as of June 30, 2015.

Town of Independence, Louisiana
Notes to Financial Statements (Continued)
For the Year Ended June 30, 2015

- 1966 1% Sales and Use Tax

The proceeds of the 1966 1% sales and use tax levied by the Town (current collections were \$304,711 for the year ended June 30, 2015) were dedicated for the payment of the 1967 Public Improvement Bonds. As of April 1, 1992, these March 14, 1967 Public Improvement Bonds were paid in full and the sales tax is no longer dedicated for payment of these bonds and are now used for general government expenditures. Accordingly, the entire fund balance was transferred to the General Fund in a prior year. On January 11, 2010, the Town issued \$300,000.00 of Taxable Revenue Bonds, Series 2010 to fund improvements to a building owned by the Town and leased to a commercial business. These bonds are secured by a pledge and dedication of the excess of annual revenues of the Town including the proceeds of the 1966 1% sales and use tax.

- 1982 1% Sales and Use Tax

The proceeds of the 1982 1% sales and use tax levied by the Town (current collections were \$304,711 for the year ended June 30, 2015) were originally dedicated for the following purpose: constructing, acquiring, extending, improving, operating and / or maintaining sewers and sewerage disposal works for the Town, constructing, paving, widening, and improving streets in the Town and for construction, acquiring, extending, improving, operating and / or maintaining waterworks facilities.

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

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

The proceeds of the 1980 ½ % sales and use tax levied by the Town (current collections were \$152,355 for the year ended June 30, 2015) were dedicated for the payment of the \$290,000 Public Improvement Bonds. This tax expired January 3, 2005, but collection of the tax continued beyond the date of expiration. On March 31, 2007, a special election was held and the voters approved a proposition to continue to levy this tax. As of March 9, 2005, these \$290,000 Public Improvement Bonds were paid in full and the sales tax is no longer dedicated for payment of these bonds. On July 9, 2013, the Town issued \$2,632,000.00 of Sewer Revenue Bonds, Series 2014 to fund improvements to the Town's sewer system. These bonds are secured by a pledge and dedication of the excess of annual revenues of the Town including the proceeds of the 1980 1/2% sales and use tax.

Q. Estimates

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

Town of Independence, Louisiana
Notes to Financial Statements (Continued)
For the Year Ended June 30, 2015

2. Stewardship, Compliance, and Accountability

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund and all special revenue funds. The Town was not in compliance with the Louisiana Local Government Budget Act as the required public hearing was not held more than 10 days after the publication of the budget and due to the budget adoption taking place after the start of the fiscal year. In addition, total expenditures for the general fund exceeded the amounts budgeted by greater than 5% as allowed by Louisiana law.

B. Deposits, Investment Laws, and Regulations

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

C. Deficit Fund Equity

As of June 30, 2015, no funds had deficit fund equities.

D. Compliance with Bond Covenants

As of June 30, 2015, the Town was not in compliance with various compliance requirements of the outstanding Revenue Bonds and Limited Tax Bonds. See Note 10 for a further discussion of the outstanding bond compliance requirements.

3. Cash, Cash Equivalents, and Investments

At June 30, 2015, the Town had cash and cash equivalents (book balances) totaling \$1,372,862 and investments totaling \$56,094. These deposits are stated at cost, which approximates market.

	Statement of Net Position
Cash and Cash Equivalents	\$ 996,691
Restricted Cash and Cash Equivalents	376,171
Total Interest-Bearing Deposits	\$ 1,372,862

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk. As of June 30, 2015, \$1,193,492 of the Town's cash and investment balance of \$1,372,862 was exposed to custodial credit risk. However, these deposits are secured from risk by the pledge of securities owned by the fiscal agent bank. These securities are being held in the name of the pledging fiscal agent bank in a custodial bank that is mutually acceptable to the Town and the fiscal agent bank.

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

Town of Independence, Louisiana
Notes to Financial Statements (Continued)
For the Year Ended June 30, 2015

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

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

4. Restricted Cash

Restricted cash is related to utility customer deposits and reserve amounts required in debt service agreements. Restricted cash at June 30, 2015 was as follows:

	Governmental Activities	Business- Type Activities	Total
Construction	\$ -	\$ 89,291	\$ 89,291
Debt Service	96,990	129,885	226,875
Customer Meter Deposits	-	60,005	60,005
Total	<u>\$ 96,990</u>	<u>\$ 279,181</u>	<u>\$ 376,171</u>

5. Receivables

As of June 30, 2015, the accounts receivable and due from other governments for governmental activities were as follows:

	General Fund	Special Revenue Funds	Total Governmental Funds
Receivables:			
User Fees	\$ 24,997	\$ -	\$ 24,997
Franchise Fees	18,084	-	18,084
Ad Valorem Taxes	7,000	-	7,000
Other Receivables	14,333	-	14,333
Less: Uncollectible Allowance	(37,615)	-	(37,615)
Total Governmental Fund Receivables, Net	<u>\$ 26,799</u>	<u>\$ -</u>	<u>\$ 26,799</u>
Due From Other Governments:			
Sales and Use Tax	\$ 102,157	\$ -	\$ 102,157
Grants	6,715	-	6,715
Less: Uncollectible Allowance	-	-	-
Total Due From Other Governments	<u>\$ 108,872</u>	<u>\$ -</u>	<u>\$ 108,872</u>

Town of Independence, Louisiana
Notes to Financial Statements (Continued)
For the Year Ended June 30, 2015

As of June 30, 2015, the accounts receivable and due from other governments for business-type activities were as follows:

	<u>Sewer</u>	<u>Water</u>	<u>Total Proprietary Funds</u>
Accounts Receivable:			
Utility Charges	\$ 35,932	\$ 51,898	\$ 87,830
Other	5	625	630
Less: Uncollectible Allowance	<u>(17,487)</u>	<u>(23,578)</u>	<u>(41,065)</u>
Total Proprietary Fund Receivables, Net	<u>\$ 18,450</u>	<u>\$ 28,945</u>	<u>\$ 47,395</u>
Due From Other Governments:			
Sales and Use Tax	\$ 25,539	\$ -	\$ 25,539
Grants	384,495	190,077	574,572
Less: Uncollectible Allowance	<u>-</u>	<u>-</u>	<u>-</u>
Total Due From Other Governments	<u>\$ 410,034</u>	<u>\$ 190,077</u>	<u>\$ 600,111</u>

6. Concentration of Credit Risk – Proprietary Funds

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

7. Notes Receivable – Innovative Housing Grant Program

The Town, through a grant program, received mortgage notes from individuals for residential and small business projects. These notes (14 outstanding as of June 30, 2015) are payable to the Town over a long-term payment schedule. The notes ranges in maturity, with interest between 1 and 3 percent and are secured by the improved real estate. As of June 30, 2015, the total outstanding balance of the notes was \$365,973 with an allowance for uncollectible amounts of \$11,406.

Town of Independence, Louisiana
Notes to Financial Statements (Continued)
For the Year Ended June 30, 2015

8. Capital Assets

The following is a summary of changes in capital assets for the governmental activities for the year ended June 30, 2015:

	Balance June 30, 2014	Increases	Decreases	Balance June 30, 2015
Capital Assets Not Being Depreciated:				
Land	\$ 82,250	\$ 5,400	\$ -	\$ 87,650
Construction in Progress	341,474	162,609	-	504,083
Total Capital Assets Not Being Depreciated	423,724	168,009	-	591,733
Capital Assets:				
Building	1,113,098	-	(2,255)	1,110,843
Vehicles and Equipment	750,490	19,589	(214,514)	555,565
Infrastructure	2,696,451	-	-	2,696,451
Total Capital Assets	4,560,039	19,589	(216,769)	4,362,859
Less: Accumulated Depreciation:				
Building	339,465	31,753	(2,255)	368,963
Vehicles and Equipment	581,242	33,001	(210,486)	403,757
Infrastructure	2,315,765	67,412	-	2,383,177
Total Accumulated Depreciation	3,236,472	132,166	(212,741)	3,155,897
Total Governmental Capital Assets, Net	<u>\$ 1,747,291</u>	<u>\$ 55,432</u>	<u>\$ (4,028)</u>	<u>\$ 1,798,695</u>

Depreciation expense was charged to governmental functions as follows:

Governmental Activities:

General Government	\$ 31,753
Public Safety	33,001
Public Works	67,412
Total	<u>\$ 132,166</u>

Town of Independence, Louisiana
Notes to Financial Statements (Continued)
For the Year Ended June 30, 2015

The following is a summary of changes in capital assets for business-type activities for the year ended June 30, 2015:

	Balance June 30, 2014	Increases	Decreases	Balance June 30, 2015
Capital Assets Not Being Depreciated:				
Land	\$ 69,808	\$ -	\$ -	\$ 69,808
Construction in Progress	<u>281,745</u>	<u>6,281,494</u>	<u>(281,745)</u>	<u>6,281,494</u>
Total Capital Assets Not Being Depreciated	351,553	6,281,494	(281,745)	6,351,302
Capital Assets:				
Vehicles and Equipment	489,191	16,000	-	505,191
Water & Sewer Lines	2,527,789	-	-	2,527,789
Water Storage Tanks	145,520	-	-	145,520
Water Wells	141,687	291,011	-	432,698
Sewer Treatment Plan	2,644,971	-	-	2,644,971
Sewer Pumps and Lift Stations	<u>790,787</u>	<u>-</u>	<u>-</u>	<u>790,787</u>
Total Capital Assets	6,739,945	307,011	-	7,046,956
Less: Accumulated Depreciation:				
Vehicles and Equipment	183,034	53,138	-	236,172
Water & Sewer Lines	969,311	56,827	-	1,026,138
Water Storage Tanks	94,624	3,821	-	98,445
Water Wells	138,942	3,715	-	142,657
Sewer Treatment Plan	1,079,174	66,124	-	1,145,298
Sewer Pumps and Lift Stations	<u>670,414</u>	<u>16,020</u>	<u>-</u>	<u>686,434</u>
Total Accumulated Depreciation	<u>3,135,499</u>	<u>199,645</u>	<u>-</u>	<u>3,335,144</u>
Total Business-Type Capital Assets, Net	<u>\$ 3,955,999</u>	<u>\$ 6,388,860</u>	<u>\$ (281,745)</u>	<u>\$ 10,063,114</u>

Town of Independence, Louisiana
Notes to Financial Statements (Continued)
For the Year Ended June 30, 2015

9. Long-Term Debt

The Town's long-term debt is segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities. The following is a summary of long-term liabilities of the Town for the year ended June 30, 2015:

	Total Debt 06/30/14	Increase in Debt	Debt Retired	Total Debt 06/30/15	Due in One Year
Capital Lease	\$ 9,605	\$ -	\$ 9,605	\$ -	\$ -
Note Payable	19,038	-	19,038	-	-
Revenue Bonds	997,619	5,084,000	37,682	6,043,937	52,730
Interim Financing	616,500	-	616,500	-	-
Limited Tax Bonds	-	150,000	-	150,000	11,000
Total	<u>\$ 1,642,762</u>	<u>\$ 5,234,000</u>	<u>\$ 682,825</u>	<u>\$ 6,193,937</u>	<u>\$ 63,730</u>

Governmental Activities:

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

\$ 220,000

\$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.

-

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

150,000

Total Governmental Activities

\$ 370,000

Town of Independence, Louisiana
Notes to Financial Statements (Continued)
For the Year Ended June 30, 2015

Business-Type Activities:

\$975,000 Sewer Revenue Bond dated December 16, 1997; Due in monthly installments of \$4,388 through December 16, 2037; Interest at 4.5%; Payable from a pledge of the Town's revenues of the Sewer System	\$ 739,937
\$1,425,000 Water Revenue Bonds dated January 21, 2015; Due in monthly installments of \$4,974 through January 21, 2055; Interest at 2.75%; Payable from a pledge of the Town's revenues of the Water System.	1,425,000
\$1,150,000 Water Revenue Bonds dated May 21, 2015; Due in monthly installments of \$4,508 through January 21, 2055; Interest at 3.50%; Payable from a pledge of the Town's revenues of the Water System.	1,027,000
\$2,632,000 Sewer Revenue Bonds dated, April 28, 2015; Due in monthly installments of \$9,186 through April 16, 2055; Interest at 2.75%; Payable from a pledge of the Town's revenues of the Water System.	<u>2,632,000</u>
Total Business-Type Activities	<u>\$ 5,823,937</u>

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

Year End	Governmental Activities		Business-Type Activities	
	Revenue & Limited Tax Bonds		Revenue Bonds	
	Principal	Interest	Principal	Interest
06/30/16	\$ 28,000	\$ 14,833	\$ 35,731	\$ 216,493
06/30/17	29,000	13,534	94,205	182,468
06/30/18	30,000	12,440	97,309	179,363
06/30/19	32,000	11,352	100,521	176,151
06/30/20	33,000	10,188	103,845	172,827
2021 - 2025	190,000	28,791	573,272	810,090
2026 - 2030	28,000	1,156	675,599	707,762
2031 - 2035	-	-	797,274	586,087
2036 - 2040	-	-	795,536	449,406
2041 - 2045	-	-	783,459	336,621
2046 - 2050	-	-	906,465	213,615
2051 - 2055	-	-	860,721	71,285
Total	<u>\$ 370,000</u>	<u>\$ 92,294</u>	<u>\$ 5,823,937</u>	<u>\$ 4,102,168</u>

Town of Independence, Louisiana
Notes to Financial Statements (Continued)
For the Year Ended June 30, 2015

10. Bond Compliance Requirements

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

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

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

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

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

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

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

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

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

Town of Independence, Louisiana
Notes to Financial Statements (Continued)
For the Year Ended June 30, 2015

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

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

The Town is in compliance with the bond covenants as the Water Revenue Bond and Interest Sinking Fund, the Water Revenue Bond Reserve Fund or the Waterworks Depreciation and Contingency Fund have been established but the monthly deposits to be made into those funds does not begin until construction is completed and final acceptance by the Town which has not occurred at June 30, 2015.

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

These bonds were approved via a board resolution dated July 9, 2013. These bonds will be payable over a period of time not exceeding forty years and bear an interest rate not exceeding 2 ³/₄% per annum. The Bonds shall be paid solely from the income and revenues derived by the Town from the operation of the water system, after paying reasonable and necessary expenses of operating and maintain the system. The bond resolutions require the revenues earned from operations of system be deposited with the Town’s fiscal agent bank in a “Water System Revenue Fund.” After payment of all reasonable and necessary costs and expenses of maintaining the system, certain monthly payments must be made from the Water System Revenue Fund as follows:

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

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

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

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

Town of Independence, Louisiana
Notes to Financial Statements (Continued)
For the Year Ended June 30, 2015

The Town was in compliance with the bond covenants as the Water Revenue Bond and Interest Sinking Fund, the Water Revenue Bond Reserve Fund, the Waterworks Depreciation and Contingency Fund or the short-lived Assets Fund has been established but the monthly deposits to be made into those funds does not begin until construction is completed and final acceptance by the Town which has not occurred at June 30, 2015.

\$300,000 Revenue Bonds

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

The Town did not make three consecutive interest only payments totaling \$17,563, which could cause these bonds to be considered in default. Additionally, the Town failed to adopt a budget timely as required.

\$150,000 Limited Tax Bonds, Series 2015

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

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

\$975,000 Sewer Revenue Bonds

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

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

Each month, there will be set aside into a fund called the "Sewer Revenue Bond and Interest Sinking Fund" an amount constituting 1/12 of the next maturing installment of principal and interest on the outstanding bonds. The payments will continue monthly until December 2037, unless bonds are

Town of Independence, Louisiana
Notes to Financial Statements (Continued)
For the Year Ended June 30, 2015

called in advance of their maturity dates, in which event it is possible to reduce the required payments into the sinking fund.

There shall also be set aside into a "Sewer Reserve Fund" an amount equal to 5% of the principal and interest payments required during the current fiscal year until such fund reaches an amount of \$60,000. On January 1, 2005, the reserve requirement was reduced to \$52,650. Such amounts may be used only for the payment of maturing bonds and interest coupons for which sufficient funds are not on deposit in the Bond and Interest Redemption Fund and as to which there would otherwise be default.

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

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

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

Balances in the Sewer Revenue Bond and Interest Sinking Fund and Sewer Depreciation and Contingency Fund were in accordance with the bond covenants. However, the Town failed to complete its audit within three months after the end of the year as required by the bond covenants.

11. Employee Pension Plans

A. Municipal Employees' Retirement System of Louisiana

General Information about the Pension Plan

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

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

Town of Independence, Louisiana
Notes to Financial Statements (Continued)
For the Year Ended June 30, 2015

Contributions – Per Act 788 of the 1978 Regular Session of the Louisiana Legislature, contribution rates for employees are established by state law and employer contribution rates are actuarially determined each year by the System’s Board of Trustees. Employees are required to contribute 9.50% of their annual pay. The Town’s contractually required contribution rate for the year ended June 30, 2015, was 19.75% of annual payroll. Contributions to the System from the Town were \$-0- for the year ended June 30, 2015.

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

At June 30, 2015, the Town reported a liability of \$52,551 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town’s proportion of the net pension liability was based on a projection of the Town’s June 30, 2015 contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2014, the Town’s proportion was 0.020476%, which was an increase of 0.006109% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the Town recognized pension expense of \$-0-. At June 30, 2015, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	\$ 2,763
Changes of Assumptions	-	4,876
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	-
Changes in Proportion and Differences Between Town Contributions and Proportionate Share of Contributions	12,623	53
Town Contributions Subsequent to the Measurement Date	-	-
	\$ 12,623	\$ 7,692

\$-0- is reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended:		
June 30, 2016	\$	3,711
June 30, 2017		(1,219)
June 30, 2018		(1,219)
June 30, 2019		-
June 30, 2020		-
Thereafter		-

Town of Independence, Louisiana
Notes to Financial Statements (Continued)
For the Year Ended June 30, 2015

Actuarial Assumptions – The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary Increases	5.75% (3.00% Inflation, 2.75% Merit)
Investment Rate of Return	7.75%, Net of Investment Expense

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

The actuarial assumptions used in the June 30, 2014 valuation were verified by combining data from the System with three other Louisiana statewide pension plans which have similar compositions in order to produce a credible experience. The data collected for this study covered the period July 1, 2006 to June 30, 2010.

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public Equity	50.00%	2.75%
Public Fixed Income	15.00%	0.83%
Alternatives	35.00%	1.92%
Total	100.00%	5.50%
Inflation		2.80%
Expected Arithmetic Nominal Return		8.30%

Discount Rate – The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from participating employers will be made at the actuarially determined rates approved by the Louisiana Public Retirement Systems’ Actuarial Committee (“PRSAC”) taking into consideration the recommendation of the System’s actuary. Based on those assumptions, the System’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension

Town of Independence, Louisiana
Notes to Financial Statements (Continued)
For the Year Ended June 30, 2015

plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Town’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the Town’s proportionate share of the net pension liability calculated using the discount rate of 7.75%, as well as what the Town’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (6.75%) or one percentage-point higher (8.75%) than the current rate:

	1.0% Decrease (6.75%)	Current Discount Rate (7.75%)	1.0% Increase (8.75%)
Town's Proportionate Share of the Net Pension Liability	\$ 73,026	\$ 52,551	\$ 35,083

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

Payables to the Pension Plan – According to a special investigative audit report performed by the Louisiana Legislative Auditor dated August 26, 2015, the Louisiana Legislative Auditor determined that the Town had failed to enroll eligible employees in the System. For the period January 1, 2013 through June 30, 2015, the amount determined to be owed to the System totals \$183,190. However, the System has requested the Town to provide payroll information back to 2007. Therefore, the total amount owed has not been determined at June 30, 2015, but it is expected to be substantial. See Note 15 for further details.

B. Municipal Police Employees’ Retirement System of Louisiana

General Information about the Pension Plan

Plan Description – Police officers of the Town participate in the Municipal Police Employees’ Retirement System of Louisiana (the “Police System”) – a cost-sharing, multiple-employer defined benefit pension plan administered by a Board of Trustees and established by Act 189 of the 1973 Regular Session of the Louisiana Legislature. The Police System issues a publicly available financial report that can be obtained at www.lampers.org/auditreports.htm. The report may also be obtained by writing to the Municipal Police Employees’ Retirement System of Louisiana, 7722 Office Park Boulevard, Suite 200, Baton Rouge, LA 70809-7601, or by calling (225) 99-7411.

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

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

For employees that became members of the Police System after to January 1, 2013, retirement benefits are divided into two sub-plans – Hazardous Duty and Non Hazardous Duty. Under the Hazardous Duty sub-plan, a member is eligible for regular retirement after he has been a member of the System and has 25

Town of Independence, Louisiana
Notes to Financial Statements (Continued)
For the Year Ended June 30, 2015

years of creditable service at any age or has 12 years of creditable service at age 55. Under the Non-Hazardous Duty sub-plan, a member is eligible for regular retirement after he has been a member of the System and has 30 years of creditable service at any age, 25 years of creditable service at age 55, or 10 years of creditable service at age 60. Under both sub-plans, a member is eligible for early retirement after he has been a member of the System for 20 years of creditable service at any age, with an actuarially reduced benefit from age 55. Under both plans, retirement benefits are determined as 3% (for Hazardous Duty members) and 2 ½% (Non Hazardous Duty members) of the employee's average final compensation based on the highest 60 consecutive months of pay multiplied by the employee's years of creditable service, not to exceed 100%.

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

Contributions – Per Act 189 of the 1973 Regular Session of the Louisiana Legislature, contribution rates for employees are established by state law and employer contribution rates are actuarially determined each year by the Police System's Board of Trustees. Employees are required to contribute 10.00% of their annual pay. The Town's contractually required contribution rate for the year ended June 30, 2015, was 31.50% of annual payroll. Contributions to the Police System from the Town were \$13,400 for the year ended June 30, 2015.

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

At June 30, 2015, the Town reported a liability of \$106,372 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's June 30, 2015 contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2014, the Town's proportion was 0.017003%, which was a decrease of 0.008773% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the Town recognized pension expense of \$13,400. At June 30, 2015, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	\$ 1,871
Changes of Assumptions	-	24,072
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	29
Changes in Proportion and Differences Between Town Contributions and Proportionate Share of Contributions	-	52,800
Town Contributions Subsequent to the Measurement Date	13,400	-
	<u>\$ 13,400</u>	<u>\$ 78,772</u>

Town of Independence, Louisiana
Notes to Financial Statements (Continued)
For the Year Ended June 30, 2015

\$2,827 is reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended:		\$
June 30, 2016	\$	(24,170)
June 30, 2017		(24,170)
June 30, 2018		(6,018)
June 30, 2019		-
June 30, 2020		-
Thereafter		-

Actuarial Assumptions – The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation 3.00%

Salary Increases, Including Inflation & Merit

Service Years

Growth Rate

1	10.00%
2	6.00%
3 - 19	4.30%
20 - 29	5.50%
30 & Over	4.00%

Investment Rate of Return 7.5%, Net of Investment Expense

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

The actuarial assumptions used in the June 30, 2014 valuation were based on the assumptions used in the June 30, 2014 actuarial funding valuation, and were initially designed to match, to the extent possible, those used by the prior actuary for the fiscal 2010 valuation. Adjustments to some non-mortality decrements were necessary due to differences in software design.

Town of Independence, Louisiana
Notes to Financial Statements (Continued)
For the Year Ended June 30, 2015

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity	52.00%	5.43%
Fixed Income	20.00%	2.35%
Alternatives	23.00%	4.51%
Other	5.00%	4.07%
Total	100.00%	4.82%
Inflation		3.25%
Expected Arithmetic Nominal Return		8.07%

Discount Rate – The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from participating employers will be made at the actuarially determined rates approved by the Louisiana Public Retirement Systems’ Actuarial Committee (“PRSAC”) taking into consideration the recommendation of the Police System’s actuary. Based on those assumptions, the Police System’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Town’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the Town’s proportionate share of the net pension liability calculated using the discount rate of 7.5%, as well as what the Town’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (6.5%) or one percentage-point higher (8.5%) than the current rate:

	1.0% Decrease (6.5%)	Current Discount Rate (7.5%)	1.0% Increase (8.5%)
Town's Proportionate Share of the Net Pension Liability	\$ 153,583	\$ 106,372	\$ 66,719

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

Payables to the Pension Plan – According to a special investigative audit report performed by the Louisiana Legislative Auditor dated August 26, 2015, the Louisiana Legislative Auditor determined that

Town of Independence, Louisiana
Notes to Financial Statements (Continued)
For the Year Ended June 30, 2015

the Town had failed to enroll eligible employees in the Police System. For the period January 1, 2013 through June 30, 2015, the amount determined to be owed to the Police System totals \$195,992. However, the Police System has requested the Town to provide payroll information back to 2007. Therefore, the total amount owed has not been determined at June 30, 2015, but it is expected to be substantial. See Note 15 for further details.

12. Interfund Transactions

Interfund Receivable and Payable Balances

The primary purpose of interfund receivables / payables is to loan monies between funds to cover current expenditures. All interfund receivables / payables are considered short-term, and are expected to be repaid within the next year. Individual fund balances due from / to other funds at June 30, 2015, were as follows:

	Due From	Due To
General Fund:		
Due from Water Works Fund	\$ 34,176	\$ -
Due to Sewer Fund	-	96,112
Due to Innovative Housing	-	96,052
Due to / from Economic Development	5,850	2,851
Innovative Housing:		
Due from General Fund	96,052	-
Economic Development:		
Due from General Fund	2,851	5,850
Sewer Enterprise Fund:		
Due from General Fund	96,112	-
Due from Water Fund	98,258	-
Water Enterprise Fund:		
Due to General Fund	-	34,176
Due to Sewer Fund	-	98,258
Total All Funds	\$ 333,299	\$ 333,299

Town of Independence, Louisiana
Notes to Financial Statements (Continued)
For the Year Ended June 30, 2015

Interfund Transfers

The following is a summary of the operating transfers between funds during the fiscal year ending June 30, 2015.

	Transfers In	Transfers Out
General Fund	\$ 34,090	\$ -
Special Revenue Funds:		
Innovative Housing Fund	-	34,090
Total All Funds	\$ 34,090	\$ 34,090

13. Tax Revenues

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

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

For the year ended June 30, 2015, taxes of 16.23 mills were levied on property with taxable assessed valuations totaling \$8,464,847 and were dedicated to general government (6.23 mills), police protection (5.00 mills), and fire protection (5.00 mills). Current year taxes levied were \$137,384. At June 30, 2015, taxes receivable were \$7,000 and the allowance for uncollectible ad valorem taxes was \$4,361.

14. On-Behalf Payments for Salaries and Benefits

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

The State of Louisiana makes supplementary salary payments to certain groups of employees. The Town is not legally responsible for these salaries. Therefore, the basis for recognizing the revenue and expenditure payments is the actual state contribution. For fiscal year 2015, the state paid supplemental salaries to the police employees of the Town. The Town is required to pay from its own budget the payroll taxes and retirement contributions on these on-behalf payments.

Town of Independence, Louisiana
Notes to Financial Statements (Continued)
For the Year Ended June 30, 2015

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

	State Supplemental Salaries
Policemen Supplemental Pay	\$ 34,417
Total On-Behalf Payments	\$ 34,417

15. Commitments and Contingencies

Suits and Claims

Various suits and claims arising in the ordinary course of operations are pending against the Town. The majority of the cases are either covered by insurance or other defenses; however, the ultimate effect of such litigation cannot be ascertained at this time. It is the opinion of Town management that the ultimate resolution of any unrecorded litigation will not have a material effect on the financial position of the Town.

Risk Management

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

Grants

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

Construction Contracts

Water System Improvements

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 \$3,664,173, with approximately \$2,908,193 complete as of June 30, 2015. The project is being funded by USDA bonds in the amount of \$2,575,000 and federal grants.

Sewer System Improvements

Additionally, the Town is in the process of acquiring additional USDA loan and grant funding for sewer improvements. The estimated cost of the project is \$4,635,000, with approximately \$3,373,301 complete as of June 30, 2015. The project is being funded by USDA bonds in the amount of \$2,632,000 and federal grants.

Town of Independence, Louisiana
Notes to Financial Statements (Continued)
For the Year Ended June 30, 2015

Retirement System

The Town participates in two retirement systems as described in Note 11. 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.

In an investigative audit dated August 26, 2015, the Louisiana Legislative Auditor computed the amount owed to MERS and MPERS to be \$298,402 for the period January 1, 2013 to December 31, 2014.

During the audit for the year ended June 30, 2015, an additional \$80,781 was computed to be paid to MERS and MPERS for the period January 1, 2015 to June 30, 2015.

Both MERS and MPERS have requested payroll information from the Town going back to the year 2007 regarding this issue. Although the total obligation is unknown at this time, the total amount appears to be substantial. Presently, the Town's legal counsel is reviewing this matter with each retirement system to determine what the final outcome will be.

16. 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.

17. Prior Period Adjustment

A summary of prior period adjustments made to beginning net position are as follows:

	General Fund	Governmental Activities
Beginning Fund Balance / Net Position, Originally Stated	\$ 167,818	\$ 2,456,853
To Adjust Prior Year Accounts:		
Accrued Interest Receivable	(17,563)	(17,563)
Prior Year Net Pension Liability Adjustment	-	(230,406)
Beginning Fund Balance / Net Position, Restated	\$ 150,255	\$ 2,208,884

The first prior period adjustment was made to adjust beginning net position as a result of the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*.

In second prior period adjustment was made to adjust fund balance in the General Fund as a result of unrecorded accrued interest from the prior fiscal year.

Required Supplemental Information (Part II)

Town of Independence, Louisiana
Statement of Revenues, Expenditures, and Changes in Fund Balance –
Budget and Actual – General Fund
For the Year Ended June 30, 2015

Schedule 1

	Original Budget	Final Budget	Actual Amounts	Final Budget Variance - Favorable / (Unfavorable)
Revenues:				
Taxes:				
Sales Taxes	\$ 480,000	\$ 570,000	\$ 609,422	\$ 39,422
Property Taxes	127,000	127,000	130,719	3,719
Utility Franchise	69,000	71,000	77,991	6,991
Solid Waste Fees	112,000	105,000	118,018	13,018
Licenses and Permits	92,000	95,000	114,590	19,590
Fines and Forfeitures	90,000	90,000	91,005	1,005
Rental Income	72,000	72,000	72,000	-
Charges for Services	46,960	46,100	55,755	9,655
Intergovernmental	26,000	29,150	40,643	11,493
On-Behalf payments from State	38,000	35,717	34,417	(1,300)
Other Revenues	-	24,954	27,843	2,889
Interest Income	375	500	833	333
Total Revenues	1,153,335	1,266,421	1,373,236	106,815
Expenditures:				
Current:				
General Government	299,546	312,015	370,471	(58,456)
Public Safety	587,472	587,061	582,040	5,021
Public Works	144,850	133,900	151,416	(17,516)
Solid Waste	76,000	76,000	89,182	(13,182)
Health and Recreation	8,000	4,600	4,618	(18)
Debt Service	24,500	35,132	53,173	(18,041)
Capital Outlay	375,000	148,081	187,598	(39,517)
Total Expenditures	1,515,368	1,296,789	1,438,498	(141,709)
Excess (Deficiency) of Revenues Over Expenditures	(362,033)	(30,368)	(65,262)	(34,894)
Other Financing Sources:				
Transfers In	200,000	34,090	34,090	-
Bond Proceeds	-	150,000	150,000	-
Total Other Financing Sources	200,000	184,090	184,090	-
Change in Fund Balances	(162,033)	153,722	118,828	(34,894)
Fund Balances:				
Beginning of the Year, Originally Stated	197,702	167,818	167,818	-
Prior Period Adjustments	-	-	(17,563)	(17,563)
Beginning of the Year, Restated	197,702	167,818	150,255	(17,563)
End of the Year	\$ 35,669	\$ 321,540	\$ 269,083	\$ (52,457)

See independent auditor's report.

Town of Independence, Louisiana
Statement of Revenues, Expenditures, and Changes in Fund Balance –
Budget and Actual – Innovative Housing Fund
For the Year Ended June 30, 2015

Schedule 2

	Original Budget	Final Budget	Actual Amounts	Final Budget Variance - Favorable / (Unfavorable)
Revenues:				
Investment Interest	\$ 9,500	\$ 9,500	\$ 10,771	\$ 1,271
Total Revenues	9,500	9,500	10,771	1,271
Expenditures:				
General Government	7,500	7,500	4,120	3,380
Total Expenditures	7,500	7,500	4,120	3,380
Excess of Revenues over Expenditures	2,000	2,000	6,651	4,651
Other Financing Sources (Uses):				
Operating Transfers Out	(200,000)	(200,000)	(34,090)	165,910
Total Other Financing Sources (Uses)	(200,000)	(200,000)	(34,090)	165,910
Change in Fund Balance	(198,000)	(198,000)	(27,439)	170,561
Fund Balance - Beginning of the Year	771,252	771,252	770,673	(579)
Fund Balance - End of the Year	\$ 573,252	\$ 573,252	\$ 743,234	\$ 169,982

See independent auditor's report.

Town of Independence, Louisiana
 Schedule of the Town's Proportionate Share of the Net Pension Liability –
 Municipal Employees' Retirement System of Louisiana
 For the Year Ended June 30, 2015

Schedule 3-A

	* Last 2 Fiscal Years	
	Ending June 30	
	2015	2014
Town's Proportion of the Net Pension Liability	0.020476%	0.014367%
Town's Proportionate Share of the Net Pension Liability	\$ 52,551	\$ 44,529
Town's Covered-Employee Payroll	\$ -	\$ 33,979
Town's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	-	131.05%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	73.99%	67.97%

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

See independent auditor's report.

Town of Independence, Louisiana
 Schedule of the Town's Proportionate Share of the Net Pension Liability –
 Municipal Police Employees' Retirement System of Louisiana
 For the Year Ended June 30, 2015

Schedule 3-B

	* Last 2 Fiscal Years	
	Ending June 30	
	2015	2014
Town's Proportion of the Net Pension Liability	0.017003%	0.025776%
Town's Proportionate Share of the Net Pension Liability	\$ 106,372	\$ 205,910
Town's Covered-Employee Payroll	\$ 42,540	\$ 44,071
Town's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	250.05%	467.22%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.10%	66.71%

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

See independent auditor's report.

Town of Independence, Louisiana
 Schedule of the Town's Contribution –
 Municipal Employees' Retirement System of Louisiana
 For the Year Ended June 30, 2015

Schedule 4-A

	Last 2 Fiscal Years Ending June 30	
	2015	2014
Contractually Required Contribution	\$ -	\$ 6,371
Contributions in Relation to the Contractually Required Contribution	-	(6,371)
Contribution Deficiency / (Excess)	\$ -	\$ -
Town's Covered-Employee Payroll	\$ -	\$ 33,979
Contributions as a Percentage of Covered-Employee Payroll	-	18.75%

See independent auditor's report.

Town of Independence, Louisiana
 Schedule of the Town's Contribution –
 Municipal Police Employees' Retirement System of Louisiana
 For the Year Ended June 30, 2015

Schedule 4-B

	Last 2 Fiscal Years Ending June 30	
	2015	2014
Contractually Required Contribution	\$ 13,400	\$ 13,662
Contributions in Relation to the Contractually Required Contribution	13,400	13,662
Contribution Deficiency / (Excess)	\$ 26,800	\$ 27,324
Town's Covered-Employee Payroll	\$ 42,540	\$ 44,071
Contributions as a Percentage of Covered-Employee Payroll	31.50%	31.00%

See independent auditor's report.

Other Supplemental Information

Town of Independence, Louisiana
 Combining Balance Sheet – Non-Major Governmental Funds
 June 30, 2015

Schedule 5

	LCDBG Economic Development 1987 Fund	2010 Revenue Bond Capital Projects Fund	Total Non-Major Governmental Funds
Assets			
Cash and Cash Equivalents	\$ 43,090	\$ 9,012	\$ 52,102
Due from Other Funds	2,851	-	2,851
Total Assets	\$ 45,941	\$ 9,012	\$ 54,953
Liabilities, Deferred Inflows of Resources, and Fund Balances			
Liabilities:			
Accounts Payable	\$ -	\$ -	\$ -
Due to Other Funds	5,850	-	5,850
Total Liabilities	5,850	-	5,850
Deferred Inflows of Resources:			
Unearned Revenue	4,022	-	4,022
Total Deferred Inflows of Resources	4,022	-	4,022
Fund Balances:			
Restricted for Economic Development	36,069	9,012	45,081
Total Fund Balances	36,069	9,012	45,081
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 45,941	\$ 9,012	\$ 54,953

See independent auditor's report.

Town of Independence, Louisiana
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances –
 Non-Major Governmental Funds
 For the Year Ended June 30, 2015

Schedule 6

	<u>LCDBG Economic Development 1987 Fund</u>	<u>2010 Revenue Bond Capital Projects Fund</u>	<u>Total Non-Major Governmental Funds</u>
Revenues:			
Rental Income	\$ 34,781	\$ -	\$ 34,781
Investment Interest	<u>5</u>	<u>24</u>	<u>29</u>
Total Revenues	\$ 34,786	\$ 24	\$ 34,810
Expenditures:			
General Government:			
Professional Fees	\$ 1,500	\$ -	\$ 1,500
Public Works	<u>5,850</u>	<u>-</u>	<u>5,850</u>
Total Expenditures	<u>7,350</u>	<u>-</u>	<u>7,350</u>
Excess (Deficiency) of Revenues over Expenditures	\$ 27,436	\$ 24	\$ 27,460
Fund Balances - Beginning of the Year	<u>8,633</u>	<u>8,988</u>	<u>17,621</u>
Fund Balances - End of the Year	<u>\$ 36,069</u>	<u>\$ 9,012</u>	<u>\$ 45,081</u>

See independent auditor's report.

Town of Independence, Louisiana
 Schedule of Expenditures of Federal and State Awards
 For the Year Ended June 30, 2015

Schedule 7

Federal Grantor/ Pass-Through Grantor / Program Title	Federal CFDA Number	Federal Award Number	Disbursements / Expenditures
Department of Agriculture			
Community Facilities Loans and Grants	10.766		\$ 939,448
Water and Waste Disposal Systems for Rural Communities	10.760		747,204
Water and Waste Disposal Systems for Rural Communities	10.760		1,235,606
Water and Waste Disposal Systems for Rural Communities	10.760		741,301
Water and Waste Disposal Systems for Rural Communities	10.760		<u>2,627,200</u>
Total Department of Agriculture			<u>6,290,759</u>
Total Federal Funds			<u>\$ 6,290,759</u>

Note 1 - Basis of Presentation

This schedule of expenditures of federal awards includes federal grant activity of the Town of Independence, Louisiana, and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

See independent auditor's report.

Town of Independence, Louisiana
Schedule of Compensation of Paid Elected Officials
For the Year Ended June 30, 2015

Schedule 8

<u>Name</u>	<u>Title</u>	<u>Term of Office</u>	<u>Salary</u>	<u>Vehicle Per Diem</u>
Michael Ragusa	Mayor	July 1, 2012 - June 30, 2016	\$ 17,000	\$ 4,400 *
Frank Edwards	Police Chief	July 1, 2012 - June 30, 2016	38,072	6,000 **
Michael Muscarello	Board of Aldermen	July 1, 2012 - June 30, 2016	5,100	
Jimmy Gregory	Board of Aldermen	July 1, 2012 - June 30, 2016	5,100	
Larry Cardaronella	Board of Aldermen	July 1, 2012 - June 30, 2016	5,100	
Angelo Mannino	Board of Aldermen	July 1, 2012 - June 30, 2016	4,950	
Calvin Batiste	Board of Aldermen	July 1, 2012 - June 30, 2016	5,100	
Total			<u>\$ 80,422</u>	

* Including benefits and vehicle allowance

** Including benefits, state supplemental pay, and vehicle allowance

See independent auditor's report.

Town of Independence, Louisiana
 Schedule of Compensation, Benefits, and Other Payments to Agency Head
 For the Year Ended June 30, 2015

Schedule 9

Agency Head: Honorable Michael Ragusa, Mayor

Purpose	Amount
Salary	\$ 17,000
Benefits - Health Insurance	-
Benefits - Other Insurance	-
Social Security & Medicare	1,300
Benefits - Retirement	-
Deferred Compensation	-
Benefits - Other - Supplemental Pay	-
Car Allowance	4,400
Vehicle Provided by Government	-
Vehicle Rental	-
Cell Phone	2,146
Dues	-
Per Diem	-
Reimbursements	-
Travel	-
Registration Fees	-
Conference Travel	-
Housing	-
Unvouchered Expenses	-
Special Meals	-
Other	\$ 24,846

See independent auditor's report.

Town of Independence, Louisiana
Schedule of Insurance Coverage in Force (Unaudited)
For the Year Ended June 30, 2015

Schedule 10

<u>Insurance Company</u>	<u>Coverage</u>	<u>Amount</u>	<u>Expiration Date</u>
Mt. Hawley Insurance	Buildings	1,219,111	09/16/15
	Contents	142,325	09/16/15
	Pumping Equipment	5,962	09/16/15
	Tower 3	64,210	09/16/15
	75k W Generator	78,000	09/16/15
	Lift Stations	209,662	09/16/15
	Sewer Treatment plnat	501,260	09/16/15
EMC Insurance Company	Public Official Bond		
	Per Employee	100,000	05/07/16
LA Municipal Risk Management Agency	Automobile Liability	500,000	05/01/16
	Uninsured Motorist, BI & PD		
	Commercian General Liability	500,000	05/01/16
	Premises/Operations		
	Products/Completed Operations		
Law Enforcement Officer	Comprehensive Liability, Personal Injury	500,000	05/01/16
Public Officials	Liability Errors & Omissions	500,000	05/01/16
Rod & Prejan	Auto Physical Damage	147,100	05/14/16

See independent auditor's report.

Town of Independence, Louisiana
Water and Sewer Rate Schedule (Unaudited)
 June 30, 2015

Schedule 11

Customer Type	Number	Rate						
		Total	Sewer	Water	Garbage	Fire	Police	DHH
Residential	606	65.00	24.00	21.00	13.73	3.50	2.50	0.27
Commercial	56	134.00	50.00	64.00	13.73	3.50	2.50	0.27
Apartments	16	260.00	96.00	84.00	54.92	14.00	10.00	1.08
Hospitals	1	3,005.14	200.00	2,804.87	-	-	-	0.27
Governmental	1	120.27	48.00	52.27	13.73	3.50	2.50	0.27
Public Schools	3	527.77	256.00	251.77	13.73	3.50	2.50	0.27
Private Schools	1	345.95	100.00	225.95	13.73	3.50	2.50	0.27
Medical Center	1	3,005.14	200.00	2,804.87	-	-	-	0.27
Industrial	1	7,615.66	1,000.00	6,535.66	54.92	14.00	10.00	1.08
Housing Authorities	1	3,190.00	1,160.00	1,910.00	82.38	21.00	15.00	1.62
Total	687							

See independent auditor's report.

Town of Independence, Louisiana
 Schedule of Water and Sewer Information (Unaudited)
 June 30, 2015

Schedule 12

Aged Accounts Receivable:

As of June 30, 2015, accounts receivable from water and sewer billings were aged as follows:

Water, Sewer, Garbage, Fire & Police Receivable	
Current	\$ 64,756
31-60 Days	11,429
Over 60	37,272
Total Per Billing System	\$ 113,457
Allowance for Doubtful Accounts	(60,473)
	\$ 52,984
Water Fund Accounts Receivable, Net	\$ 28,945
Sewer Fund Accounts Receivable, Net	18,450
General Fund Accounts Receivable, Net	5,589
	\$ 52,984

Water and Sewer Users

As of June 30, 2015, water and sewer users were composed of the following:

Customer Type	Number
Residential	606
Commercial	56
Apartments	16
Hospitals	1
Governmental	1
Public Schools	3
Private Schools	1
Medical Center	1
Industrial	1
Housing Authorities	1
Total	687

See independent auditor's report.

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

Durnin & James

CERTIFIED PUBLIC ACCOUNTANTS
A PROFESSIONAL CORPORATION
www.djepa.com

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

Member
American Institute of CPAs
Society of Louisiana CPAs

Jared R. Lauderdale, CPA

December 4, 2015

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

The Honorable Michael A. Ragusa, Mayor
and the Members of the Board of Aldermen
Town of Independence
Independence, Louisiana

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Independence, Louisiana, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town of Independence, Louisiana's basic financial statements, and have issued our report thereon dated December 4, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Independence, Louisiana's internal control over financial reporting 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 of Independence, Louisiana's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Independence, Louisiana's internal control.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs numbered 2015-001, 2015-002, 2015-005, 2015-006, 2015-009, and 2015-013 to be material weaknesses.

The Honorable Michael A. Ragusa, Mayor
and Members of the Board of Aldermen
Town of Independence, Louisiana

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompany schedule of findings and questioned costs numbered 2015-003, 2015-004, 2015-007, 2015-008, 2015-010, 2015-011, and 2015-012 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Independence, Louisiana'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 that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2015-014 through 2015-022.

Town of Independence, Louisiana's Response to Findings

The Town of Independence, Louisiana's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Town of Independence, Louisiana's response and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Town of Independence, Louisiana's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

Respectfully submitted,



Durnin & James, CPAs
(A Professional Corporation)

Durnin & James

CERTIFIED PUBLIC ACCOUNTANTS
A PROFESSIONAL CORPORATION
www.djepa.com

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

Member
American Institute of CPAs
Society of Louisiana CPAs

Jared R. Lauderdale, CPA

December 4, 2015

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133

The Honorable Michael A. Ragusa, Mayor
and the Members of the Board of Aldermen
Town of Independence
Independence, Louisiana

Report on Compliance for Each Major Federal Program

We have audited the Town of Independence, Louisiana's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Town of Independence, Louisiana major federal programs for the year ended June 30, 2015. The Town of Independence, Louisiana's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

Auditor's Responsibility

Our responsibility to express an opinion on compliance for each of the Town of Independence, Louisiana's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Independence, Louisiana's compliance with those requirements and performing such other procedures as we consider necessary in the circumstance.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Town of Independence, Louisiana's compliance.

The Honorable Michael A. Ragusa, Mayor
and Members of the Board of Aldermen
Town of Independence, Louisiana

Opinion on Each Major Federal Program

In our opinion, the Town of Independence, Louisiana, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control over Compliance

Management of the Town of Independence, Louisiana is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we consider the Town of Independence, Louisiana's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstance for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Independence, Louisiana's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control compliance that might be material weakness or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weakness. However, material weakness may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,



Durnin & James, CPAs
(A Professional Corporation)

Town of Independence, Louisiana
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015

We have audited the basic financial statements of the Town of Independence, Louisiana, as of and for the year ended June 30, 2015, and have issued our report thereon dated December 4, 2015. 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, and the provisions of OMB Circular A-133. Our audit of the financial statements as of June 30, 2015, resulted in an adverse opinion.

Section I – Summary of Auditor’s Reports

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

Type of Opinion Issued	<input type="checkbox"/> Unmodified	<input type="checkbox"/> Modified
	<input type="checkbox"/> Disclaimer	<input checked="" type="checkbox"/> Adverse
Internal Control:		
Material Weakness	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Significant Deficiencies	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Compliance:		
Compliance Material to the Financial Statements	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No

2. Federal Awards

Internal Control:		
Material Weakness	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Significant Deficiencies	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Type of Opinion on Compliance for Major Programs	<input checked="" type="checkbox"/> Unmodified	<input type="checkbox"/> Modified
	<input type="checkbox"/> Disclaimer	<input type="checkbox"/> Adverse
Are there findings required to be reported in accordance with Circular A-133, Section .510(a)?		
	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Was a management letter issued?		
	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

3. Identification of Major Programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program (or Cluster)</u>
10.760	Water and Waste Disposal Systems for Rural Grant Communities
10.766	Community Facilities Loans and Grants

Dollar threshold used to distinguish between Type A and Type B Programs: \$300,000

Is the auditee a “low-risk” auditee, as defined by OMB Circular A-133?
_____ Yes No

Town of Independence, Louisiana
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015

Section II – Financial Statement Findings

See pages 81 through 104 for a detailed description of the financial statement findings.

Section III – Federal Award Findings and Questioned Costs

No matters were reported.

Town of Independence, Louisiana
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015

Internal Control over Financial Reporting

2015-001 – Segregation of Duties

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

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

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

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

Recommendation: We recommend that the Town continue to perform the following:

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

Management's Corrective Action Plan: Mayor concurs with the recommendation of the Auditor.

2015-002 – Water and Sewer Fund Operating Deficits

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

- For the fiscal year ended June 30, 2015, the Town had an operating deficit in the Water Fund totaling \$28,585 and the Sewer Fund totaling \$142,911. However, the Sewer Fund has a dedicated ½% sales and use tax with collections for FY 2014-2015 totaling \$152,357 that provides funding adequate to offset that operating deficit.
- The Town charges residents a flat rate monthly for water and sewer services.

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

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

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

Town of Independence, Louisiana
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015

Recommendation: The Town should consider the following:

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

Management's Corrective Action Plan: Mayor concurs with the recommendation of the Auditor.

2015-003 – Delinquent Town Receivables

Condition: As of June 30, 2015, the Town has \$11,406 past due for loans provided under the Innovative Housing Grant Program. Additionally, the Town has \$35,748 in delinquent property taxes and \$44,785 in past due utility system receivables.

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

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

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

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, tax sale for delinquent property taxpayers, 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: Mayor concurs with the recommendation of the Auditor.

2015-004 – Written Policies and Procedures

Condition: The Town does not have a written procedures manual for accounting procedures, Town policy, or other matters. This matter was reported for the four 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 manuals to provide guidance on financial policies, accounting procedures, and ethics matters.

Management's Corrective Action Plan: Mayor concurs with the recommendation of the Auditor.

Town of Independence, Louisiana
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015

2015-005 – Payroll Processing and Personnel Files

Condition: During our audit and testing of payroll processing and personnel files, we noted the following weaknesses in internal controls procedures that need to be improved:

- Selected employee personnel files that we reviewed did not contain a copy of the employee's salary changes as approved by the Mayor and / or the Board of Aldermen.
- Employees working at Town Hall are not required to punch a time clock to document their time and attendance.
- Employee payroll checks only require one authorized check signer, and that can be the Town Clerk, who prepares the payroll.
- Town employees eligible for participation in the Municipal Employees' Retirement System (MERS) and the Municipal Police Employees' Retirement System (MPERS) are not being enrolled as required.
- The Town has not provided a complete salary history of all possible eligible Town employees to MERS and MPERS for the period January 2008 through the present to determine the total amount due for failure to enroll eligible employees as required.

Criteria: Strong internal controls over personnel policies and procedures, time and attendance procedures, and payroll processing procedures are essential to help ensure written policies and procedures are followed, employees are paid the correct amount for actual time worked, and errors or other irregularities are discovered and corrected in a timely manner by employees performing their assigned tasks.

Effect: Failure to institute and adhere to strong internal controls over personnel policies and procedures, time and attendance procedures, and payroll processing procedures creates an environment in which confidential employee information could be compromised, employees could be paid the incorrect pay rate, employees could be paid for work not performed, and other errors and irregularities could occur and not be detected timely by employees performing their assigned tasks.

Cause: The Town's personnel files are not securely maintained in a locked filing cabinet and certain internal control procedures related to personnel policies and procedures, time and attendance procedures, and payroll processing procedures have not been developed correctly.

Recommendation: We recommend the Town immediately implement the following internal control procedures over personnel policies and procedures, time and attendance procedures, and payroll processing procedures:

- Each personnel file should include a signed document by the Mayor approving the employee's current pay rate and any future pay rate changes.
- A time clock should be located in Town Hall and all Town Hall employees should use the time clock to document their time and attendance records.
- All payroll checks should require two signatures, one being the Mayor and the other being the Town Clerk.
- Town employees eligible for participation in the Municipal Employees' Retirement System (MERS) and the Municipal Police Employees' Retirement System (MPERS) should be enrolled immediately, as required.
- The Town should complete and submit to MERS and MPERS a complete salary history of all possible eligible Town employees for the period January 1, 2008 through the present to determine the total amount due for failure to enroll eligible employees as required.

Town of Independence, Louisiana
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015

- The Town should require its attorney or accountant to file a protective claim with the Internal Revenue Service to suspend the statute of limitations to protect its rights to obtain a refund of social security employment taxes that may have been paid in error on any eligible employees required to be enrolled in MERS or MPERS.

Management's Corrective Action Plan: Mayor concurs with the recommendation of the Auditor.

2015-006 – Vendor Invoice Approval, Processing and Payment

Condition: During our audit and testing of purchase order approval, vendor invoice processing, and vendor invoice check preparation, we noted the following weaknesses in internal controls procedures that need to be improved:

- The Town Clerk has the authority to approve purchase orders, approve vendor invoices, prepare checks for vendor invoices, sign vendor invoices, and record paid vendor invoices in the accounting system without supervisory review by the Mayor.
- No supervisory approval by the Mayor is noted on paid vendor invoices.
- Vendor invoice checks only require one authorized check signer and that person can be the Town Clerk.
- The Town Clerk, who has possession of the Town credit cards, reviews and approves all charges to the credit card statement without supervisory review of the credit card statement by the Mayor.

Criteria: Strong internal controls over the processing of vendor invoices and payments are essential to help ensure written policies and procedures are followed, vendor invoices are properly approved in advance and are paid the correct amount for materials and services that are provided, and errors or other irregularities are discovered and corrected in a timely manner by employees performing their assigned tasks.

Effect: Failure to institute and adhere to strong internal controls over processing of vendor invoices and payments creates an environment in which vendors could be paid the incorrect amount for goods and services provided, inappropriate charges could be made on the credit card, inappropriate payments could be made to vendors or employees without the Mayor's knowledge or consent, and other errors and irregularities could occur and not be detected timely by employees performing their assigned tasks.

Cause: The Town's current policies and procedures over the processing of vendor invoices and payments is inappropriately designed to minimize errors or other irregularities.

Recommendation: We recommend the Town immediately implement the following internal control procedures over purchase order processing, vendor invoice processing, and vendor check processing:

- The Mayor should be required to review and approve all purchase orders and to document his review and approval by signing the approval line on the purchase order form.
- The Mayor should be required to review and approve all charges on the Town credit card and to document his review and approval by initialing and dating the face of the credit card statement presented for payment.
- The Mayor should be required to review and approve all vendor invoices for payment and to document his review and approval by initialing and dating the face of the paid vendor invoice.
- All vendor checks should require two signatures, one being the Mayor and the other being the Town Clerk.

Town of Independence, Louisiana
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015

Management's Corrective Action Plan: Mayor concurs with the recommendation of the Auditor.

2015-007 – Processing of Occupational Licenses

Condition: During our audit and testing of occupational licenses processing, we noted the following weaknesses in internal controls procedures that need to be improved:

- The occupational licenses software used to record all licenses issued and delinquent, has one login user name and password, which is the username and password for an employee that is no longer employed by the Town. All clerks use the same log in, which causes the system to be unable to track the identity of the employee that actually inputs the data into the system.
- Selected individual customer occupational license files reviewed were lacking adequate documentation required to have on file for each business license issued by the Town.
- The occupational licenses, for which fees have been collected, are not being issued on a timely basis to the business owners by the collector.
- The calculation of interest and penalties on each delinquent account is not being monitored by the collector. Upon review of the system's software, it was discovered that penalties and interest were not set up to calculate on any account for delinquency.

Criteria: Strong internal controls over the processing and issuance of occupational licenses is essential to help ensure written policies and procedures are followed, occupational licenses are required by all applicable businesses located in the Town, the application is complete and signed by the business owner, the license is paid when due for the correct amount and collection efforts are initiated against delinquent taxpayers, the tax collected is for the correct amount based on rates established by the Board of Aldermen, and errors or other irregularities are discovered and corrected in a timely manner by employees performing their assigned tasks.

Effect: Failure to adhere to strong internal controls over the processing of occupational licenses creates an environment in which business owners do not have current licenses to lawfully conduct business in the Town, the tax collected is not the correct amount as established by state law and the Board of Aldermen, the likelihood of delinquent taxpayers increases and the possibility of the bond covenants contained in the \$300,000 Taxable Revenue Bonds, Series 2010, and the \$150,000 of Limited Tax Bonds, Series 2015 may not be met.

Cause: It appears that this condition was caused by Town employees not following established procedures, lack of adequate knowledge and understanding of the laws and regulations governing the issuance of occupational licenses, employee turnover, and failure by the Occupational License Clerk and Mayor to follow-up on delinquent taxpayers as required.

Recommendation: We recommend the Town immediately implement the following internal control procedures over occupational licenses processing:

- We recommend that the current Town Clerk and Occupational License Clerk attend training classes sponsored by the Louisiana Legislative Auditor's office or the Louisiana Municipal Association regarding occupational licenses.
- Obtain the most recent copy of the Occupational License Tax Manual published by the Louisiana Municipal Association and review the applicable regulations for processing occupational licenses.
- Contact the occupational license software vendor and get new log in usernames and unique passwords for each employee charged with the responsibility of data entry into the occupational license software. This would allow individual user tracking of data that is input into the system and any adjustments made.

Town of Independence, Louisiana
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015

- The Town should keep a complete file for each occupational license issued that should include sufficient documentation for compliance and best practice with internal controls.
- Upon receipt of payment, the occupational license certificates should be issued in a timely manner by the collector.
- Adhere to established written regulations for collection of delinquent fees and interest for delinquent taxpayers.

Management's Corrective Action Plan: Mayor concurs with the recommendation of the Auditor.

2015-008 – Fines and Forfeitures Processing

Condition: During our audit and testing of fines and forfeiture processing, we noted the following weaknesses in internal controls procedures that need to be improved:

- While reviewing written receipts issued for fines and forfeitures, it was discovered that two receipt books each containing 150 individual receipts could not be located by Town Hall employees.
- Town Hall employees routinely reject online payments for fines and forfeitures that do not contain the exact amount of the fine and court costs.
- A bench warrant is not being issued for failure to appear or failure to pay.
- Final disposition of each ticket is not permanently marked on the disposition section of the ticket and signed by the Mayor.

Criteria: Strong internal controls over the processing of fines and forfeitures revenue is essential to help ensure written policies and procedures are followed, violators pay the correct amount of fine and court costs due as established by the fines schedule adopted by the Board of Aldermen, license suspension is issued for violators who fail to appear, tickets reduced or dismissed have proper approval authority, and errors or other irregularities are discovered and corrected in a timely manner by employees performing their assigned tasks.

Effect: Failure to institute and adhere to strong internal controls over processing of fines and forfeitures revenue creates an environment in which not all tickets issued are processed properly through traffic court, violators could be charged and pay the incorrect amount, and tickets could be dismissed or otherwise reduced without properly approval of the Court Magistrate.

Cause: The Town's current policies and procedures over the processing of fines and forfeitures revenue is inappropriately designed to minimize errors or other irregularities.

Recommendation: We recommend the Town immediately implement the following internal control procedures over the processing of fines and forfeitures revenue:

- All unissued receipt books should be organized, placed in sequential order and remain under lock and key until needed and should always be issued in numerical sequence.
- All issued receipt books should be organized, placed in sequential order, and determined that all receipt books issued have been properly accounted for.
- The Town should accept all on-line payments. For those payments less than the required amount, a certified letter with the scheduled court date and remaining amount due should be immediately sent to the violator.
- A bench warrant and license suspension should be issued to all violators who fail to pay or appear in court.

Town of Independence, Louisiana
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015

- The Court Magistrate should indicate the final disposition of all tickets in ink on the disposition section of the ticket.

Management's Corrective Action Plan: Mayor concurs with the recommendation of the Auditor.

2015-009 – Utility Billing – Credit Memos / Adjustments

Condition: During our audit and testing of utility billing system credit memos and other adjustments, we noted the following weaknesses in internal controls procedures that need to be improved:

- There is no written documentation to adequately document supervisory approval of the Town Clerk or Mayor to substantiate the purpose of rate changes, credit memos, and other adjustments on individual customer utility accounts.
- The current Utility Billing Clerk who receives payments from customers is allowed to make rate changes, credit memos and other adjustments in the computer system.
- There is no form, nor signatures, required to document why the change has occurred or if the change has been approved by the Town Clerk or Mayor.
- Additionally, there appears to be no review procedures relating to rate changes or credit memos in which a superior is sufficiently reviewing the items in question.

Criteria: Strong internal controls over the processing of utility billing system rate changes, credit memos, or other adjustments is essential to help ensure written policies and procedures are followed, to ensure utility customers pay the correct amount due for services provided in accordance with the utility rates approved by the Board of Aldermen, to comply with existing water and sewer revenue bond covenants, and to help ensure that errors or other irregularities are discovered and corrected in a timely manner by employees performing their assigned tasks.

Effect: Failure to maintain adequate written documentation on utility billing system rate changes, credit memos and other adjustments creates an environment in which payments could be received from customers, the payment not deposited into the bank account, or recorded in the utility billing system and a credit memo being made to the system to conceal this possible fraud.

Cause: The Town's current policies and procedures over the processing of utility billing system rate changes, credit memos or other adjustments is inappropriately designed to minimize errors or other irregularities.

Recommendation: We recommend the Town immediately implement the following procedures to begin the process to correct this finding:

- The Town Clerk, through username and password should prohibit anyone other than the Town Clerk from being able to make rate changes, credit memos or other adjustments in the utility billing system.
- The Town should develop a form that states the customer's name, reason for the rate change, credit memo or other adjustment, the amount of the rate change and date. This form should be signed by the customer, the utility system manager if related to consumption issues (water leaks, meter reads, etc.) and the Town Clerk or Mayor documenting their review and approval for the adjustment to the individual utility billing system customers account.
- The Town Clerk should print out a utility billing system reconciliation report each month and reconcile the roll-forward of the utility billing system accounts receivable by considering current month charges, current month payments and current month adjustments.

Town of Independence, Louisiana
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015

- The Town Clerk and the Utility Billing Clerk should receive additional training on the utility billing system software.

Management's Corrective Action Plan: Mayor concurs with the recommendation of the Auditor.

2015-010 – Utility Billing Cash Receipts Processing

Condition: During our audit and testing of utility billing system cash receipts, we noted that for a portion of the fiscal year, the Town did not have sufficient documentation relating to cash receipts regarding utility billing collections. The Town did not reconcile the amount of deposits to the cash collected via the register, the billing receipts report generated from the utility billing software and manual receipts issued. This condition was also noted in the investigative report performed by the Louisiana Legislative Auditor dated August 26, 2015.

Criteria: Strong internal controls over the processing of utility billing system payments is essential to help ensure written policies and procedures are followed, to ensure cash receipts from customers are adequately safeguarded from theft, to ensure utility customers pay the correct amount due for services provided in accordance with the utility rates approved by the Board of Aldermen, to comply with existing water and sewer revenue bond covenants, and to help ensure that errors or other irregularities are discovered and corrected in a timely manner by employees performing their assigned tasks.

Effect: Failure to maintain adequate controls over the processing of utility system payments creates an environment in which payments could be received from customers, the payment not deposited into the bank account or recorded in the utility billing system and a credit memo being made to the system to conceal this possible fraud. As noted in the Louisiana Legislative Auditor investigative report dated August 26, 2015, the Town received \$4,242 in utility billing payments that were not deposited from July 1, 2014 – December 31, 2014.

Cause: The Town's policies and procedures over the processing of utility billing system cash receipts is inappropriately designed to minimize errors or other irregularities.

Recommendation: We recommend the Town immediately implement the following procedures to begin the process to correct this finding:

- The Town should obtain and install a remote deposit device from its fiscal agent bank so that all deposits received by check or money order may be deposited directly at Town Hall without the necessity of going to the bank. Daily deposits at the bank will still be required for currency received.
- All payments received in the mail or in the drop-box outside Town Hall should be processed as a separate deposit. We do not recommend that a hand-written receipt be prepared for these types of receipts which are normally in the form of checks or money orders payable to the Town. We recommend the Utility Billing Clerk receive the mail and drop-box receipts for processing.
 - First a "*Daily Mail and Drop-Box Receipts*" listing that contains the name, check number, amount and type of payment being received should be prepared. This listing should be signed and dated by the Utility Billing Clerk evidencing her review and approval of the report.
 - Second, the checks should be deposited to the correct bank account using the remote deposit device with the total deposit on the remote capture device reconciling to the listing of checks received.
 - Third, receipts for utility billing should be entered into the utility billing system with a copy of the sequentially numbered, computer generated receipts attached to the listing and remote deposit report. The reports should then be given to the Town Clerk who should sign and date the listing evidencing her review and approval of the processing of the mail and drop-box receipts. A copy of the listing should be given to the Occupational License Clerk for processing of all non-utility system receipts.

Town of Independence, Louisiana
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015

- All utility billing payments received at the Town window by check or money order should be entered into the utility billing system while the customer waits and a pre-numbered computer generated receipt be issued to the customer. We see no reason to prepare a handwritten receipt as it serves no useful purpose since a computer generated receipt is issued and given to the customer.
- We recommend the Town prohibit payments by cash and require either check or money order. However, if the Town continues to accept payments by cash, all utility billing payments received at the Town window by cash should be receipted immediately by preparing both a handwritten receipt and a computer generated receipt to the customer.
- At the end of each day, a utility billing system cash drawer reconciliation report should be prepared that reconciles the money received to the receipts issued. For all handwritten receipts issued, the numerical sequence of the control copy in the book of all receipts that day must be accounted for. We recommend that the control copy for all receipts issued that day be marked "Deposited __ Date " and an adding machine tape be stapled to the control copy of the receipt in the book for all receipts issued that day as evidenced by the control copies remaining in the book.
- The Utility Billing Clerk should print out a utility billing system reconciliation report at the end of each day and reconcile utility billing system accounts receivable by considering the previous days balance, current day charges, current day payments reconciled to the two deposits for the day (mail collection deposit and window collection deposit), and any current day adjustments. This daily reconciliation should be signed and dated by both the Utility Billing Clerk and the Town Clerk acknowledging their review and approval.

Management's Corrective Action Plan: Mayor concurs with the recommendation of the Auditor with the exception of the Town prohibiting payments by cash. This is not reasonable for the Town of Independence to prohibit accepting cash for payment of utility bills made at the window.

2015-011 – Daily Window Receipts for Non-Utility System Receipts

Condition: During our audit and testing of the cash drawer and cash register used to account for the collection of all non-utility receipts at the Town window, we noted that the Town uses a separate cash drawer and cash register to account for the collection of occupational licenses, fines and forfeitures, permits, and various other non-utility system receipts. There is no evidence that the Town is reconciling the totals per the Z-tape from the cash register to the control copy of the handwritten receipts issued to the deposit amount.

Criteria: Strong internal controls over the processing of non-utility billing system cash receipts is essential to help ensure written policies and procedures are followed; cash receipts from customers are adequately safeguarded from theft; payments for Town licenses, fines and forfeitures and other fees are for the correct amount as approved by the Board of Aldermen; to ensure compliance with the existing \$300,000 Taxable Revenue Bonds, Series 2010, and the \$150,000 of Limited Tax Bonds, Series 2015 bond covenants; and to help ensure that errors or other irregularities are discovered and corrected in a timely manner by employees performing their assigned tasks.

Effect: Failure to maintain adequate controls over the processing of non-utility system payments creates an environment in which payments could be received from customers, the payment not deposited into the bank account and concealed by not recording the receipt in the cash register for reconciliation at the end of the day.

Cause: The Town's policies and procedures over the processing of non-utility billing system cash receipts are inappropriately designed to minimize errors or other irregularities.

Town of Independence, Louisiana
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015

Recommendation: We recommend the Town immediately implement the following procedures to begin the process to correct this finding:

- We recommend the Town prohibit payments by cash and require either check or money order. However, if the Town continues to accept payments by cash, The Town use a separate handwritten receipt book for all non-utility billing system receipts received at the Town window and that a receipt be issued to the customer for all receipts taken at the window whether by cash, check or money order.
- All handwritten receipts taken at the window should be entered into the cash register with a cash register receipt stapled to the handwritten receipt given to the customer.
- At the end of each day, the money in the cash drawer should be reconciled to both the Z-tape control total produced by the cash register and the control copy of handwritten receipts issued during the day in the presence of the Town Clerk and the Occupational License Clerk.
 - First, a “*Daily Window Receipts*” listing should be prepared that contains the name, check number, amount, and type of payment being received for all checks or money orders in the cash drawer and signed and dated by both the Town Clerk and the Occupational License Clerk.
 - Second, a “*Currency Received*” listing should be prepared for all currency received by denomination in the cash drawer and signed by the Town Clerk and the Occupational License Clerk.
 - Third, the total checks received plus the total currency on hand should be reconciled to the cash register Z-tape and the control copy of all hand-written receipts issued during the day.
- We recommend that the control copy for all receipts issued that day be marked “Deposited __ Date “ and an adding machine tape be stapled to the control copy of the receipt in the book for all receipts issued that day as evidenced by the control copies remaining in the book.
- All checks and money orders received should be deposited to the correct bank account before the end of the day using the remote deposit devices.
- All currency received during the day should be deposited in the bank night deposit box. No deposit or currency received should be left at Town Hall overnight.

Management’s Corrective Action Plan: Mayor concurs with the recommendation of the Auditor with the exception of the Town prohibiting payments by cash. This is not reasonable for the Town of Independence to prohibit accepting cash for payment of non-utility payments made at the window.

2015-012 – Delinquent Ad Valorem Tax Revenue

Condition: During our audit and testing of ad valorem tax revenue, we noted that as of June 30, 2015, delinquent property taxes for the 2014 assessment year totaled \$11,198 or 8.15% of total tax assessed. The amount of delinquent property taxes totaled \$35,748 for the years 2007 through 2014. There does not appear to be any effective follow-up for taxpayers who fail to pay their property taxes when due.

Criteria: Strong internal controls over the processing of ad valorem tax payments is essential to help ensure written policies and procedures are followed, property tax payments are collected when due, cash receipts from customers are adequately safeguarded from theft, payments of ad valorem taxes are for the correct amount as approved by the Board of Aldermen, to comply with the existing \$300,000 Taxable Revenue Bonds, Series 2010, and the \$150,000 of Limited Tax Bonds, Series 2015 bond covenants, and to help ensure that errors or other irregularities are discovered and corrected in a timely manner by employees performing their assigned tasks.

Effect: Failure to enforce the collection of delinquent ad valorem taxes creates an environment in which the likelihood of delinquent taxpayers increases and the possibility of the bond covenants contained in the \$300,000 Taxable Revenue Bonds, Series 2010, and the \$150,000 of Limited Tax Bonds, Series 2015 may not be met.

Town of Independence, Louisiana
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015

Cause: This finding occurred because the Town has no effective follow-up on delinquent taxpayers.

Recommendation: We recommend the Town immediately implement the following procedures to begin the process to correct this finding:

- Immediately send a certified letter to each delinquent taxpayer for 2014 notifying them that they are delinquent on their current property tax.
- Follow the procedures established in LSA-R.S. 33:461 to enforce the collection of past due property tax.

Management's Corrective Action Plan: The Town will seek legal counsel if the Town can discontinue utility services for those customers delinquent on their ad valorem taxes. The Town will look into the matter of sending certified letters to determine if it is cost beneficial.

2015-013 – Certificate of Insurance on Leased Town-Owned Buildings

Condition: During our audit and testing of revenue of leased town-owned property and buildings, we noted the following weaknesses in internal controls procedures that need to be improved:

- The Town currently leases a parcel of land and a building owned by the Town to Regina Coeli Child Development Center to operate a Head Start Center in the Town. The lease requires the *“Lessee shall maintain liability insurance adequate to cover sustained losses or claims for damages in the amount of \$100,000 / \$300,000. Lessor may be named additionally insured in Lessee's liability insurance coverage.”*

There is no evidence in the files that Regina Coeli provided the require insurance or listed the Town of Independence as an additional named insured on the policy. Furthermore, the lease is silent with regards to the lessee maintaining adequate insurance insuring the lease premises against loss by reason of fire, tornado, wind storm, or other casualty.

- The Town currently leases a parcel of land and a building owned by the Town to Progressive Waste to operate a commercial business in the Town. The lease requires the *“Lessee shall maintain liability insurance adequate to cover sustained losses or claims for damages in the amount of \$100,000 / \$300,000. It must be kept at all times during the terms of the lease. Moreover, Lessee will obtain and maintain adequate insurance insuring the lease premises against loss by reason of fire, tornado, wind storm or other casualty and shall furnish Lessor with evidence of such insurance upon Lessor's request. Lessor will be named additionally insured in Lessee's liability insurance coverage.”*

There is no evidence in the files that Progressive Waste provided the required insurance or listed the Town of Independence as additional named insured on the policy.

Criteria: Strong internal controls over the processing and maintenance of commercial leases of Town property is essential to help ensure written policies and procedures are followed, provisions in written lease agreements are adhered to, Town-owned assets are adequately safeguarded from theft, or loss due to accident, fire, windstorm or other natural casualty, lease payments received by the Town are for the correct amounts in accordance with the executed lease contract approved by the Board of Aldermen, and to help ensure that errors or other irregularities are discovered and corrected in a timely manner by employees performing their assigned tasks.

Town of Independence, Louisiana
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015

Effect: Failure to closely monitor compliance with the terms of the lease agreement creates an environment in which the Town could sustain a major loss if an accident or natural casualty occurred and the lessee did not maintain proper insurance as required by the lease.

Cause: This finding was due to turnover in personnel and the new personnel not understanding the requirements of the leases.

Recommendation: We recommend the Town immediately contact the two lessees and require a certificate of insurance listing the Town as an additional named insured on the policy with limits that meet or exceed the requirements set forth in the lease.

Management's Corrective Action Plan: Mayor concurs with the recommendation of the Auditor.

Compliance and Other Matters

2015-014 – Enrolling Qualified Employees in Retirement Systems

Condition: The Town may not have complied with certain provisions of the Municipal Employees Retirement System (MERS) and the Municipal Police Employees Retirement System (MPERS).

Criteria: The Town may have violated state law by not enrolling all eligible employees in MERS or MPERS as required by the retirement systems as a condition of the Town joining the retirement systems in prior years. This condition was also noted in the prior year audit report.

Effect: For the period January 1, 2015 through June 30, 2015, our computation indicates the combined employee and employer contributions not made for all eligible employees is approximately \$80,000. The amount computed by the Louisiana Legislative Auditors report for the period January 1, 2013 through December 31, 2014, totaled \$298,000. As a result, for the period January 1, 2013 through June 30, 2015, the combined amount due to the retirement systems is approximately \$378,000. The two retirement systems have requested payroll records back to January 2008, but the Town has yet to provide that information to compute any additional amounts that may be due.

Cause: This condition appears to be the result of a lack of understanding by the Town Clerk and Mayor of the Town's legal requirements regarding enrollment of eligible employees in the MERS and MPERS retirement systems adopted by the Town Board of Aldermen years ago when the Town agreed to participate in both retirement system.

Recommendation: We recommend the Town immediately implement the following procedures to begin the process to correct this finding:

- Immediately enroll all Town employees eligible for participation in the Municipal Employees Retirement System (MERS) and the Municipal Police Employees Retirement System (MPERS).
- The Town should complete and submit to MERS and MPERS a complete salary history of all possible eligible Town employees for the period January 2008 through the present to determine the total amount due for failure to enroll eligible employees as required.
- The Town should require its attorney or accountant to file a protective claim with the Internal Revenue Service to suspend the statute of limitations to protect its rights to obtain a refund social security

Town of Independence, Louisiana
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015

employment taxes that may have been in error on any eligible employees required to be enrolled in MERS or MPERS.

Management's Corrective Action Plan: The Town of Independence has compiled a complete salary history for all current Town employees for the period January 2008 to present. This information has been provided to the Town's Attorney. A complete salary history for all former employees for the period January 2008 to present has also been provided to the Town's Attorney, with the exception of the Fire Department. The Town is waiting on advice from legal counsel regarding this matter.

2015-015 – Local Government Budget Act

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

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

- LRS 39:1306(A) requires *“The proposed budget for political subdivisions with a governing authority including municipalities, parishes, school boards, and special districts shall be completed and submitted to the governing authority of that political subdivision and made available for public inspection as provided for in R.S. 39:1308 no later than fifteen days prior to the beginning of each fiscal year.”*

The proposed budget for the fiscal year ended June 30, 2015 was not introduced for consideration by the Board of Alderman until June 25, 2014.

- LRS 39:1307 requires *“(A) Political subdivisions with total proposed expenditures of five hundred thousand dollars or more from the general fund and any special revenue funds in a fiscal year or other similar budgetary period shall afford the public an opportunity to participate in the budgetary process prior to adoption of the budget. (B) Upon completion of the proposed budget and, if applicable, its submission to the governing authority, the political subdivision shall cause to be published a notice stating that the proposed budget is available for public inspection. The notice shall also state that a public hearing on the proposed budget shall be held with the date, time, and place of the hearing specified in the notice. The notice shall be published at least ten days prior to the date of the first public hearing.”*

The proposed budget for the fiscal year ended June 30, 2015, was published in the Town's official journal on July 3, 2014, but the Town did not wait the required 10-day waiting period before holding the public hearing on the budget and adopting the budget on July 8, 2014, only five days after publication.

- LRS 39:9 requires *“(A) All action necessary to adopt and otherwise finalize and implement the budget for a fiscal year shall be taken in open meeting and completed before the end of the prior fiscal year.”*

The budget for the fiscal year ended June 30, 2015, was not finalized and adopted by the Board of Aldermen until July 8, 2014, after the beginning of the new fiscal year.

- LRS 1311 requires *“(A). The adopted budget and any duly authorized adopted amendments shall form the framework from which the chief executive or administrative officers and members of the governing authority of the political subdivision shall monitor revenues and control expenditures. The chief executive or administrative officer for a political subdivision subject to public participation as provided*

Town of Independence, Louisiana
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015

in R.S. 39:1307 shall advise the governing authority or independently elected official in writing when: (1) Total revenue and other sources plus projected revenue and other sources for the remainder of the year, within a fund, are failing to meet total budgeted revenues and other sources by five percent or more. (2) Total actual expenditures and other uses plus projected expenditures and other uses for the remainder of the year, within a fund, are exceeding the total budgeted expenditures and other uses by five percent or more. (3) Actual beginning fund balance, within a fund, fails to meet estimated beginning fund balance by five percent or more and fund balance is being used to fund current year expenditures."

While the Town did adopt a budget amendment before year-end, actual expenditures in the General Fund exceeded the amounts budgeted by \$141,709 or 10.93%.

Effect: Failure to follow the precise requirements of the Local Government Budget Act resulted in the Town adopting its budget for the fiscal year ended June 30, 2015, late and may also not be in compliance with several of the budget laws specified in LRS 39:1301-1315.

Cause: The cause of this condition appears to be lack of training and understanding of the specific requirements of the Local Government Budget Act by the Town Clerk and Mayor.

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

Management's Corrective Action Plan: Mayor concurs with the recommendation of the Auditor.

2015-016 – Public Bid Law

Condition: The Town may not have complied with certain provisions of the Public Bid Law.

Criteria: Public Bid Law procedures applicable to the Town are specified in state law, LRS 38:2211-2296. The pertinent parts of the law and the manner in which the Town may not have complied are as follows:

- LRS 38:2212(A)(1) requires *"All public work exceeding the contract limit as defined in this Section, including labor and materials, to be done by a public entity, shall be advertised and let by contract to the lowest responsible and responsive bidder who had bid according to the bidding documents as advertised, and no such public work shall be done except as provided in this Part."* Furthermore LRS 38:2212(C)(1) requires *"Except as provided in Paragraphs (2) and (3) of this Subsection, the term "contract limit" as used herein shall be equal to the sum of one hundred fifty thousand dollars per project."*

The Town is currently constructing a new building to house the Police Department with an estimated total cost of \$300,000.00. No bids were advertised on this public works project as required by law.

- LRS 38:2216(A)(1) requires *"When any bid is accepted for the construction or doing of any public works, a written contract shall be entered into by the successful bidder and the public entity letting the contract, and the party to whom the contract is awarded shall furnish good and solvent bond in an amount not less than one-half of the amount of the contract, for the faithful performance of his duties."*

The Town is currently constructing a new building to house the Police Department with an estimated total cost of \$300,000.00. No written contracts or a performance bond was obtained for this public works project as required by law.

Town of Independence, Louisiana
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015

Effect: Failure to follow the precise requirements of the Public Bid Law resulted in the Town constructing a public works project without proper bidding procedures which may be a violation of state law and also may not have resulted in the Town receiving the lowest possible cost for this public works project. Furthermore, failure of the Town to require a written contract with a performance bond from the contractor may also be a violation of state law that could also result in a loss to the Town if the contractor fails or is otherwise unable to complete the project.

Cause: The cause of this condition appears to be the Mayor not following the specific requirements of the Public Bid Law as it applies to Public Works Projects.

Recommendation: We recommend that the current Town Clerk attend training classes sponsored by the Louisiana Legislative Auditor's office or the Louisiana Municipal Association regarding the Public Bid Law. We further recommend that before the Board of Alderman authorize a new public works project with a total cost expected to exceed the contract limit (currently \$150,000.00), the Board of Alderman require the project to be bid in accordance with the Public Bid Law.

Management's Corrective Action Plan: With the Mayor's 50+ years of experience in the construction business, over \$71,000 was saved on this public works project. Below is the breakdown of savings:

Supervision	\$31,200
Bonds, Insurance, Overhead & Profit	\$28,000
Architect Fees	\$12,000

2015-017 – Occupational License Tax Revenue

Condition: The Town may not have complied with certain provisions of state law and Town ordinance that require occupational licenses to be issued to all businesses doing business in the Town limits of the Town unless specifically exempted by statute.

Criteria: The pertinent parts of state law and Town ordinance that requires occupational licenses be issued to all businesses doing business in the Town limits of the Town and the manner in which the Town may not have complied are as follows:

- LRS 47:350 requires *“(A) Every person subject to a license tax levied by this Chapter shall apply to the collector for a license before the same becomes delinquent, as provided in this Chapter. The application shall state all facts necessary to determine the amount of taxes due under this Chapter. (B) If the collector is not satisfied with the facts set forth in the application or for any reason desires to audit the books and records of the taxpayer, the collector or any of his authorized assistants may audit and inspect all records of the taxpayer that would have any bearing upon the amount of taxes due under this Chapter.” (C) If an individual is an applicant for a license required by this Chapter, the applications must be signed by him; if a partnership or an association of persons, by a member of the firm; and if a corporation, by the proper officer thereof. (D) Any intentional false statement as to any material facts in the application for a license under this Chapter shall constitute a misdemeanor, and any person convicted thereof shall be fined not more than two hundred dollars or imprisoned for not more than six months, or both.”*

In testing occupational licenses, we noted the following:

Town of Independence, Louisiana
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015

- A business owned by a current Alderman for the Town, has not paid a 2015 occupational license tax resulting in a potential understatement of approximately \$650.
 - A business owned by a second current Alderman for the Town, does not have a 2015 occupational license resulting in a potential understatement of \$1,200.
 - A local business did not pay the 2015 occupational license until late September 2015. No interest or delinquent penalties were collected on this account. Upon further review of this occupational license tax file, it was determined that the company was issued an occupational license for 2014 and prior years without a completed application form and other documents necessary to compute the correct amount of license to be collected resulting in a potential understatement of \$8,000-\$10,000.
 - Our audit revealed several other businesses that are required to pay an occupational license but had not paid a license for 2015 and prior years.
 - Our audit also revealed other commercial businesses and apartment owners on the utility system master file as receiving Town services and other business on the 2014 sales tax master file as collecting sales tax in the Town limits that do not appear to have been issued a license for 2015. Town employees told us that many of these businesses are no longer in operation and those that are in operation are currently being reviewed.
- LRS 47:343(B)(1) requires *“annually thereafter all license taxes levied hereunder shall be due and payable on January first of each calendar year for which the license is due, except that for a new business commencing after January first of any calendar year, the first license shall be due and payable on the date the business is commenced. (2) All licenses unpaid after the last day of February of the calendar year for which they are due or, in the case of a new business, unpaid on the date such business is commenced shall be deemed delinquent and subject to the payment of delinquent interest and penalty. Delinquent interest and penalty shall be computed from March first of the calendar year for which they are due.”*

In testing occupational licenses, we noted the Town is not collecting any penalties or interest on past due occupational licenses resulting in a potential underpayment in excess of \$2,000.

Effect: Failure to follow the legal requirements to collect occupational license tax revenues may have resulted in the Town being in violation of state law and Town ordinance, may have resulted in the Town being in violation of a bond covenant, and has resulted in a significant loss of revenue for the Town.

Cause: The cause of this condition appears to be lack of knowledge on the part of the Occupational License Clerk on the Occupational Tax Laws and Regulations and lack of knowledge of how to correctly use the occupational license tax software program, and also, the Mayor not requiring all business to complete an occupational license as required by state law and Town ordinance.

Recommendation: We recommend that the Town take the following actions:

- The current Town Clerk and Occupational License Clerk attend training classes sponsored by the Louisiana Legislative Auditor’s office or the Louisiana Municipal Association regarding the proper collection of occupational licenses.
- Have the Occupational License Clerk take additional training on the occupational license tax software program so that the proper amount of delinquent penalties and interest can be charged on delinquent taxpayers.
- The Town take all actions allowable under the law to enforce collection of those business owners who have failed to obtain an occupational license for 2015 and all prior years including the collection of past due penalties and interest.

Town of Independence, Louisiana
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015

- We recommend that a certified letter be mailed each March notifying delinquent taxpayers of their requirement to file their occupational license tax return and consider suspending utility services for those businesses not current with their occupational license tax.
- We recommend the Occupational License Clerk obtain from the Tangipahoa Parish Sales Tax Office a “*Gross Sales By Location By Year Report*” and verify that each business listed has renewed their occupational license for the subsequent year and that the sales amount reported on the application agrees to the sales reported to the Tangipahoa Parish School System.

Management’s Corrective Action Plan: Mayor concurs with the recommendation of the Auditor.

2015-018 – Court Costs Owed to Other Governmental Agencies

Condition: The Town may not have complied with certain provisions of state law that require court costs collected on traffic citations to be remitted to other governmental agencies.

Criteria: The pertinent parts of state law that requires certain court costs be collected on traffic citations and the manner in which the Town may not have complied are as follows:

- LRS 46:1816(E) requires that a court cost of \$2, less a 2% administrative fee, be collected from anyone convicted of a municipal ordinance, including traffic violations, and remitted to the Louisiana Commission of Law Enforcement and Administration of Criminal Justice. The Town’s records indicate total actual convictions of municipal ordinances during the year ended June 30, 2015, to be approximately eight hundred and fifty citations. There is no evidence in the Town’s files that this fee was remitted as required by law resulting in an underpayment of approximately \$1,698 for the fiscal year ended June 30, 2015.
- LRS 46:2633 requires that a court cost of \$5 be collected from anyone convicted of reckless driving or speeding and remitted to the Louisiana State Treasury for the Traumatic Head and Spinal Cord Injury Trust Fund. The Town’s records indicate total actual convictions of municipal ordinances during the year ended June 30, 2015, to be approximately eight hundred and fifty with approximately 25% of those convictions for speeding. There is no evidence in the Town’s files that this fee was remitted as required by law resulting in an underpayment of approximately \$1,075.00 for the fiscal year ended June 30, 2015.
- Louisiana Code of Criminal Procedure Article 887(F) requires that a court cost of \$1 be collected from anyone convicted of a municipal ordinance, including traffic violations, and remitted to the Louisiana State Treasury for a trial court management information system. The Town’s records indicate total convictions of municipal ordinances during the year ended June 30, 2015, to be approximately eight hundred fifty. There is no evidence in the Town’s files that this fee was remitted as required by law resulting in an underpayment of approximately \$850.00 for the fiscal year ended June 30, 2015.
- LRS 15:1094.7 requires that a court cost of no more than \$5 be collected from anyone convicted of a municipal ordinance, including traffic violations, and remitted to the Florida Parishes Juvenile Justice Commission. The Town’s records indicate total actual convictions of municipal ordinances during the year ended June 30, 2015, to be approximately eight hundred fifty. There is no evidence in the Town’s files that this fee was remitted as required by law resulting in an underpayment of approximately \$4,245.00 for the fiscal year ended June 30, 2015.

Effect: Failure to follow the legal requirements to collect and remit certain court costs may have resulted in the Town being in violation of state law and have outstanding liabilities to these agencies for the current and prior fiscal years.

Town of Independence, Louisiana
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015

Cause: The cause of this condition appears to be lack of knowledge on the part of the Court Clerk and Mayor on the nature and type of court costs required to be collected and remitted to the appropriate governmental agencies.

Recommendation: We recommend that the current Court Clerk attend training classes sponsored by the Louisiana Legislative Auditor's office or the Louisiana Municipal Association regarding the operations of Traffic Court and the specific court costs that must be collected and remitted to other governmental agencies. In addition we recommend the Town immediately begin remitting to the other governmental agencies the amounts due on a regular monthly basis and seek the advice of a qualified attorney and/or seek an opinion from the Louisiana Attorney General regarding the collection of underpaid court costs from previous fiscal years.

Management's Corrective Action Plan: Mayor concurs with the recommendation of the Auditor.

2015-019 – Bond Covenant Compliance

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

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

- \$300,000 Taxable Revenue Bonds, Series 2010, Section 8(a) requires in part *“The depositary for the Sinking Fund shall transfer from the Sinking Fund to the Paying Agent at least one (1) day in advance of the date on which each payment of principal and/or interest on the Bonds falls due, funds fully sufficient to promptly pay the maturing principal and/or interest falling due on such date.”*

The Town was delinquent for three semi-annual interest payments totaling 17,563 at June 30, 2015.

- \$300,000 Taxable Revenue Bonds, Series 2010, Section 10 requires in part *“As long as any of the Bonds are outstanding and unpaid in principal or interest, the Issuer shall prepare and adopt a budget prior to the beginning of each Fiscal Year and shall furnish a copy of such budget within thirty (30) days after its adoption to the Paying Agent and the Purchaser; the Issuer shall also furnish a copy of such budget to any Owner who requests the same. Not later than six (6) months after the close of each Fiscal Year, the Issuer shall cause an audit of its books and accounts to be made by the Legislative Auditor or an independent firm of certified public accountants showing the receipts and disbursements made by the Issuer during the previous Fiscal Year. Such audit shall be available for inspection by any Owner, and, upon completion, a copy of such audit shall be furnished to the Purchasers.”*

The required budget was not finalized and adopted by the Board of Aldermen until July 8, 2014, after the beginning of the new fiscal year.

- \$975,000 Sewer Revenue Bonds, Series 1997, Section 10(C) requires *“The maintenance of the “Sewer Revenue Bond Reserve Fund” (the “Reserve Fund”), heretofore established and maintained pursuant to the Parity Bond Resolution, by transferring from said Sewer Revenue Fund to the regularly designated fiscal agent bank of the Issuer (or such other bank designated by the Issuer with the approval of the Government), monthly in advance on or before the 20th day of each month of each year, commencing with the month following completion of and acceptance of the improvements and extensions financed with the proceeds of the Bonds, a sum at least equal to five percent (5%) of the amount to be paid into the Sinking Fund provided for in paragraph (b) above, the payments into the Reserve Fund to continue until such time as there has been accumulated in the Reserve Fund a sum equal to the highest combined*

Town of Independence, Louisiana
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015

principal and interest falling due in any year on the Bonds as a Debt Service Reserve, the money in the Reserve Fund to be retained solely for the purpose of paying the principal of and interest on bonds payable from the Sinking Fund as to which there would otherwise be default. In the event that additional pari passu bonds are issued hereafter in the manner provided by this resolution, the payments into the Reserve Fund shall continue, or if the said payments have ceased because of the accumulation of the maximum amount provided above, then such payments shall be resumed, until such time as there has been accumulated in the Reserve Fund an amount of money equal to the highest combined principal and interest requirements for any succeeding twelve (12) month period on such bonds payable from the Sinking Fund.”

The Town currently does not have a separate Sewer Revenue Bond Reserve Fund as required but uses one bank account, the Sewer Revenue Bond and Interest Sinking Fund to hold funds for both the Sinking Fund and the Reserve Fund.

- \$975,000 Sewer Revenue Bonds, Series 1997, Section 13(D) requires *“it will maintain separate records and accounts and make full and correct entries of all transactions relating to the System. All books and accounts of the Issuer, including those pertaining to the System, shall be audited annually no later than three (3) months after the close of each fiscal year by a recognized independent firm of certified or registered public accountants, which audit shall reflect all receipts and disbursements of the Issuer, including those made for the account of the System. Such audit shall be furnished upon request to the registered owner of any of the Bonds, to the Government and to the fiscal agent bank of the Issuer.”*

The Town did not complete the required annual audit for the fiscal year ended June 30, 2014, within three months as required.

- \$150,000 of Limited Tax Bonds, Series 2015, Section 8 requires *“For the payment of the principal of and the interest on time Bonds, there is hereby created a special fund known as the “Town of Independence Limited Tax Bonds (2015) Sinking Fund”, the Sinking Fund to be maintained with the regularly designated fiscal agent bank of the Issuer. The Issuer shall deposit in the Sinking Fund from the first revenues of the Tax received in any calendar year, a sum equal to the principal and/or interest falling due on the Bonds in that calendar year, together with such additional proportionate sum as may be required to pay said principal and interest as the same become due and any amount required to pay the charges of the Paying Agent. The depository for the Sinking Fund shall transfer from the Sinking Fund to the Paying Agent at least one (1) day in advance of each Interest Payment Date, funds fully sufficient to pay promptly the principal and interest falling due on such date.”*

The Town has not established the Limited Tax Bonds (2015) Sinking Fund as required.

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

Cause: The Town Clerk and Mayor do not appear to have a thorough understanding of the financial requirements and flow of funds for each individual bond issuance.

Recommendations: We recommend the Town Clerk review and gain a thorough understanding of the flow of funds and the other relevant financial covenants in each bond issuance currently outstanding. We further recommend the Town immediately established and fund the following accounts required by the bond authorizing resolutions:

Town of Independence, Louisiana
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015

- Obtain a waiver letter from First Guaranty Bank, current holders of the \$300,000 Taxable Revenue Bonds, Series 2010, stating that the failure to pay the semi-annual interest payments on time has not resulted in delinquent charges, additional interest charges or immediate acceleration of payment of the full amount of the bonds and interest due.
- Immediately create and fund the Sewer Revenue Bond Reserve Fund required by Section 10(C) of the \$975,000 Sewer Revenue Bonds, Series 1997, authorizing resolution.
- Obtain a waiver letter from United States Department of Agriculture, current holders of the \$975,000 Sewer Revenue Bonds, Series 1997, stating that the failure to complete the audit for the fiscal year ended June 30, 2014, by the required deadline of September 30, 2014, will not result in any immediate acceleration of payment of the full amount of the bonds and interest due.
- Immediately create and fund the Limited Tax Bonds 2015 Sinking Fund required by Section 8 of the \$150,000 of Limited Tax Bonds, Series 2015 authorizing resolution.

Management's Corrective Action Plan: Mayor concurs with the recommendation of the Auditor.

2015-020 – Disposition of Surplus Town Property

Condition: The Town may not have complied with certain requirements of state law regarding the sale or other disposition of surplus Town property.

Criteria: The pertinent parts of state law regarding disposal of general fixed assets and the manner in which the Town may have failed to comply are as follows:

- LAS-R.S. 33:4712(F) requires *“Notwithstanding any provisions of this Section to the contrary, a municipality may sell any movable property having an appraised value of five thousand dollars or less at private sale provided that: (1) A resolution giving the reasons for the action on the part of the governing authority and fixing the minimum price and terms of the sale shall be adopted, (2) Notice of the resolution and proposed sale shall be published once at least fifteen days prior to the date of the sale in the official journal of the municipality, and, (3) The sale shall be made to the person with the highest bid.”*

During the fiscal year ended June 30, 2015, the Town disposed of various moveable property under the possession of the Police Department. There is no evidence in the files to indicate a resolution was passed by the Board of Alderman declaring the property to be surplus and authorizing the property to be advertised and sold to the highest bidder.

Effect: Failure to follow the specific requirements to inventory all personal property and to have the Board of Alderman declare property surplus and available for sale to the highest bidder when no longer of use to the Town may have resulted in the Town failing to comply with the provisions of state law regarding the inventory of moveable property.

Cause: The cause appears to be that the Police Department may have disposed of surplus equipment and vehicles without the property authorization from the Board of Aldermen.

Recommendations: We recommend the Town Clerk review and gain a thorough understanding of the requirements for inventory of moveable assets by attending the training session sponsored by the Louisiana Legislative Auditor and the Louisiana Municipal Association. We further recommend the Town perform the following courses of action to correct this finding:

Town of Independence, Louisiana
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015

- Conduct a complete, comprehensive inventory of all moveable property to make sure all property is properly tagged and accounted for on the Town’s fixed asset inventory listing.
- Investigate any items listed on the Town’s fixed asset inventory listing that is either not properly tagged or cannot be located.

Management’s Corrective Action Plan: Mayor concurs with the recommendation of the Auditor.

2015-021 – Adequacy of Water and Sewer Utility Rates

Condition: The Town may not have complied with certain covenants contained in the outstanding Sewer System and Water System Revenue Bonds authorizing resolutions regarding the adequacy of rates (“Rate Covenant”). The Rate Covenant requires the Town to maintain rates sufficient to pay for the operation and maintenance of the system, principal and interest on the bonds as they become due and all reserve and contingency fund payments required.

As of June 30, 2015, the Town had the following revenue bonds outstanding for the sewer System and the Water System:

	06/30/15	<u>Annual Debt Service</u>		<u>Required Reserves</u>	
	<u>Balance</u>	<u>FY 15-16</u>	<u>FY 16-17</u>	<u>FY 15-16</u>	<u>FY 16-17</u>
<u>Sewer System:</u>					
\$975,000 Sewer Revenue Bonds, Series 1997	\$ 739,937	\$ 52,656	\$ 52,657	\$ 3,816	\$ 3,816
\$2,632,000 Sewer Revenue Bonds, Series 2014	2,632,000	90,752	110,232	3,126	12,504
	<u>\$ 3,371,937</u>	<u>\$ 143,408</u>	<u>\$ 162,889</u>	<u>\$ 6,942</u>	<u>\$ 16,320</u>
 <u>Water System:</u>					
\$1,425,000 Water Revenue Bonds, Series 2014	\$ 1,425,000	\$ 64,058	\$ 59,688		
\$1,150,000 Water Revenue Bonds, Series 2014	1,027,000	44,758	54,096		
	<u>\$ 2,452,000</u>	<u>\$ 108,816</u>	<u>\$ 113,784</u>	<u>\$ 10,066</u>	<u>\$ 11,400</u>

Each of these bond authorizing resolutions contain a covenant that requires the Town to maintain rates sufficient for the payment of all expenses of operating the system and to provide for repayment of the bonds with interest and to provide for a reserve fund and all other necessary obligations of the system (“Rate Covenant”). As part of our audit, we tested the adequacy of the Town’s current sewer rates and water rates. The results of our test of the rate covenant are as follows:

Town of Independence, Louisiana
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015

	Water		Sewer	
	Estimated		Estimated	
	FY 16-17	FY 15-16	FY 16-17	FY 15-16
<u>Cash Flows From Operating Activities:</u>				
Receipts from Customers	\$ 349,956	\$ 349,956	\$ 212,940	\$ 212,940
Payments to Suppliers	(177,517)	(169,064)	(214,729)	(204,504)
Payments to Employees	(132,679)	(126,361)	(101,607)	(96,769)
Dedicated Sales and Use Tax	-	-	155,000	155,000
<i>Total Cash Flow Prior to Debt Payment</i>	39,760	54,531	51,604	66,667
Annual Debt Service Payments	(113,784)	(108,816)	(162,889)	(143,408)
Required Reserve & Contingency Payments	(11,400)	(10,066)	(16,320)	(6,942)
<i>Surplus / (Deficit)</i>	<u>\$ (85,424)</u>	<u>\$ (64,351)</u>	<u>\$ (127,605)</u>	<u>\$ (83,683)</u>

Current rates charged to the water and sewer systems do not appear to be adequate to pay the principal, interest and required reserves on the outstanding bonds as required.

Criteria: Sewer and water rates should be evaluated at the beginning of each fiscal year to make sure the rates are adequate to pay all necessary expenses of operating the system and to provide for repayment of the principal and interest on the bonds as they become due and the required reserves and all other necessary obligations of the system operating expenses.

Cause: The cause of the condition appears to be lack of knowledge of Town personnel sufficient to perform an in-depth analysis of utility billing rates, operating expenses, required debt service payments, required reserve payments and other obligations of the system.

Effect: Failing to repay the principal and interest on bond indebtedness could cause the bonds to be called and the Town to be considered in default. This would require the Town to repay the outstanding balance of the bonds immediately, placing the Town in a dire financial state.

Recommendation: The Town should perform an in-depth analysis of the current rate structure using historical data to project future revenues, expenses, and debt obligations of each system. This analysis should be presented to the Board of Alderman so those individuals can decide if they believe the current rate structure is sufficient to repay future debt obligations as they become due.

Management’s Corrective Action Plan: Mayor concurs with the recommendation of the Auditor.

2015-022 – Town Failed to Report Mayor’s Vehicle Allowance as Income

Condition: During an investigative report performed by the Louisiana Legislative Auditor dated August 26, 2015, it was determined that the Town did not report the Mayor’s vehicle allowance as income as required by the Internal Revenue Service (IRS).

Criteria: IRS regulations require the following for vehicle allowance payments to be paid under an “accountable plan” and therefore, not treated as income:

Town of Independence, Louisiana
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015

- You must have a business connection – that is, you must have paid or incurred deductible expenses while performing services as an employee of your employer.
- You must adequately account to your employer for these expenses within a reasonable period of time.
- You must return any excess reimbursement or allowance within a reasonable period of time.
- Employees must adequately account to their employer for expenses by providing the employer with documentary evidence of travel, mileage, or other expenses.

By failing to provide the appropriate documentation to the Town, the Mayor's vehicle allowance should have been considered a non-accountable plan and reported as income.

Effect: By failing to provide the appropriate documentation to the Town, the Mayor's vehicle allowance should have been considered a non-accountable plan and reported as income.

Cause: This finding appears to be an oversight on the part of the Town Clerk when preparing the annual Form W-2.

Recommendation: The Louisiana Legislative Auditor recommends that the Town implement written policies and procedures to ensure that all employee compensation is properly processed and reported to the IRS. They further recommend that the Town amend the Mayor's earnings previously reported to the IRS to properly include amounts not reported.

Management's Corrective Action Plan: For 2014, the Mayor acknowledged he reported the vehicle allowance on his personal income tax returns. For the calendar year 2015, the Town will be reporting the unaccountable vehicle allowance in Box 1 and Box 16 of Form W-2.

Management Letter Recommendations

2015-023 – Condition of Minutes, Ordinances, and Records

Condition: During our audit and review of minutes, contracts, ordinances and other documents, we noted the overall condition of the Town's minutes, ordinances, and other documents to be poor.

Criteria: Strong recordkeeping practices should be maintained so that Town minutes are complete, current and ordinances, contracts and other records can be located when requested.

Cause: This appears to be an oversight by management and turnover of key personnel.

Effect: The Town's finance personnel were unable locate ordinances, contracts and other documents upon request by the auditors.

Recommendation: We recommend the Town Clerk read the provisions of LSA-R.S: 33.421 regarding the requirements for recording minutes and consider maintaining the minutes and agenda of each meeting in a bound book. Furthermore, we recommend the Town Clerk and her staff spend some time organizing files, contracts, ordinances and other information in files that are easily accessible when needed.

Management Corrective Action Plan: Mayor concurs with the recommendation of the Auditor.

Town of Independence, Louisiana
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015

2015-024 – Forfeited Customer Utility Deposits

Condition: During our audit and review of utility customer security deposits, we noted the amount of money on deposit in the restricted utility customer meter deposit bank account exceeded the actual amount owed to utility customers by \$16,204.

Criteria: Best practices require that the money held on deposit for utility customer security deposits always exceed the amount owed to utility customers.

Cause: This appears to be the result of the utility system clerk and the Town Clerk not transferring the money from the restricted utility customer meter deposit bank account to the water system revenue account each month as customers forfeit their security deposits in payment of their past due accounts..

Effect: The Town has \$16,204 money in a restricted bank account that could be used to fund the operations of the water system.

Recommendation: We recommend the Utility Clerk and Town Clerk perform a current analysis of the restricted utility customer meter deposit bank account to determine the amount of the current surplus. If a surplus exists immediately transfer that surplus to the Water System revenue fund. Furthermore, to prevent this condition from occurring in the future, we recommend the Utility Clerk and the Town Clerk perform a monthly roll forward and reconciliation of the restricted securing deposit account and transfer the forfeited security deposits to the revenue fund on a monthly basis.

Management Corrective Action Plan: Mayor concurs with the recommendation of the Auditor.

Town of Independence, Louisiana
Schedule of Prior Year Findings and Questioned Costs
For the Year Ended June 30, 2015

Ref.#	Fiscal Year Findings Initially Occurred	Description of Findings	Corrective Action Taken	Plan Corrective Action - Partial Corrective Action Taken
<u>Internal Control Findings</u>				
2014-001	2004	Lack of Adequate Segregation of Duties	None	None
2014-002	2012	Water and Sewer Fund Operating Deficits	None	None
2014-003	2008	Delinquent Receivables	Partially	Collected past due rents.
2014-004	2008	Written Policies and Procedures	None	None
2014-005	2014	Undeposited Receipts and Timeliness of Deposits	None	None
2014-006	2014	Supporting Documentation for Cash Disbursements	None	None
2014-007	2014	Utility Bilings	Partially	Uniform rates adopted for all customers.
<u>Compliance Findings</u>				
2014-008	2014	Compliance with Louisiana Local Government Budget Act	None	None
2014-009	2014	Public Bid Law	None	None
2014-010	2014	Retirement Plan Participation	None	None
<u>Louisiana Legislative Auditor Investigative Report Findings:</u>				
2014-011	2014	Utility Payments Not Deposited	None	None
2014-012	2014	Town Failed to Enroll Eligible Employees in Retirement Systems	None	None
2014-013	2014	Town Billed Reduced Rate to Mayor's Son	Resolved	Town attorney review matter and recommended no action be taken.
2014-014	2014	Town Failed to Report Mayor's Vehicle Allowance as Income	Partially	External accountant has agreed to include taxable allowance, if any, on Mayor's W-2 for 2015.
<u>Management Letter Suggestions</u>				
None				