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TOWN OF PEARL RIVER  
PEARL RIVER, LOUISIANA

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS'  
REPORT WITH SUPPLEMENTAL INFORMATION

December 31, 2003

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INDEPENDENT  
AUDITOR

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 5.12.04

## CONTENTS

	PAGE
INDEPENDENT AUDITORS' REPORT	3
GENERAL PURPOSE FINANCIAL STATEMENTS (COMBINED STATEMENTS - OVERVIEW)	
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS	5
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES	7
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL - GENERAL AND SPECIAL REVENUE FUNDS	8
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS - PROPRIETARY FUND TYPE	9
STATEMENTS OF CASH FLOWS - PROPRIETARY FUND TYPE	10
NOTES TO FINANCIAL STATEMENTS	11
SUPPLEMENTAL INFORMATION	
GENERAL FUND:	
SCHEDULE OF REVENUES	24
SCHEDULE OF EXPENDITURES	25
SPECIAL REVENUE FUNDS:	
COMBINING BALANCE SHEET	26
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES	27
STREET FUND:	
SCHEDULE OF EXPENDITURES	28
POLICE FUND:	
SCHEDULE OF EXPENDITURES	29
ENTERPRISE FUND - UTILITY SYSTEMS:	
SCHEDULE OF OPERATING EXPENSES	30
SCHEDULE OF GENERAL FIXED ASSETS	31
OTHER SUPPLEMENTAL INFORMATION:	
SCHEDULE OF UTILITY RATES	32
SCHEDULE OF GOVERNING BOARD	33
SCHEDULE OF INSURANCE COVERAGE	34
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT</i> <i>AUDITING STANDARDS</i>	35
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	37

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## INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and Board of Aldermen  
Town of Pearl River, Louisiana

We have audited the accompanying general purpose financial statements of the Town of Pearl River, Louisiana, as of and for the year ended December 31, 2003, as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion 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 *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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Town of Pearl River as of December 31, 2003 and the results of its operations and cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of the Town of Pearl River, Louisiana. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements of each of the respective individual funds and account groups taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 6, 2004 on our consideration of the Town of Pearl River's internal control over financial reporting and, on its compliance with laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

February 6, 2004

*Smith, Huval & Associates, L.L.C.*

**GENERAL PURPOSE FINANCIAL STATEMENTS  
(COMBINED STATEMENTS - OVERVIEW)**

TOWN OF PEARL RIVER, LOUISIANA

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS

December 31, 2003

ASSETS	Governmental Fund Types		Proprietary Fund Type		Account Groups			Total
	General	Special Revenue	Enterprise	General Fixed Assets	General Long-Term Debt	(Memorandum Only)		
Cash on hand and in bank	\$ 55,142	\$ 111,378	\$ 45,320	\$	\$	\$	211,840	
Certificates of deposit	50,000		45,000				95,000	
Receivables:								
Property taxes	45,829	30,226					76,055	
Sales taxes		48,310					48,310	
Accounts receivable, net			35,292				35,292	
Other	24,355						24,355	
Due from other funds	77,395	3,167	18				80,580	
Restricted assets:								
Revenue Bond Sinking Fund:								
Cash			25,986				25,986	
Revenue Bond Reserve Fund:								
Certificate of deposit			51,419				51,419	
Depreciation and Contingency Fund:								
Cash			72,273				72,273	
Bond issuance costs - net of amortization			13,983				13,983	
Fixed assets - net of depreciation			3,577,813	991,843			4,569,656	
Amount to be provided for retirement of capital lease					16,891		16,891	
	\$ 252,721	\$ 193,081	\$ 3,867,104	\$ 991,843	\$ 16,891	\$	\$ 5,321,640	

The accompanying notes are an integral part of this statement.

TOWN OF PEARL RIVER, LOUISIANA

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS (CONTINUED)

December 31, 2003

	Governmental Fund Types		Proprietary	Account Groups		Total
	General	Special Revenue	Fund Type Enterprise	General Fixed Assets	General Long-Term Debt	
<b>LIABILITIES AND FUND EQUITY</b>						
Current liabilities:						
Accounts payable and accrued expenses	\$ 8,627	\$ 22,453	\$ 7,158	\$	\$	\$ 38,238
Deferred revenue			26,103			26,103
Due to other funds	3,185		77,395			80,580
Payable from restricted assets:						
Interest payable on revenue bonds			7,486			7,486
Revenue bonds payable			65,609			65,609
Long-term liabilities:						
Capital lease payable					16,891	16,891
Bonds payable			716,280			716,280
Total liabilities	<u>11,812</u>	<u>22,453</u>	<u>900,031</u>	<u>-</u>	<u>16,891</u>	<u>951,187</u>
Fund Equity:						
Contributed capital			2,487,435			2,487,435
Investment in General Fixed Assets				991,843		991,843
Retained earnings:						
Reserve for Revenue Bond Fund			4,310			4,310
Reserve for Contingencies Fund			72,273			72,273
Unreserved			403,055			403,055
Fund balances:						
Reserve for future contingency	50,000					50,000
Unreserved and undesignated	190,909	170,628				361,537
Total fund equity	<u>240,909</u>	<u>170,628</u>	<u>2,967,073</u>	<u>991,843</u>	<u>-</u>	<u>4,370,453</u>
	\$ 252,721	\$ 193,081	\$ 3,867,104	\$ 991,843	\$ 16,891	\$ 5,321,640

TOWN OF PEARL RIVER, LOUISIANA

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - ALL GOVERNMENTAL FUND TYPES

For the Year Ended December 31, 2003

	<u>General</u>	<u>Special Revenue</u>	<u>Total (Memorandum Only)</u>
<b>Revenues:</b>			
Taxes	\$ 49,891	\$ 634,379	\$ 684,270
Court fines	107,163		107,163
Licenses and permits	73,015		73,015
Insurance licenses	81,557		81,557
Franchise tax	67,681	3,299	70,980
Interest	2,935	371	3,306
Other	23,258	13,839	37,097
Total revenues	<u>405,500</u>	<u>651,888</u>	<u>1,057,388</u>
<b>Expenditures:</b>			
General government	453,508		453,508
Police		322,244	322,244
Public works		315,850	315,850
Total expenditures	<u>453,508</u>	<u>638,094</u>	<u>1,091,602</u>
Excess (deficiency) of revenues over expenditures	(48,008)	13,794	(34,214)
<b>Other financing sources (uses):</b>			
Operating transfers in	307,004	322,887	629,891
Operating transfers out	(322,887)	(307,004)	(629,891)
Total other financing sources (uses)	<u>(15,883)</u>	<u>15,883</u>	<u>-</u>
Excess (deficiency) of revenue and other financing sources over expenditures and other financing uses	(63,891)	29,677	(34,214)
Fund balances, beginning	<u>304,800</u>	<u>140,951</u>	<u>445,751</u>
Fund balances, ending	<u>\$ 240,909</u>	<u>\$ 170,628</u>	<u>\$ 411,537</u>

The accompanying notes are an integral part of this statement.

TOWN OF PEARL RIVER, LOUISIANA

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
- BUDGET (GAAP BASIS) AND ACTUAL - GENERAL AND SPECIAL REVENUE FUNDS

For the Year Ended December 31, 2003

	General Fund		Special Revenue Funds		Variance Favorable (Unfavorable)
	Budget	Actual	Budget	Actual	
<b>Revenues:</b>					
Taxes	\$ 49,500	\$ 49,891	\$ 618,000	\$ 634,379	\$ 16,379
Court fines	85,000	107,163			
Licenses and permits	73,600	73,015			
Insurance licenses	82,000	81,557			
Franchise tax	75,000	67,681		3,299	3,299
Interest		2,935		371	371
Other	40,000	23,258	7,552	13,839	6,287
<b>Total revenue</b>	<u>405,100</u>	<u>405,500</u>	<u>625,552</u>	<u>651,888</u>	<u>26,336</u>
<b>Expenditures:</b>					
General government	404,427	453,508			
Police			361,173	322,244	38,929
Public works			390,552	315,850	74,702
<b>Total expenditures</b>	<u>404,427</u>	<u>453,508</u>	<u>751,725</u>	<u>638,094</u>	<u>113,631</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>673</u>	<u>(48,008)</u>	<u>(126,173)</u>	<u>13,794</u>	<u>139,967</u>
<b>Other financing sources (uses):</b>					
Operating transfers in		307,004	58,173	322,887	264,714
Operating transfers out	(60,673)	(322,887)		(307,004)	(307,004)
<b>Total other financing sources (uses)</b>	<u>(60,673)</u>	<u>(15,883)</u>	<u>58,173</u>	<u>15,883</u>	<u>(42,290)</u>
<b>Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses</b>	<u>\$ (60,000)</u>	<u>(63,891)</u>	<u>\$ (68,000)</u>	<u>29,677</u>	<u>\$ 97,677</u>
<b>Fund balance, beginning</b>		<u>304,800</u>		<u>140,951</u>	
<b>Fund balance, ending</b>		<u>\$ 240,909</u>		<u>\$ 170,628</u>	



TOWN OF PEARL RIVER, LOUISIANA

ENTERPRISE FUND  
UTILITY SYSTEMS

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS  
- PROPRIETARY FUND TYPE

For the Years Ended December 31, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Operating revenues:		
Sewer charges	\$ 195,958	\$ 188,332
Water charges	99,862	80,272
Late fees	7,753	4,720
Other fees and charges	<u>7,498</u>	<u>9,473</u>
Total operating revenues	<u>311,071</u>	<u>282,797</u>
Operating expenses:		
Administrative and general	28,306	28,935
Sewerage system expense	86,462	97,174
Water system expense	33,102	31,337
Bad debt expense	2,000	-
Amortization of bond issuance costs	1,097	1,371
Depreciation	<u>201,881</u>	<u>196,258</u>
Total operating expenses	<u>352,848</u>	<u>355,075</u>
Net operating loss	(41,777)	(72,278)
Non-operating revenues (expenses):		
Interest income	1,751	2,235
Interest expense	<u>(39,358)</u>	<u>(44,545)</u>
Total non-operating revenues (expenses)	<u>(37,607)</u>	<u>(42,310)</u>
Net loss	(79,384)	(114,588)
Depreciation transferred to contributed capital	<u>142,867</u>	<u>140,468</u>
Net increase in retained earnings	63,483	25,880
Retained earnings, beginning	<u>416,155</u>	<u>390,275</u>
Retained earnings, ending	<u>\$ 479,638</u>	<u>\$ 416,155</u>

The accompanying notes are an integral part of this statement.

TOWN OF PEARL RIVER, LOUISIANA

ENTERPRISE FUND  
UTILITY SYSTEMS

STATEMENTS OF CASH FLOWS - PROPRIETARY FUND TYPE

For the Years Ended December 31, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Cash flows from operating activities:		
Net operating loss	\$ (41,777)	\$ (72,278)
Adjustments to reconcile net operating loss to net cash provided by operating activities:		
Depreciation	201,881	196,258
Amortization of bond issuance costs	1,097	1,371
Bad debt allowance	2,000	-
Decrease (increase) in trade receivables	(7,716)	406
Decrease in other receivables	-	97,741
Increase in due from other funds	(18)	-
Increase (decrease) in accounts payable	39	(98,329)
Increase in deferred revenue	<u>2,425</u>	<u>510</u>
Total adjustments	<u>199,708</u>	<u>197,957</u>
Net cash provided by operating activities	<u>157,931</u>	<u>125,679</u>
Cash flows from capital and related financing activities:		
Principal payments	(59,058)	(56,220)
Purchase of fixed assets	(4,402)	(29,116)
Construction of facilities	-	(28,036)
Interest payments	(42,460)	(45,254)
Contributed capital	<u>-</u>	<u>28,036</u>
Net cash used by capital and related financing activities	<u>(105,920)</u>	<u>(130,590)</u>
Cash flows from investing activities:		
Interest received	1,751	2,235
Net sales (purchases) of certificates of deposit	<u>(35,585)</u>	<u>(1,121)</u>
Net cash provided by investing activities	<u>(33,834)</u>	<u>1,114</u>
Net increase (decrease) in cash and cash equivalents	18,177	(3,797)
Cash and cash equivalents at the beginning of the year	<u>125,402</u>	<u>129,199</u>
Cash and cash equivalents at the end of the year	<u>\$ 143,579</u>	<u>\$ 125,402</u>

The accompanying notes are an integral part of this statement.

TOWN OF PEARL RIVER, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Pearl River was incorporated in 1906 under the provisions of the Lawrason Act. The Town operates under a Mayor-Board of Aldermen form of government.

The accounting and reporting policies of the Town of Pearl River conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governments. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:517. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body in establishing governmental accounting and financial reporting principles. These financial statements are prepared in accordance with the reporting model prior to that described in GASB Statement No. 34. The following is a summary of certain significant accounting policies:

1. Reporting Entity

The financial statements of the Town of Pearl River consist only of the governmental funds, proprietary funds, and account groups of the Town. The Town has no oversight responsibility for any other governmental entity since no other entities are considered to be controlled by or dependent on the Town. Control or dependence is determined on the basis of budget adoption, taxing authority, funding, and appointment of the respective governing board. All activities of the primary government are included in these financial statements.

2. Fund Accounting

The accounts of the Town of Pearl River are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The following funds and groups of accounts included in the accompanying financial statements are used by the Town of Pearl River:

TOWN OF PEARL RIVER, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Fund Accounting - Continued

Governmental Funds:

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

**Special Revenue Funds** - Special revenue funds are used to account for the proceeds of specific revenue sources (other than capital projects) that are legally restricted to expenditures for specific purposes. The following are the Town's special revenue funds:

**Street Fund** - This fund is used to account for proceeds of the 2% Sales and Use Tax that is collected and restricted to the following uses:

1% of Levy dedicated for construction, resurfacing, lighting and improving public streets, sidewalks and bridges; constructing, purchasing, improving, maintaining and operating recreation facilities and equipment; constructing, acquiring or improving lands, buildings and any work of permanent public improvement, including equipment and furnishings therefor; and installing and operating sewerage and water systems including disposal plants, lagoons, etc., title to which shall be in the public.

1% of Levy dedicated to police department salaries and expenses. This portion is transferred to the police fund where police department expenditures are budgeted.

On July 21, 2002, the Town passed a ten year 4.17 mills ad valorem tax dedicated to improving and maintaining Streets. This tax has also been recorded in the Street Fund.

**Police Fund** - This fund is used to account for the expenditures of the police department.

Proprietary Fund:

**Enterprise Fund** - The Enterprise Fund is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the government body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (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, or other purposes.

TOWN OF PEARL RIVER, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Fund Accounting - Continued

General Fixed Assets and General Long-Term Debt Account Groups:

General Fixed Assets - The General Fixed Assets Account Group is used to account for fixed assets used in governmental fund type operations for control purposes. All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are estimated at their fair market value on the date of donation. No depreciation is recorded on general fixed assets.

General Long-Term Debt Account Group - The General Long-Term Debt Account Group is used to account for long-term liabilities to be financed from governmental funds.

3. Fixed Assets and Long-Term Liabilities

The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus. All governmental funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources". Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in fund balance (net current assets). Accordingly, they are said to present a summary of sources and uses of available spendable resources" during a period.

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group rather than in governmental funds. No depreciation has been provided on general fixed assets.

Fixed asset values are based on historical cost (if available) or estimated historical cost if historical cost was not available.

Long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-Term Debt Account Group, not in the governmental funds.

TOWN OF PEARL RIVER, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Fixed Assets and Long-Term Liabilities - Continued

Because of their spending measurement focus, expenditure recognition for governmental fund types is limited to exclude amounts represented by non-current liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities. They are listed as liabilities in the General Long-Term Debt Account Group.

The two account groups are not "funds". They are concerned only with the measurement of financial position. They are not involved with measurement of results of operations.

The proprietary fund is accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or non-current) associated with its activity are included on its balance sheet. Its reported fund equity (net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

Depreciation of exhaustible fixed assets used by the proprietary fund is charged as an expense against its operations or its contributed capital depending on how it was acquired. Accumulated depreciation is reported on the propriety fund balance sheet. Depreciation has been provided over the estimated useful lives using the straight line method. The estimated lives are as follows:

Sewerage System	25-40 years
Water System	25-40 years
Equipment	5-10 years

4. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available. Sales, and other taxes and fees are considered measurable when in the hands of intermediary collecting governments and are recognized as revenue at that time. Ad valorem taxes are considered measurable when levied. Grants from other governments are recognized when qualifying expenditures are incurred.

TOWN OF PEARL RIVER, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. Basis of Accounting - Continued

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include: (1) accumulated unvested sick pay which is not accrued; and (2) principal and interest on general long-term debt which is recognized when due.

All proprietary funds are accounted for using the accrual basis of accounting whereby revenues are recognized when they are earned and expenses are recognized when incurred. The Town applies all applicable FASB pronouncements passed on or before November 30, 1989 in accounting and reporting for its proprietary fund operations unless those pronouncements conflict with or contradict GASB pronouncements.

5. Budgets and Budgetary Accounting

Prior to the beginning of each year, an annual operating budget is prepared. At the end of the fiscal year, unexpended appropriations of these funds automatically lapse.

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

- (1) The Mayor, Board of Aldermen, Town Clerk, and other advisory personnel assemble the necessary financial information. The Mayor submits the information for review to the Board of Aldermen at least 45 days prior to January 1 of the following year.
- (2) A public hearing is conducted to obtain taxpayer comments.
- (3) Prior to the beginning of the new fiscal year, the budget is legally enacted through passage of a resolution by the Board of Aldermen.
- (4) The Mayor is authorized to transfer budgeted amounts among programs within a department, office or agency; however, any revisions that alter the total revenues and/or expenditures budgeted for any department, office, agency or fund must be approved by the Board of Aldermen.

TOWN OF PEARL RIVER, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

6. Cash, Cash Equivalents and Investments

Cash includes amounts in demand deposits, interest-bearing demand deposits, and money market accounts. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the municipality 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 municipality may invest in United States bonds, treasury notes, or 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 equivalents.

7. Accounts Receivable

Uncollectible amounts due for customers' utility receivables are recognized as bad debts through the establishment of an allowance account at the time information becomes available which would indicate the uncollectibility of the particular receivable. The allowance is \$4,000 at December 31, 2003.

8. Interfund Transactions

*Quasi-external transactions are accounted for as revenues or expenditures.*

Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers.

9. Total Columns of Combined Statements - Overview

Total columns on the combined statements - overview are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with accounting principles generally accepted in the United States of America. The 2002 amounts are presented for comparison purposes only. Interfund eliminations have not been made in the aggregation of this data.



TOWN OF PEARL RIVER, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

NOTE B - CASH AND CASH EQUIVALENTS

The Town's deposits at December 31, 2003, are summarized as follows:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Category 1		
Demand deposits	\$ 310,099	\$ 317,730
Certificates of deposit	<u>146,419</u>	<u>146,419</u>
Total	<u>\$ 456,518</u>	<u>\$ 464,149</u>

Under state law, the bank balances of 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 or exceed the amount on deposit with the fiscal agent. At December 31, 2003, deposits are entirely insured or collateralized with securities held by a mutually acceptable third party financial institution in the Town's name, which is considered a Category 1 investment credit risk as defined by the Governmental Accounting Standards Board. The carrying amount does not include accrued interest of \$549 on certificates of deposit.

For the purpose of the cash flows statement, cash for the Enterprise Fund is recapped as follows:

Unrestricted	\$ 45,320
Bond Sinking	25,986
Depreciation and Contingency	<u>72,273</u>
	<u>\$ 143,579</u>

NOTE C - DUE TO/FROM OTHER FUNDS

Individual fund Interfund receivable and payable balances at December 31, 2003 were as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 77,395	\$ 3,185
Special Revenue		
Police	3,031	-
Street	136	-
Enterprise Fund	<u>18</u>	<u>77,395</u>
	<u>\$ 80,580</u>	<u>\$ 80,580</u>

TOWN OF PEARL RIVER, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

NOTE D - AD VALOREM TAXES

Property taxes are normally levied and billed in December of each year and are delinquent on January 1, of the following year. Revenues are recognized when levied to the extent they are determined to be currently collectible. The Town bills and collects its own property taxes using the assessed values determined by the tax assessor of St. Tammany Parish.

NOTE E - RESTRICTED ASSETS

On October 1, 1998, the Town issued \$1,050,000 of Utility Revenue and Refunding Bonds which were used to refund the remaining balance payable of the 1989 Utility Revenue Bonds, as well as providing funds for additional improvements to the water system. The restrictions related to the 1989 Bonds have been replaced with the following requirements providing for certain restrictions of assets of the Enterprise Fund.

1. Revenue Bond Sinking Fund

The requirement calls for the establishment and maintenance of a Sewer Utility Revenue Bond and Sinking Fund sufficient to pay promptly and in full the principal of and the interest on bonds authorized as they become due and payable. This requirement has been met at December 31, 2003.

2. Revenue Bond Reserve Fund

On October 1, 1998 the Town deposited the "Reserve Requirement" into the Reserve Fund. The sole purpose of this fund is to pay the principal of and the interest on the bonds payable from the Revenue Bond Reserve Fund as to which these would otherwise be in default. This requirement has been met as of December 31, 2003.

3. Depreciation and Contingency Fund

The resolution called for the establishment and maintenance of a Depreciation and Contingency Fund to care for depreciation, extensions, additions, improvements and replacements necessary to properly operate the system. Regular deposits of \$400 per month are to be deposited with the regularly designated fiscal agent of the Town. This requirement has been met at December 31, 2003.

TOWN OF PEARL RIVER, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

NOTE F - FIXED ASSETS

The Town has established a detailed fixed asset listing using historical cost and estimated historical cost. Presented below is a summary of changes in general fixed assets:

	<u>Amount</u>
Balance at January 1, 2003	\$ 832,946
Additions	172,397
Retirements	<u>(13,500)</u>
Balance at December 31, 2003	<u>\$ 991,843</u>

Fixed assets are shown at net on the Balance Sheet for the Enterprise Fund and consist of the following:

Land	\$ 68,609
Sewer plant	1,049,471
Sewer lines	3,079,349
Water system	825,429
Water tower	498,871
Street resurfacing	232,026
Tools and equipment	98,072
Trucks	16,000
Computer system	<u>6,879</u>
	5,874,706
Less: accumulated depreciation	<u>(2,296,893)</u>
Net	<u>\$ 3,577,813</u>

NOTE G - REVENUE BONDS PAYABLE

The following is a summary of revenue bond transactions of the Enterprise Fund for the year ended December 31, 2003:

	<u>Revenue Bonds</u>
Bonds payable at January 1, 2003	\$ 840,947
Bonds issued	-
Bonds retired	<u>(59,058)</u>
Bonds payable at December 31, 2003	<u>\$ 781,889</u>

TOWN OF PEARL RIVER, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

NOTE G - REVENUE BONDS PAYABLE (Continued)

Bonds payable at December 31, 2003 is comprised of the following individual bond:

\$1,050,000 Utility Revenue and Refunding Bonds dated 10/01/98; due in fifteen annual installments of \$95,634 including interest at 3.84%; secured by revenues of the Water and Sewer System	\$ 781,889
Less current maturities	<u>(65,609)</u>
Long -term debt	<u>\$ 716,280</u>

The annual requirements to amortize Revenue Bonds Payable, including interest payments of \$174,448, are as follows as of December 31, 2003:

Year Ending <u>December 31,</u>	<u>Revenue Bonds</u>
2004	\$ 95,634
2005	95,634
2006	95,634
2007	95,634
2008	95,634
2009 to 2013	<u>478,167</u>
	<u>\$ 956,338</u>

NOTE H - PENSION PLANS

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA

Plan Description. All full-time police department employees engaged in law enforcement are eligible to participate in the System. Employees who retire at or after age 50 with at least 20 years of creditable service or at or after age 55 with at least 12 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3-1/3 percent of their final-average salary for each year of creditable service. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified previously and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

TOWN OF PEARL RIVER, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

NOTE H - PENSION PLANS (Continued)

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA (Continued)

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

Funding Policy. Plan members are required by state statute to contribute 7.5 percent of their annual covered salary and the Town of Pearl River is required to contribute at an actuarially determined rate. The current rate is 9.0 percent of annual covered payroll. The contribution requirements of plan members and the Town of Pearl River are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Town of Pearl River contributions to the System for the years ending December 31, 2003, 2002, and 2001 were \$6,312, \$5,544, and \$5,280, respectively, equal to the required contributions for each year.

NOTE I - CAPITAL LEASE OBLIGATIONS

The Town is obligated under a lease accounted for as a capital lease. The leased asset and related obligation is accounted for in the General Fixed Asset Account Group and the General Long-Term Debt Account Group, respectively. The assets under capital lease totaled \$34,900.

The following is a schedule of future minimum lease payments under the capital lease, together with the net present value of the minimum lease payments as of December 31, 2003:

<u>Year Ending December 31,</u>	<u>General Long-Term Debt Account Group</u>
Minimum lease payments for	
2004	\$ 7,998
2005	7,998
2006	<u>1,999</u>
	17,995
Amount representing interest	<u>(1,104)</u>
Present value of minimum lease payments	<u>\$ 16,891</u>

TOWN OF PEARL RIVER, LOUISIANA  
NOTES TO FINANCIAL STATEMENTS

December 31, 2003

NOTE J - CHANGES IN CONTRIBUTED CAPITAL

The following details the components of Waste Water Fund Contributed Capital at December 31, 2003:

Contributed Capital - January 1, 2002	\$ 2,630,302
Additions:	-
Decreases:	
Depreciation on assets constructed substantially from funds supplied by contributions in aid of construction	<u>(142,867)</u>
Contributed Capital - December 31, 2003	<u>\$ 2,487,435</u>

NOTE K - BOARD OF ALDERMEN COMPENSATION

The Board of Aldermen receive five hundred dollars per month which are included in the Town's General Fund.

NOTE L - CASH FLOW INFORMATION

For the year ended December 31, 2003, the Town paid interest of \$42,460, all of which was expensed.

NOTE M - ACCOUNTS PAYABLE AND ACCRUED EXPENSES

At December 31, 2003, the Town owed the following amounts of accounts payable and accrued expenses:

	<u>General</u>	<u>Special Revenue</u>	<u>Enterprise</u>
Accounts payable	\$ 2,087	\$ 3,575	\$ 400
Accrued payroll	6,540	11,155	930
Retainage payable		7,723	
Other	<u>          </u>	<u>          </u>	<u>5,828</u>
	<u>\$ 8,627</u>	<u>\$ 22,453</u>	<u>\$ 7,158</u>

**SUPPLEMENTAL INFORMATION**

TOWN OF PEARL RIVER, LOUISIANA

GENERAL FUND

SCHEDULE OF REVENUES

For the Year Ended December 31, 2003

Revenue:

Taxes:

Ad valorem tax	\$ 46,938
Beer	2,953
Licenses and permits	73,015
Franchise tax	67,681
Court fines	107,163
Insurance licenses	81,557
Interest	2,935

Other:

Summer program	10,656
Charges for services	6,158
Other	<u>6,444</u>

Total revenue \$ 405,500



TOWN OF PEARL RIVER, LOUISIANA

GENERAL FUND

SCHEDULE OF EXPENDITURES

For the Year Ended December 31, 2003

General Government:

Salaries	\$ 78,119
Health insurance	52,329
Alderman's expense	30,000
Other operating expenses	29,384
Utilities	26,999
Repairs and maintenance	20,278
Insurance	17,059
Office expense	13,063
Summer Camp Program	11,668
Accounting	9,600
Retirement	7,500
Payroll taxes	6,773
Dues and conventions	5,985
Animal control	4,665
Community center	2,978
Clerk expense	2,400
Tax collectors' expense	2,025
Vehicle expense	1,727
Town decorations	1,678
Attorney fees	1,200
Official journal	663
Uniforms	309
Capital outlay	<u>127,106</u>
Total General Government	<u>\$ 453,108</u>

TOWN OF PEARL RIVER, LOUISIANA

SPECIAL REVENUE FUNDS

COMBINING BALANCE SHEET

December 31, 2003

	<u>Street Fund</u>	<u>Police Fund</u>	<u>Total</u>
<b>ASSETS</b>			
Cash	\$ 94,364	\$ 17,014	\$ 111,378
Sales taxes receivable	48,310	-	48,310
Ad valorem taxes receivable	30,226	-	30,226
Due to other funds	<u>136</u>	<u>3,031</u>	<u>3,167</u>
	<u>\$ 173,036</u>	<u>\$ 20,045</u>	<u>\$ 193,081</u>
<b>LIABILITIES AND FUND BALANCE</b>			
Accounts payable and accrued expenses	<u>\$ 10,531</u>	<u>\$ 11,922</u>	<u>\$ 22,453</u>
Total liabilities	<u>10,531</u>	<u>11,922</u>	<u>22,453</u>
Fund balance	<u>162,505</u>	<u>8,123</u>	<u>170,628</u>
	<u>\$ 173,036</u>	<u>\$ 20,045</u>	<u>\$ 193,081</u>

TOWN OF PEARL RIVER, LOUISIANA

SPECIAL REVENUE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES

For the Year Ended December 31, 2003

	<u>Street Fund</u>	<u>Police Fund</u>	<u>Total</u>
Revenues:			
Taxes	\$ 634,379	\$ -	\$ 634,379
Grants	-	3,299	3,299
Interest	268	103	371
Other	<u>10,416</u>	<u>3,423</u>	<u>13,839</u>
Total revenues	<u>645,063</u>	<u>6,825</u>	<u>651,888</u>
Expenditures:			
Police	-	322,244	322,244
Public works	<u>315,850</u>	<u>-</u>	<u>315,850</u>
Total expenditures	<u>315,850</u>	<u>322,244</u>	<u>638,094</u>
Excess (deficiency) of revenues over expenditures	329,213	(315,419)	13,794
Other financing sources (uses):			
Operating transfers in	-	322,887	322,887
Operating transfers out	<u>(298,004)</u>	<u>(9,000)</u>	<u>(307,004)</u>
Total other financing sources (uses)	<u>(298,004)</u>	<u>313,887</u>	<u>15,883</u>
Excess (deficiency) of revenue and other sources over expenditures and other uses	31,209	(1,532)	29,677
Fund balance, beginning	<u>131,296</u>	<u>9,655</u>	<u>140,951</u>
Fund balance, ending	<u>\$ 162,505</u>	<u>\$ 8,123</u>	<u>\$ 170,628</u>

TOWN OF PEARL RIVER, LOUISIANA

STREET FUND

SCHEDULE OF EXPENDITURES

For the Year Ended December 31, 2003

EXPENDITURES

Public Works:

Salaries	\$ 94,469
Repairs and maintenance	60,231
Workmen's compensation insurance	9,684
Payroll taxes	7,222
Paving materials	5,749
Gasoline and fluids	4,483
Insurance	3,209
General operating	1,760
Utilities	1,132
Capital outlay - streets	101,821
Capital outlay - equipment	18,092
Capital lease payments:	
Principal	6,864
Interest	<u>1,134</u>

Total Public Works \$ 315,850

TOWN OF PEARL RIVER, LOUISIANA

POLICE FUND

SCHEDULE OF EXPENDITURES

For the Year Ended December 31, 2003

EXPENDITURES

Police:

Salaries	\$ 204,786
Vehicle expenses	18,624
Other	16,073
Payroll taxes	16,048
Insurance	12,637
Workmen's compensation insurance	7,764
Utilities	6,585
Retirement	6,312
Office supplies	4,079
Training	1,840
Prisoner meals	297
Capital outlay	<u>27,199</u>

Total Police

\$ 322,244

TOWN OF PEARL RIVER, LOUISIANA

ENTERPRISE FUND  
UTILITY SYSTEMS

SCHEDULE OF OPERATING EXPENSES

For the Year Ended December 31, 2003

	<u>2003</u>	<u>2002</u>
Administrative and General:		
Salaries	\$ 19,027	\$ 19,505
Payroll taxes	3,837	3,502
Postage	2,211	2,493
Workmen's compensation insurance	1,579	1,665
Office supplies	1,020	1,004
Education and training	<u>632</u>	<u>766</u>
Total	<u>\$ 28,306</u>	<u>\$ 28,935</u>
Sewerage System:		
Utilities	\$ 32,933	\$ 31,102
Repairs and maintenance	26,586	\$ 40,882
Supplies	9,713	8,362
Other	5,986	2,696
Chemicals	4,794	5,573
Lab testing	3,493	3,223
State permit	1,767	3,604
Vehicle expenses	<u>1,190</u>	<u>1,732</u>
Total	<u>\$ 86,462</u>	<u>\$ 97,174</u>
Water System:		
Salaries	\$ 26,129	\$ 25,108
Utilities	6,650	5,729
Operating	<u>323</u>	<u>500</u>
Total	<u>\$ 33,102</u>	<u>\$ 31,337</u>

TOWN OF PEARL RIVER, LOUISIANA  
SCHEDULE OF GENERAL FIXED ASSETS

December 31, 2003

GENERAL FIXED ASSETS

Land	\$ 65,652
Buildings	188,241
Equipment and machinery	<u>704,928</u>
Total general fixed assets	<u>\$ 958,821</u>

INVESTMENT IN GENERAL FIXED ASSETS

Total investment in general fixed assets	<u>\$ 958,821</u>
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TOWN OF PEARL RIVER, LOUISIANA

SCHEDULE OF UTILITY RATES

December 31, 2003

Sewer charges:

Single Family Residential	- \$19.25
Multi-Family Residential	- \$19.25 x No. of Units
School	- \$30.00 + .50 per Student and Staff
Commercial	- \$30.00

Water rates:

Single Family Residential	- \$10.00
Multi-Family Residential	- \$10.00 x No. of Units
Commercial - Low Volume User	- \$20.00
Commercial - High Volume User	- \$40.00
Institutional	- \$275.00
Light Industrial	- \$275.00



TOWN OF PEARL RIVER, LOUISIANA

SCHEDULE OF GOVERNING BOARD

December 31, 2003

<u>Board of Aldermen</u>	<u>Term of Office</u>	<u>Compensation</u>
David McQueen P. O. Box 371 Pearl River, LA 70452 (985) 863-2176	December 31, 2006	\$ 6,000
Virgil Phillips 39110 Craddock Lane Pearl River, LA 70452 (985) 863-9495	December 31, 2006	\$ 4,500
Marie Crowe 65190 Highway 3081 Pearl River, LA 70452 (985) 863-9373	December 31, 2006	\$ 6,000
Theresa Zechenelly 64328 Nelson Road Pearl River, LA 70452 (985) 863-7184	December 31, 2006	\$ 6,000
Ruby Gauley 39107 McQueen Road Pearl River, LA 70452 (985) 863-7258	December 31, 2006	\$ 6,000
Pat Walsh Town of Pear River Pearl River, LA 70452	December 31, 2006	\$ 1,500

TOWN OF PEARL RIVER, LOUISIANA  
SCHEDULE OF INSURANCE COVERAGE

December 31, 2003

<u>Coverage</u>	<u>Amount of Coverage</u>
Property and contents (aggregate)	\$ 664,000
Fidelity:	
Mayor	\$ 100,000
Town clerk	100,000
Mayor - pro tem	100,000
Utility clerk	100,000
Liability:	
General	\$ 500,000
Auto	500,000
Error and omissions	500,000
Law enforcement	500,000

# Smith, Huval & Associates, L.L.C.

(A LIMITED LIABILITY COMPANY)

*Certified Public Accountants*

P.O. Box 3790

Covington, Louisiana 70434-3790

Samuel K. Smith, CPA  
Patrick "Bryan" Huval, CPA

(985) 892-6633 - Covington  
(985) 892-4666 - FAX

## REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Honorable Mayor and Board of Aldermen  
Pearl River, Louisiana

We have audited the general purpose financial statements of the Town of Pearl River, Louisiana, as of and for the year ended December 31, 2003, and have issued our report thereon dated February 6, 2004. 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.

### **Compliance**

As part of obtaining reasonable assurance about whether the Town of Pearl River, Louisiana's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determinations 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 2003-1 and 2003-2.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Town of Pear River's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect Town of Pear River's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying schedule of findings and questioned costs as item 2003-1.

To the Honorable Mayor and Board of Aldermen  
Pearl River, Louisiana

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.

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

February 6, 2004

*Smith, Havel & Associates, L.L.C.*

TOWN OF PEARL RIVER, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended December 31, 2003

2003-1 Police Petty Cash Bank Account

*Criteria:* Article 7, Section 14 of the Louisiana Constitution prohibits the loan, pledge, or donation of the funds of a local government.

*Condition:* The Town's police department operates a bank account in which it deposits accident report fees, use of breathalyser fees, and vending monies. This account had not been accounted for on the general ledger of the Town. During the audit for the year ended December 31, 2003, we obtained copies of bank statements and had the Town post the activity of the account. During our testing of disbursements from account, we found a \$1,600 check to the police chief with a description for Christmas party/bonuses. Per our discussion with the police chief, the check was cashed and each officer/dispatcher was paid a \$100 Christmas bonus totaling \$1,200 and \$400 was spent on an office Christmas party.

*Cause:* As the bank account was not accounted for in the Town's general ledger, it was not subject to the Town's internal control system.

*Recommendation:* The Town should begin accounting for this bank account. All deposits and disbursements should be subject to the Town's internal controls as to approval, documentation and review. The Town should adhere to Article 7, Section 14 in future disbursements.

*Management*

*Response:* This disbursement was considered as being paid using non-Town monies. To avoid further questions concerning the use of these monies, the police chief is going to close the bank account and start depositing Town monies into the Town's General Fund. Any non-town monies are going to be deposited into an existing Police Auxiliary account used for the police reserves.

TOWN OF PEARL RIVER, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended December 31, 2003

2003-2 Budget Amendment

*Criteria:* Louisiana Revised Statute 391.1310 requires the Town to amend its budget when actual expenditures exceed budget by more than 5%.

*Condition:* During the year ended December 31, 2003, General Fund expenditures of \$453,508 exceeded budget of \$404,427 creating an unfavorable variance of 49,081 (12.1%).

*Cause:* The Town did not amend its General Fund budget.

*Recommendation:* In the future, the Town should amend its budget when it expects expenditures will exceed budget by more than 5%.

*Management*

*Response:* The Town will monitor budget to actual reports on a monthly basis and make amendments when necessary.



# TOWN OF PEARL RIVER

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Pearl River, Louisiana 70452

Telephone (985) 863-5800

FAX (985) 863-2586

**RUBY GAULEY**  
Mayor Pro Tempore

**VIRGIL PHILLIPS**

**DAVID McQUEEN**

**THERESA ZECHENELLY**

**MARIE CROWE**

Aldermen

**BENNIE RAYNOR**

Chief of Police

**ELIZABETH ALLEN**

Town Clerk

**RONALD W. "RON" GUTH**

Town Attorney

**LISA POLK**

Deputy Clerk

**JAMES LAVIGNE**

Mayor

February 6, 2004

Legislative Audit Advisory Committee

P. O. Box 94397

Baton Rouge, LA 70804-9397

To Whom it May Concern:

I am writing in response to findings included in the audit of the Town of Pearl River for the year ended December 31, 2003. The following is our corrective action plan by finding:

2003 - 1 Police Petty Cash Bank Account

Corrective  
action:

The police chief will close this account and town monies received will be deposited in the General Fund. Any non-town monies will be deposited in the Police Auxiliary account used for police reserves. In the future, controls will be in place to assure that Town funds will not be used for inappropriate expenditures.

2003 - 2 Budget Amendment

Corrective  
action:

In the future, the Town will monitor its budget to actual reports on a monthly basis and make amendments when necessary.

Sincerely

James Lavigne

Mayor