
TOWN OF PEARL RIVER, LOUISIANA

FINANCIAL STATEMENTS

DECEMBER 31, 2021

RICHARD  CPAS

TOWN OF PEARL RIVER, LOUISIANA

FINANCIAL STATEMENTS

DECEMBER 31, 2021

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

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 Pearl River, Louisiana (the Town) as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town as of December 31, 2021, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for one year beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Town's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 30 through 32 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 inquires 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.

Management has omitted the management’s discussion and analysis information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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 historic context. Our opinion on the basic financial statements is not affected by the missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town’s basic financial statements. The Schedule of Operating Expenses – Proprietary Funds, Schedule of Compensation Paid to Members of the Board of Aldermen, the Schedule of Compensation, Benefits, Other Payments to the Agency Head, and the Justice System Funding Schedule – Collecting Disbursing Entity are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 Schedule of Operating Expenses – Proprietary Funds, Schedule of Compensation Paid to Members of the Board of Aldermen, the Schedule of Compensation, Benefits, and Other Payments to the Agency Head, and the Justice System Funding Schedule – Collecting Disbursing Entity are fairly stated, in all material respects, in relation to the basic financial statements are a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2022, on our consideration of the Town’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town’s internal control over financial reporting and compliance.

Richard CPAS

Metairie, Louisiana
September 30, 2022

TOWN OF PEARL RIVER, LOUISIANA
STATEMENT OF NET POSITION
DECEMBER 31, 2021

	Governmental Activities	Business-Type Activities	Total
<u>ASSETS</u>			
Cash and cash equivalents	\$ 3,543,165	\$ 1,054,715	\$ 4,597,880
Restricted cash - debt service	-	76,840	76,840
Restricted cash - federal	-	418,793	418,793
Receivables			
Water and sewer, net	-	123,468	123,468
Ad valorem taxes, net	341,947	-	341,947
Sales taxes	341,637	39,184	380,821
Franchise taxes	63,849	-	63,849
Grant	23,840	-	23,840
Internal balances	(24,838)	24,838	-
Prepaid items	35,258	1,981	37,239
Capital assets not being depreciated	104,377	172,501	276,878
Capital assets depreciated, net	1,527,335	7,854,656	9,381,991
Total assets	<u>5,956,570</u>	<u>9,766,976</u>	<u>15,723,546</u>
<u>LIABILITIES</u>			
Accounts payable	78,507	40,327	118,834
Accrued payroll	59,557	8,224	67,781
Accrued interest	-	14,007	14,007
Unearned revenue	3,819	418,793	422,612
Compensated absences payable	39,598	4,845	44,443
Non-current liabilities			
Due within one year	8,609	204,000	212,609
Due in more than one year	18,011	3,219,444	3,237,455
Total liabilities	<u>208,101</u>	<u>3,909,640</u>	<u>4,117,741</u>
<u>NET POSITION</u>			
Net investment in capital assets	1,605,092	4,603,713	6,208,805
Restricted for:			
Capital projects	1,583,478	-	1,583,478
Debt service	-	76,840	76,840
Maintenance and operations	582,376	-	582,376
Unrestricted net position	<u>1,977,523</u>	<u>1,176,783</u>	<u>3,154,306</u>
Total net position	<u>\$ 5,748,469</u>	<u>\$ 5,857,336</u>	<u>\$ 11,605,805</u>

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

TOWN OF PEARL RIVER, LOUISIANA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net Revenue (Expense) and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
PRIMARY GOVERNMENT							
Governmental activities:							
General government	\$ 851,365	\$ -	\$ -	\$ -	\$ (851,365)	\$ -	\$ (851,365)
Public safety	1,209,103	-	153,579	-	(1,055,524)	-	(1,055,524)
Public works	672,673	9,500	-	6,300	(656,873)	-	(656,873)
Recreation	10,451	-	-	-	(10,451)	-	(10,451)
Total governmental activities	2,743,592	9,500	153,579	6,300	(2,574,213)	-	(2,574,213)
BUSINESS-TYPE ACTIVITIES							
Utilities	868,451	733,197	-	64,813	-	(70,441)	(70,441)
Interest on debt	37,395	-	-	-	-	(37,395)	(37,395)
Total business-type activities	905,846	733,197	-	64,813	-	(107,836)	(107,836)
Total	\$ 3,649,438	\$ 742,697	\$ 153,579	\$ 71,113	(2,574,213)	(107,836)	(2,682,049)

GENERAL REVENUES

Taxes			
Sales taxes	1,896,161	224,202	2,120,363
Ad valorem taxes	364,609	-	364,609
Franchise taxes	228,220	-	228,220
Licenses and permits	155,513	-	155,513
Fines and forfeitures	320,082	-	320,082
Insurance licenses	122,580	-	122,580
Other miscellaneous revenue	59,747	-	59,747
Investment earnings	1,295	226	1,521
Transfers	1,421	(1,421)	-
Total general revenues and transfers	3,149,628	223,007	3,372,635
Change in net position	575,415	115,171	690,586
Net position, beginning of year, as restated	5,173,054	5,742,165	10,915,219
Net position, end of year	\$ 5,748,469	\$ 5,857,336	\$ 11,605,805

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

TOWN OF PEARL RIVER, LOUISIANA
BALANCE SHEET- GOVERNMENTAL FUNDS
DECEMBER 31, 2021

	<u>Special Revenue Funds</u>				Total Governmental Funds
	<u>General Fund</u>	<u>Police Fund</u>	<u>Street Fund</u>	<u>Non-Major Fund</u>	
<u>ASSETS</u>					
Cash and cash equivalents	\$ 1,790,019	\$ 281,572	\$ 1,470,668	\$ 906	\$ 3,543,165
Receivables					
Ad valorem taxes, net	198,330	-	143,617	-	341,947
Sales taxes	-	156,735	184,902	-	341,637
Franchise taxes	63,849	-	-	-	63,849
Grant receivables	-	19,404	-	4,436	23,840
Due from other funds	-	178,413	4,242	39,085	221,740
Prepaid expenses	15,711	18,527	1,020	-	35,258
<u>TOTAL ASSETS</u>	<u>\$ 2,067,909</u>	<u>\$ 654,651</u>	<u>\$ 1,804,449</u>	<u>\$ 44,427</u>	<u>\$ 4,571,436</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</u>					
<u>LIABILITIES</u>					
Accounts payable	\$ 56,993	\$ 13,678	\$ 7,836	\$ -	\$ 78,507
Accrued payroll	11,258	36,251	12,048	-	59,557
Unearned revenue	-	3,819	-	-	3,819
Due to other funds	46,511	-	200,067	-	246,578
<u>TOTAL LIABILITIES</u>	<u>114,762</u>	<u>53,748</u>	<u>219,951</u>	<u>-</u>	<u>388,461</u>
<u>DEFERRED INFLOW OF RESOURCES</u>					
Unavailable FEMA revenue	-	-	-	4,436	4,436
<u>TOTAL DEFERRED INFLOW OF RESOURCES</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,436</u>	<u>4,436</u>
<u>FUND BALANCES</u>					
Nonspendable					
Prepaid items	15,711	18,527	1,020	-	35,258
Restricted					
Capital projects	-	-	1,583,478	-	1,583,478
Maintenance and operations	-	582,376	-	-	582,376
Unassigned	1,937,436	-	-	39,991	1,977,427
<u>TOTAL FUND BALANCES</u>	<u>1,953,147</u>	<u>600,903</u>	<u>1,584,498</u>	<u>39,991</u>	<u>4,178,539</u>
<u>TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCE</u>	<u>\$ 2,067,909</u>	<u>\$ 654,651</u>	<u>\$ 1,804,449</u>	<u>\$ 44,427</u>	<u>\$ 4,571,436</u>

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

TOWN OF PEARL RIVER, LOUISIANA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2021

Total governmental fund balances \$ 4,178,539

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

Capital assets are not reported in the fund financial statements because they are not current financial resources, but they are reported in the government-wide statement of net position

Cost of capital assets	\$ 3,874,274		
Less: Accumulated depreciation	(2,242,562)	\$	1,631,712

Unavailable revenues are reported in the funds, but are not reported under the measurement focus employed in the statement of net position			4,436
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Long-term liabilities applicable to the Town's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term are reported in the Statement of Net Position.

Compensated absences payable			(39,598)
Capital lease payable			(26,620)

Net position of governmental activities		\$	5,748,469
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The accompanying notes are an integral part of these financial statements.

TOWN OF PEARL RIVER, LOUISIANA
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES- GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>Special Revenue Funds</u>				Total Governmental Funds
	<u>General Fund</u>	<u>Police Fund</u>	<u>Street Fund</u>	<u>Non-Major Fund</u>	
<u>REVENUES</u>					
Taxes					
Sales taxes	\$ -	\$ 877,979	\$ 1,018,182	\$ -	\$ 1,896,161
Ad valorem	211,508	-	153,101	-	364,609
Franchise taxes	228,220	-	-	-	228,220
Licenses and permits	155,513	-	-	-	155,513
Fines and forfeitures	310,767	9,315	-	-	320,082
Insurance licenses	122,580	-	-	-	122,580
Grants and reimbursements	-	153,579	6,300	-	159,879
Service fees	-	-	9,500	-	9,500
Other revenues	20,040	8,098	7,609	-	35,747
Interest income	700	128	467	-	1,295
Total Revenues	<u>1,049,328</u>	<u>1,049,099</u>	<u>1,195,159</u>	<u>-</u>	<u>3,293,586</u>
<u>EXPENDITURES</u>					
Current					
General government	771,096	-	-	-	771,096
Public safety	-	1,174,336	-	-	1,174,336
Public works	-	-	591,006	-	591,006
Recreation	7,722	-	-	-	7,722
Capital outlay	3,600	37,168	301,132	-	341,900
Total Expenditures	<u>782,418</u>	<u>1,211,504</u>	<u>892,138</u>	<u>-</u>	<u>2,886,060</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	<u>266,910</u>	<u>(162,405)</u>	<u>303,021</u>	<u>-</u>	<u>407,526</u>
<u>OTHER FINANCING SOURCES (USES)</u>					
Transfers from other funds	12,161	150,667	-	-	162,828
Transfers to other funds	(150,667)	-	(10,740)	-	(161,407)
Total Other Financing Sources (Uses)	<u>(138,506)</u>	<u>150,667</u>	<u>(10,740)</u>	<u>-</u>	<u>1,421</u>
<u>NET CHANGE IN FUND BALANCE</u>	<u>128,404</u>	<u>(11,738)</u>	<u>292,281</u>	<u>-</u>	<u>408,947</u>
<u>FUND BALANCES, BEGINNING OF YEAR</u>	<u>1,824,743</u>	<u>612,641</u>	<u>1,292,217</u>	<u>39,991</u>	<u>3,769,592</u>
<u>FUND BALANCES, END OF YEAR</u>	<u>\$ 1,953,147</u>	<u>\$ 600,903</u>	<u>\$ 1,584,498</u>	<u>\$ 39,991</u>	<u>\$ 4,178,539</u>

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

TOWN OF PEARL RIVER, LOUISIANA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021

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

Net change in fund balances - total governmental funds	\$	408,947
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Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of these assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeds depreciation expense.

Donation of capital assets	\$	24,000	
Capital outlays		341,900	
Current year depreciation expense		<u>(167,944)</u>	197,956

Loan proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of capital leases is an expenditures in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. This is the amount by which current year lease payments exceed current year proceeds.

Compensated absence expense		(39,598)	
Payments on capital lease		<u>8,110</u>	

Change in net position of governmental activities	\$	<u><u>575,415</u></u>
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The accompanying notes are an integral part of these financial statements.

TOWN OF PEARL RIVER, LOUISIANA
STATEMENT OF NET POSITION- PROPRIETARY FUNDS
DECEMBER 31, 2021

	Enterprise Funds		Total Proprietary Funds
	Sewer Fund	Water Fund	
<u>ASSETS</u>			
Current assets			
Cash and cash equivalents	\$ 508,283	\$ 546,432	\$ 1,054,715
Restricted cash - debt service	76,840	-	76,840
Restricted cash - federal	418,793	-	418,793
Receivables			
Water and sewer, net	63,685	59,783	123,468
Sales taxes	39,184	-	39,184
Due from other funds	24,293	91,338	115,631
Prepaid items	854	1,127	1,981
Total current assets	<u>1,131,932</u>	<u>698,680</u>	<u>1,830,612</u>
Capital assets not being depreciated	172,501	-	172,501
Capital assets depreciated, net	<u>6,402,842</u>	<u>1,451,814</u>	<u>7,854,656</u>
Total noncurrent assets	<u>6,575,343</u>	<u>1,451,814</u>	<u>8,027,157</u>
 Total assets	 <u>\$ 7,707,275</u>	 <u>\$ 2,150,494</u>	 <u>\$ 9,857,769</u>
<u>LIABILITIES</u>			
Current liabilities			
Accounts payable	\$ 32,205	\$ 8,122	\$ 40,327
Accrued payroll	6,806	1,418	8,224
Accrued interest payable	9,897	4,110	14,007
Compensated absences payable	2,990	1,855	4,845
Due to other funds	90,793	-	90,793
State revolving loans	141,000	63,000	204,000
Unearned revenue	418,793	-	418,793
Total current liabilities	<u>702,484</u>	<u>78,505</u>	<u>780,989</u>
Long-term liabilities			
State revolving loans	<u>2,451,444</u>	<u>768,000</u>	<u>3,219,444</u>
 Total liabilities	 <u>\$ 3,153,928</u>	 <u>\$ 846,505</u>	 <u>\$ 4,000,433</u>
<u>NET POSITION</u>			
Net investment in capital assets	\$ 3,982,899	\$ 620,814	\$ 4,603,713
Restricted for debt service	76,840	-	76,840
Unrestricted net position	<u>493,608</u>	<u>683,175</u>	<u>1,176,783</u>
 Total net position	 <u>\$ 4,553,347</u>	 <u>\$ 1,303,989</u>	 <u>\$ 5,857,336</u>
 Total Liabilities and Net Position	 <u>\$ 7,707,275</u>	 <u>\$ 2,150,494</u>	 <u>\$ 9,857,769</u>

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

TOWN OF PEARL RIVER, LOUISIANA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>Enterprise Funds</u>		Total Proprietary Funds
	<u>Sewer Fund</u>	<u>Water Fund</u>	
<u>OPERATING REVENUES</u>			
Service fees	\$ 362,194	\$ 326,397	\$ 688,591
Delinquent fees	-	3	3
Installation fees	8,500	5,100	13,600
Meter fees	-	4,675	4,675
Other revenues	14,889	11,439	26,328
Total revenues	<u>385,583</u>	<u>347,614</u>	<u>733,197</u>
<u>OPERATING EXPENSES</u>			
Depreciation	276,682	120,529	397,211
Sewer system	252,847	-	252,847
Water system	5,369	82,134	87,503
Administrative and general	61,535	69,355	130,890
Total operating expenses	<u>596,433</u>	<u>272,018</u>	<u>868,451</u>
Operating income (loss)	<u>(210,850)</u>	<u>75,596</u>	<u>(135,254)</u>
<u>NONOPERATING REVENUES (EXPENSES)</u>			
Sales tax revenue	219,495	4,707	224,202
Federal grants	64,650	163	64,813
Interest income	226	-	226
Interest expense	(11,981)	(25,414)	(37,395)
Total nonoperating revenues (expenses)	<u>272,390</u>	<u>(20,544)</u>	<u>251,846</u>
Net gain (loss) before transfers	61,540	55,052	116,592
Transfers in	-	13,589	13,589
Transfers out	(15,010)	-	(15,010)
Total transfers in (out)	<u>(15,010)</u>	<u>13,589</u>	<u>(1,421)</u>
<u>INCREASE IN NET POSITION</u>	46,530	68,641	115,171
<u>NET POSITION, BEGINNING OF YEAR</u>	<u>4,506,817</u>	<u>1,235,348</u>	<u>5,742,165</u>
<u>NET POSITION, END OF YEAR</u>	<u>\$ 4,553,347</u>	<u>\$ 1,303,989</u>	<u>\$ 5,857,336</u>

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

TOWN OF PEARL RIVER, LOUISIANA
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>Enterprise Funds</u>		Total Proprietary Funds
	<u>Sewer Fund</u>	<u>Water Fund</u>	
<u>OPERATING ACTIVITIES</u>			
Receipts from customers and users	\$ 372,637	\$ 337,803	\$ 710,440
Payments to suppliers	(248,198)	(87,881)	(336,079)
Payments to employees and for benefits	(72,309)	(56,714)	(129,023)
Net cash provided by operating activities	<u>52,130</u>	<u>193,208</u>	<u>245,338</u>
<u>NONCAPITAL FINANCING ACTIVITIES</u>			
Cash received from sales tax	215,615	4,707	220,322
Interfund transfers and borrowing	(32,050)	14,829	(17,221)
Net cash provided by noncapital financing activities	<u>183,565</u>	<u>19,536</u>	<u>203,101</u>
<u>CAPITAL AND RELATED FINANCING ACTIVITIES</u>			
Principal paid on state revolving loans	(140,000)	(61,000)	(201,000)
Purchase of capital assets	(174,549)	(28,035)	(202,584)
Proceeds from federal funding	483,443	163	483,606
Interest paid	(11,981)	(25,414)	(37,395)
Net cash provided by (used in) capital and related financing activities	<u>156,913</u>	<u>(114,286)</u>	<u>42,627</u>
<u>INVESTING ACTIVITIES</u>			
Interest received	226	-	226
Net cash provided by investing activities	<u>226</u>	<u>-</u>	<u>226</u>
<u>NET INCREASE IN CASH AND CASH EQUIVALENTS</u>			
	392,834	98,458	491,292
<u>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</u>			
	<u>611,082</u>	<u>447,974</u>	<u>1,059,056</u>
<u>CASH AND CASH EQUIVALENTS, END OF YEAR</u>			
	<u>\$ 1,003,916</u>	<u>\$ 546,432</u>	<u>\$ 1,550,348</u>
<u>OPERATING ACTIVITIES</u>			
Operating income (loss)	\$ (210,850)	\$ 75,596	\$ (135,254)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	276,682	120,529	397,211
Changes in assets and liabilities			
Receivables	(12,946)	(9,811)	(22,757)
Prepaid items	(28)	(69)	(97)
Accounts payable	(3,993)	5,147	1,154
Accrued payroll	275	(39)	236
Compensated absences payable	2,990	1,855	4,845
Net cash provided by operating activities	<u>\$ 52,130</u>	<u>\$ 193,208</u>	<u>\$ 245,338</u>

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

TOWN OF PEARL RIVER, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021

1. Summary of Significant Accounting Policies

History and Organization

The Town of Pearl River, Louisiana (the Town) was incorporated in 1906, under the provisions of the Lawrason Act, LRS 33:321. The Town operates under a Mayor-Board of Aldermen form of government. The Town provides police protection, maintenance of streets, and water and sewer services.

Basis of Presentation

The accompanying financial statements of the Town have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The GASB authoritative guidance is documented in the GASB Codification.

Reporting Entity

Section 2100 of the GASB *Codification of Governmental Accounting and Financial Reporting Standards* (GASB Codification) established criteria for determining the governmental reporting entity and component units that should be included with the reporting entity. For financial reporting purposes, in conformity with GASB Codification Section 2100, the Town includes all funds that are controlled by or dependent of the Town, which was determined on the basis of oversight responsibility, including accountability for fiscal and budget matters, designation and management or governing authority, and authority to issue debt. Based on these criteria, the Town has determined that there are no component units that are part of the reporting entity.

Government-Wide and Fund Financial Statements

The basic financial statements include both the government-wide (based on the Town as a whole) and fund financial statements. Both the government-wide and fund financial statements (within the basic financial statement) categorize primary activities as either governmental or business-type. In the government-wide Statement of Net Position, both the governmental and business-type activities columns are presented on a consolidated basis by column, and are reflected on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations. This government-wide focus is more on the sustainability of the Town as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (general government, public safety, public works, recreation, etc.) which are otherwise being supported by general government revenues (sales taxes, ad valorem taxes, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues and operating and capital grants. The Town does not allocate indirect costs. Depreciation expense, which can be specifically identified by function, is included in the direct expenses of each function. The program revenues must be directly associated with the function or business-type activity.

TOWN OF PEARL RIVER, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021

1. Summary of Significant Accounting Policies (continued)

Program revenues include charges for services. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. The remaining net expenses (by function or business-type activity) are normally covered by general revenue (sales taxes, ad valorem taxes, and fines and forfeitures, etc.)

The governmental funds' major fund statements in the fund financial statements are presented on a current financial resource and modified accrual basis of accounting. This is the manner in which the funds are normally budgeted. This presentation is deemed most appropriate to (a) demonstrate legal and covenant compliance, (b) demonstrate the source and use of liquid resources, and (c) demonstrate how the Town's actual experience conforms to the budgeted fiscal plan. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statement's governmental activities column, a reconciliation is presented on the page following each statement, which explains the adjustments necessary to transform the fund based financial statements into the governmental activities' column of the government-wide presentation.

Separate financial statements are provided for governmental funds and the Town's proprietary funds. All individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and claims judgements, are recorded only when payment is due.

Sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and, so, have been recognized as revenues of the current fiscal period. Ad valorem taxes are considered to be susceptible to accrual when levied. Grant funds are considered to be earned when qualifying expenditures are made and all other grant requirements have been met and, accordingly, when such funds are received, they are recorded as deferred inflows until earned. All other revenue items are considered to be measurable and available only when cash is received by the Town.

TOWN OF PEARL RIVER, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021

1. Summary of Significant Accounting Policies (continued)

Governmental Funds

The Town reports the following major governmental funds:

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 those that are required to be accounted for in another fund. Revenues are derived primarily from licenses and permits, local taxes, charges for service, and interest income.

Police Fund- This Special Revenue Fund is used to account for 1% sales tax levy dedicated to maintenance and operation of the police department.

Street Fund- This Special Revenue Fund is used to account for 1% sales tax levy dedicated to maintenance and operation of the street department.

The Town reports the following non-major governmental fund:

Storm Fund- This Special Revenue Fund is used to account for storm expenses which have been submitted for reimbursement by FEMA.

Proprietary Funds

The Town also reports two proprietary funds: one which is used to account for the water services and the other for sewer services it provides to the residents and businesses of the Town.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in-lieu-of taxes and other charges between the Town's enterprise operations. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Principal operating revenues for the Town's proprietary funds consist of charges to customers and users of its water and sewer services, respectively. Operating expenses for the Town's proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

TOWN OF PEARL RIVER, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021

1. Summary of Significant Accounting Policies (continued)

Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all government funds, except for the Street Fund, which elected to budget for capital leases only to the extent that principal and interest is expected to be paid. At the end of the fiscal year, unexpended appropriations of these funds automatically lapse. The Town does not utilize encumbrance accounting. All proposed budgets must be completed and submitted to the Town Council no later than fifteen days prior to the beginning of each fiscal year. The operating budget includes proposed expenditures and the means of financing them. The final budget must be adopted before the ensuing fiscal year begins.

The Town adopted a budget on a basis consistent with accounting principles generally accepted in the United States of America for the following funds: General Fund, the Police Fund, and the Street Fund. The Town follows these procedures in establishing the budgetary data reflected in this statement.

- (1) The Mayor, Board of Alderman, Town Clerk, and other advisory personnel assemble the necessary financial information. The Mayor submits the information for review to the Board of Alderman at least 45 days prior to January 1st of the upcoming 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 by ordinance by the Board of Alderman.
- (4) 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 Alderman by ordinance.

Deposits and Investments

Cash includes amounts in 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. The Town 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. In accordance with state law, all uninsured deposits of municipal funds in financial institutions must be secured with acceptable collateral valued at the lower of market or par. The Town was in compliance with the deposit and investment laws and regulations at December 31, 2021.

Cash and cash equivalents consist of cash, as defined above, including restricted cash. Short-term investment in a money market account is stated at amortized cost and is reported as cash equivalents.

TOWN OF PEARL RIVER, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021

1. Summary of Significant Accounting Policies (continued)

Accounts Receivable

Uncollectible amounts due for customers' utility receivables and ad valorem taxes are recognized as bad debts through the establishment of an allowance account at the time information becomes available which would indicate the uncollectability of the particular receivable. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

Outstanding balances between funds that are representative of lending/ borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/due from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are capitalized at historical cost or estimated cost if historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The Town maintains a threshold level of \$2,500 or more for capitalizing capital assets. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the assets' lives are not capitalized.

Capital outlays are recorded as expenditures in the governmental fund financial statements, and they are recorded as assets in the government-wide financial statements to the extent the Town's capitalization threshold is met. The Town has capitalized its water and sewer infrastructure. The Town capitalizes interest on construction in its proprietary funds.

Capital outlays of the proprietary fund are recorded as capital assets and depreciated over their estimated useful lives on a straight-line basis.

All capital assets other than land, for governmental and proprietary funds, are depreciated using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Useful Lives</u>
Infrastructure	40 Years
Buildings and Improvements	15-40 Years
Water and Sewer System and Equipment	30 Years
Furniture, Fixtures, and Office Equipment	7 Years
Vehicles	5 Years
Machinery and Equipment	5-15 Years

TOWN OF PEARL RIVER, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021

1. Summary of Significant Accounting Policies (continued)

Compensated absences

The Town accrues accumulated unpaid vacation and leave and associated employee related costs when earned by the employee. For governmental funds, a liability for unpaid compensated absences is only recorded if they have matured, for example, as a result of employee's resignation or retirement. These amounts are recorded in the fund from which the employees who have accumulated leave are paid. The non-current portion of the liability is not reported. The governmental funds had no unpaid liability for compensated absences relating to terminated employees at year end. In proprietary funds, the entire amount of compensated absences is reported as a fund liability. In the government-wide financial statements, the entire compensated absences liability is reported. At December 31, 2021 the Town has recorded a compensated absences payable of \$44,443.

Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest rate method. Bonds payable are reported net of the applicable bond premium or discount. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond insurance costs, during the current period.

Fund Equity

Government-Wide and Proprietary Fund Statements

Net Position

The government-wide financial statements and the proprietary funds utilize a net position presentation. Net position is displayed as three components:

Net investment in capital assets represents capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Also included in the calculation are related bond premiums and discounts and the deferred outflows or inflows of resources on refunding of bonds.

Restricted net position consists of net position with constraints placed on their use by external groups such as creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted net position represents the net position available for future operations.

When an expense is incurred for purposes for which both restricted and unrestricted net position is available, the Town's policy is to apply restricted net position first.

TOWN OF PEARL RIVER, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021

1. Summary of Significant Accounting Policies (continued)

Governmental Fund Statements

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

1. *Nonspendable*- This component includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact.
2. *Restricted*-This component consists of amounts that have constraints placed on them either externally by third parties (creditors, grantors, contributors or laws or regulations of other governments) or by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the Town to assess, levy, charge or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement (compelled by external parties) that those resources be used only for the specific purposes stipulated in the legislation.
3. *Committed*-This component consists of amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town's highest level of decision-making authority which include the ordinances of the Town's Board of Aldermen. Those committed amounts cannot be used for any other purpose unless the Town's Board of Aldermen removes or changes the specified use by taking the same type of action it employed previously to commit those amounts.
4. *Assigned*-This component consists of amounts that are constrained by the Town's Board of Aldermen with intent to be used for specific purposes but are neither restricted nor committed. The authority for assigning fund balance is expressed by the Mayor or the Town's Board of Aldermen's designee established in the Town's Fund Balance Policy.
5. *Unassigned*- This classification represents amounts that have not been restricted, committed or assigned to specific purposes within the general fund. When both restricted and unrestricted resources are available for use, it is the Town's Board of Aldermen's policy to use restricted resources first, then unrestricted resources (committed, assigned and unassigned) as they are needed. When unrestricted resources (committed, assigned and unassigned) are available for use it is the Town's Board of Aldermen's policy to use committed resources first, then assigned, and then unassigned as they are needed.

Sales Tax Revenues

Sales tax revenues are derived from the following sales taxes:

1% of levy dedicated for constructing, re-surfacing, lighting, and improving public streets, sidewalks, and bridges; constructing, purchasing, improving, maintaining, and operating recreation facilities and equipment; constructing, acquiring, or improving land, buildings, and any work of permanent public improvement, including equipment and furnishings thereof; and installing and operating sewer and water systems, including disposal plants, lagoons, etc., title to which shall be in the public.

TOWN OF PEARL RIVER, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021

1. Summary of Significant Accounting Policies (continued)

Sales Tax Revenues (continued)

1% of levy dedicated to maintenance and operation of the police department, including acquisition of vehicles and equipment. On October 22, 2011, this sales tax was renewed for another 25 years.

¼ % of levy dedicated for the purpose of all sewer maintenance and operations. This portion is deposited in the Sewer Funds where sewer operations are accounted for.

Ad Valorem Revenue

Property taxes are normally levied and billed in December of each year and are delinquent on January 1st of the following year. Revenues are recognized when levied to the extent they are determined to be currently collectible. Assessed values are established by the St. Tammany Parish Assessor's Office and the State Tax Commission at percentages of actual value as specified by Louisiana law. For the year ended December 31, 2021, property taxes levied were 5.54 mills for general purposes and 3.96 mills for street improvement.

Deferred Outflows and Inflows of Resources and Pensions

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town does not have any items that meet the criteria for this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has one item that meets the criteria for this category- unavailable FEMA revenues.

Interfund Transactions

Permanent re-allocation of resources between funds of the Town is classified as interfund transfers. For the purposes of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

TOWN OF PEARL RIVER, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021

1. Summary of Significant Accounting Policies (continued)

Recent Pronouncements – Adopted

The GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objectives of GASB 89 are to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. This Statement established accounting requirements for interest cost incurred before the end of a construction period. In May 2020, the GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, postponing the effective date of Statement No. 89 to reporting periods beginning after December 15, 2021. The Town adopted the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* with no effect on the financial statements for the year ended December 31, 2021.

Recent Pronouncements – Not Yet Adopted

The GASB issued Statement No. 87, *Leases*. The objective of GASB 87 is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. In May 2020, the GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, postponing the effective date of Statement No. 87 to reporting periods beginning after June 15, 2021.

The GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. The Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements for government end users. The Statement is effective for fiscal years beginning after June 15, 2022.

The GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. The requirements of this Statement related to the accounting and financial reporting for Internal Revenue Code Section 457 plans are effective for periods beginning after June 15, 2021.

The Town is currently assessing the impact of these pronouncements on its basic financial statements.

TOWN OF PEARL RIVER, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021

2. Cash and Cash Equivalents

At December 31, 2021, cash and cash equivalents consisted of the following:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Demand deposits	\$ 4,120,440	\$ 4,151,477
Money market	973,073	1,019,321
	<u>\$ 5,093,513</u>	<u>\$ 5,170,798</u>

Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be recovered. The Town does not have a deposit policy for custodial risk. As of December 31, 2021, the Town's bank balance was not exposed to custodial risk. \$250,000 of the Town's bank balance was secured by federal deposit insurance, while the remaining \$4,843,513 was secured by pledged securities owned by the fiscal agent bank. Under state law, 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. The custodial bank must advertise and sell the pledged securities within 10 days of being notified that the fiscal agent has failed to pay deposited funds upon demand.

3. Receivables

Net receivables of governmental funds at December 31, 2021 were as follows:

	<u>General Fund</u>	<u>Police Fund</u>	<u>Street Fund</u>	<u>Storm Fund</u>	<u>Total</u>
Ad valorem taxes	\$ 203,369	\$ -	\$ 143,617	\$ -	\$ 350,590
Sales taxes	-	156,735	184,902	-	341,637
Franchise taxes	63,849	-	-	-	63,849
Grants	-	19,404	-	4,436	23,840
Gross receivables	<u>267,218</u>	<u>176,139</u>	<u>332,123</u>	<u>4,436</u>	<u>779,916</u>
Less allowances	<u>5,039</u>	<u>-</u>	<u>3,604</u>	<u>-</u>	<u>8,643</u>
Total	<u>\$ 262,179</u>	<u>\$ 176,139</u>	<u>\$ 328,519</u>	<u>\$ 4,436</u>	<u>\$ 771,273</u>

Net receivables of proprietary funds at December 31, 2021 were as follows:

	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Total</u>
Sales taxes	\$ 39,184	\$ -	\$ 39,184
Water and sewer	<u>65,685</u>	<u>61,783</u>	<u>127,468</u>
Gross receivables	104,869	61,783	166,652
Less allowances	<u>2,000</u>	<u>2,000</u>	<u>4,000</u>
Total	<u>\$ 102,869</u>	<u>\$ 59,783</u>	<u>\$ 162,652</u>

TOWN OF PEARL RIVER, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021

4. Capital Assets, net

The following is a summary of the changes in the capital assets for the governmental activities for the year ended December 31, 2021:

	<u>Balance at December 31, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at December 31, 2021</u>
Capital assets not depreciated				
Land	\$ 104,377	\$ -	\$ -	\$ 104,377
<u>Total</u>	<u>104,377</u>	<u>-</u>	<u>-</u>	<u>104,377</u>
Capital assets being depreciated				
Infrastructure	1,202,608	301,132	-	1,503,740
Buildings and Improvements	382,511	6,800	-	389,311
Machinery and Equipment	963,292	-	-	963,292
Furniture and Office Equipment	52,535	-	-	52,535
Vehicles	803,051	57,968	-	861,019
<u>Total</u>	<u>3,403,997</u>	<u>365,900</u>	<u>-</u>	<u>3,769,897</u>
Accumulated depreciation				
Infrastructure	(369,332)	(47,307)	-	(416,639)
Buildings and Improvements	(261,315)	(8,303)	-	(269,618)
Machinery and Equipment	(760,222)	(23,495)	-	(783,717)
Furniture and Office Equipment	(47,248)	(857)	-	(48,105)
Vehicles	(636,501)	(87,982)	-	(724,483)
<u>Total</u>	<u>(2,074,618)</u>	<u>(167,944)</u>	<u>-</u>	<u>(2,242,562)</u>
Capital assets being depreciated, net	1,329,379	197,956	-	1,527,335
<u>Total</u>	<u>\$ 1,433,756</u>	<u>\$ 197,956</u>	<u>\$ -</u>	<u>\$ 1,631,712</u>

Depreciation expense was charged to governmental functions as follows:

General government	\$ 71,084
Public works	65,667
Public safety	28,464
Recreation	2,729
<u>Total</u>	<u>\$ 167,944</u>

TOWN OF PEARL RIVER, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021

4. Capital Assets, net (continued)

The following is a summary of the changes in the capital assets for the business type activities for the year ended December 31, 2021.

	Balance at December 31, 2020	Additions	Deletions	Balance at December 31, 2021
Capital assets not depreciated				
Land	\$ 68,609	\$ -	\$ -	\$ 68,609
Construction in progress	39,242	64,650	-	103,892
Total	107,851	64,650	-	172,501
Capital assets being depreciated				
Water system and equipment	7,599,887	28,035	-	7,627,922
Sewer system and equipment	7,729,809	5,750	-	7,735,559
Machinery and equipment	397,045	104,148	-	501,193
Total	15,726,741	137,933	-	15,864,674
Accumulated depreciation				
Water system and equipment	(2,941,127)	(215,662)	-	(3,156,789)
Sewer system and equipment	(4,388,780)	(147,076)	-	(4,535,856)
Machinery and equipment	(282,901)	(34,472)	-	(317,373)
Total	(7,612,808)	(397,210)	-	(8,010,018)
Capital assets being depreciated, net	8,113,933	(259,277)	-	7,854,656
Total	\$ 8,221,784	\$ (194,627)	\$ -	\$ 8,027,157

5. Deferred Compensation

Certain employees of the Town participate in the Louisiana Public Employees' Deferred Compensation Plan (the Plan) qualified under Section 457 of the Internal Revenue Code. The Plan covers fulltime employees who have worked for the Town for three months and have elected to participate in the Plan. The Town contributes 10% of the employees' covered payroll to the Plan. Employees may contribute to the Plan up to the maximum amount allowed by the Internal Revenue Code.

Plan expenses (including the Town's contributions) were \$88,616 for the year ended December 31, 2021. Complete disclosures relating to the Plan are included in the separately issued audit report for the Plan, available from the Louisiana Legislative Auditor, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397.

TOWN OF PEARL RIVER, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021

6. Long Term Debt

The following is a summary of long-term debt transactions of the Town for the year ended December 31, 2021:

	<u>Sewer fund</u>	<u>Water fund</u>
Balance at beginning of year	\$ 2,732,444	\$ 892,000
Loan drawdowns	-	-
<u>Principal payments</u>	<u>(140,000)</u>	<u>(61,000)</u>
Balance at end of year	<u>\$ 2,592,444</u>	<u>\$ 831,000</u>
Amount due in one year	<u>\$ 141,000</u>	<u>\$ 63,000</u>

On March 1, 2012, the Town entered into an agreement with the Louisiana Department of Health and Hospitals related to the issuance of, not to exceed, \$1,800,000 of Sales Tax Bonds, Series 2012 secured by the Town's one-quarter percent (1/4%) sales and use tax for the Sewer Fund. The Drinking Water State Revolving Loan is payable to the State with semi-annual principal payments, interest payable at 2.95% and administrative fee of 0.50% maturing on March 1, 2032. The balance on these bonds is \$2,592,444 at December 31, 2021.

On November 1, 2017, the Town entered into an agreement with the Louisiana Department of Environmental Quality related to the issuance of, not to exceed, \$2,000,000 of Taxable Sales Tax Bonds, Series 2017, secured by the Town's one percent (1%) sales and use tax. The Clean Water State Revolving Loan is payable to the State with semi-annual principal payments, interest payable at 0.45% and an administrative fee of 0.50% maturing on March 1, 2038. The balance on these bonds is \$831,000 at December 31, 2021. During the year ended December 31, 2018, the Town amended the 2017 taxable Sales Tax Bonds, with an increase in the sum of \$1,000,000 to bring the total issuance amount to \$3,000,000.

The future debt service requirements are as follows:

Year Ending December 31,	<u>LDHH Drinking Water State Revolving Loan</u>		<u>LDEQ Clean Water State Revolving Loan</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 63,000	\$ 23,585	\$ 141,000	\$ 11,349
2023	66,000	21,683	142,000	10,712
2024	68,000	19,706	144,000	10,068
2025	70,000	17,671	145,000	9,418
2026	73,000	15,561	146,000	8,763
2027 - 2031	402,000	43,572	752,000	33,773
2032 - 2036	89,000	1,313	789,000	16,446
2037- 2040	-	-	333,444	1,523
Total	<u>\$ 831,000</u>	<u>\$ 143,091</u>	<u>\$ 2,592,444</u>	<u>\$ 102,052</u>

TOWN OF PEARL RIVER, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021

7. Capital Lease

During the year ended December 31, 2020, the Town entered into a lease agreement as lessee for financing the acquisition of street department vehicles valued at \$35,561. The vehicles have a five year estimated useful life.

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2021, were as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2022	\$ 9,970
2023	9,970
2024	9,139
Total minimum lease payments	29,079
Less: Amount representing interest	(2,459)
Present value of minimum lease payment	<u>\$ 26,620</u>

8. Interfund balances

Due to / from other funds at December 31, 2021 are as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General fund	\$ -	\$ 46,511
Special revenue funds		
Police fund	178,413	-
Street fund	4,242	200,067
Storm fund	39,085	-
Proprietary funds		
Sewer fund	24,293	90,793
Water fund	91,338	-
Total	<u>\$ 337,371</u>	<u>\$ 337,371</u>

The above due to/from other funds were short-term receivables or payables resulting from the normal course of the Town's operations.

TOWN OF PEARL RIVER, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021

8. Interfund balances (continued)

Operating transfers between funds occur in the normal course of business and were as follows, during the year ended December 31, 2021:

	<u>Transfers In</u>			<u>Total</u>
	<u>General fund</u>	<u>Police fund</u>	<u>Water fund</u>	
Transfers out				
General fund	\$ -	\$ 150,667	\$ -	\$ 150,667
Street fund	10,740	-	-	10,740
Sewer fund	1,421	-	3,778	5,199
Total	<u>\$ 12,161</u>	<u>\$ 150,667</u>	<u>\$ 3,778</u>	<u>\$ 166,606</u>

9. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended December 31, 2021, the Town carried insurance through various commercial carriers to cover all risks of loss, except for the risk of loss of assets relating to certain vehicles and equipment. The Town has no settled claims resulting from these risks that exceeded its commercial coverage in any of the past three fiscal years.

10. Commitments and Contingencies

At December 31, 2021, the Town was a defendant in various lawsuits principally arising from the normal course of operations. In the opinion of management after consultation with legal counsel, the ultimate effect of these legal matters will not have a material adverse effect on the Town's financial position.

11. Uncertainties

On March 11, 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a global pandemic, which continues to spread throughout the United States. The COVID-19 pandemic has negatively impacted the global economy and created significant volatility and disruption of financial markets. The operations of the Town were impacted by COVID-19 during the year ended December 31, 2021, in accordance with local, state, and federal requirements. The extent of the continuing impact of the COVID-19 pandemic on the Town's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and the impact on the Town's employees and vendors all of which are uncertain and cannot be predicted.

TOWN OF PEARL RIVER, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021

12. Tax Abatements

St. Tammany Parish (the Parish) negotiates property tax abatement agreements on the Town's behalf on an individual basis. Each agreement was negotiated for a variety of economic development purposes, including business relocation, retention, and expansion. The Town has tax abatement agreements with the following entities as of December 31, 2021:

A wholesale grocer distribution center, through a PILOT agreement negotiated with the St. Tammany Parish Development District, has property assessed at \$20,611,055 with exempt taxes of \$490,627. The abatement expires on February 1, 2032. The PILOT program abates up to twenty years, local property taxes on the wholesale grocer distribution center's new investment and annual capitalized additions related to the development of the distribution facility.

A furniture distribution center, through a PILOT agreement negotiated with the St. Tammany Parish Development District, has property assessed at \$24,676,396 with exempt taxes of \$592,209. The abatement expires on February 1, 2024. The PILOT program abates up to fifteen years, local property taxes on the store's new investment and annual capitalized additions related to the development of the distribution facility. The furniture distribution center, through an agreement negotiated with the Industrial Tax Exemption program, has property assessed at \$3,623,849 with exempt taxes of \$155,221. The Industrial Tax Exemption program may be granted to manufacturers located within the Parish. The Industrial Tax Exemption program abates, up to ten years, local property taxes on the distribution center's new investment and annual capitalized additions related to the distribution facility.

The Parish has not made any commitments as part of the agreements other than to reduce taxes. The Town is not subject to any tax abatement agreements entered into by other governmental entities other than the Parish.

13. Federal Revenues

The American Rescue Plan Act of 2021 was enacted on March 11, 2021 and included an appropriation of \$350 billion in emergency Coronavirus State and Local Fiscal Recovery Funds (CSLFRF). The purpose of these funds is to provide an infusion of resources to help state and local governments address the economic impacts of the COVID-19 pandemic. During the year ended December 31, 2021, the Town received a direct distribution from the Treasury Department of \$482,657, which represents half of the Town's award under this program.

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time although the Town expects such amounts, if any, to be immaterial.

TOWN OF PEARL RIVER, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021

14. Prior Period Adjustment

During the year ended December 31, 2021, the Town identified an overstatement of \$104,377 in the capital assets, net amounts reported in governmental activities. The effect of this adjustment on the December 31, 2020, financial statement is shown below:

<u>Governmental Activities</u>	<u>Amount</u>
Capital assets, net being depreciated, as previously reported	\$ 3,508,373
Reduce for land amounts reported twice	<u>(104,376)</u>
Capital assets being depreciated, as restated	<u>\$ 3,403,997</u>

<u>Governmental Activities</u>	<u>Amount</u>
Net position, as previously reported	\$ 5,277,430
Reduce for land amounts reported twice	<u>(104,376)</u>
Net position, as restated	<u>\$ 5,173,054</u>

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF PEARL RIVER, LOUISIANA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2021

	Budget		Actual	Variance Favorable (Unfavorable)
	Original	Final		
<u>REVENUES</u>				
Taxes				
Ad valorem	\$ 205,000	\$ 239,635	\$ 211,508	\$ (28,127)
Franchise taxes	175,000	227,521	228,220	699
Fines and forfeitures	260,000	310,767	310,767	-
Licenses and permits	91,500	155,514	155,513	(1)
Insurance licenses	124,000	122,580	122,580	-
Other revenues	65,750	20,040	20,040	-
Interest income	3,250	696	700	4
Total Revenues	<u>924,500</u>	<u>1,076,753</u>	<u>1,049,328</u>	<u>(27,425)</u>
<u>EXPENDITURES</u>				
General government	913,545	750,570	771,096	(20,526)
Recreation	23,963	12,972	7,722	5,250
Capital outlay	22,500	7,553	3,600	3,953
Total Expenditures	<u>960,008</u>	<u>771,095</u>	<u>782,418</u>	<u>(11,323)</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers from other funds	186,220	1,297	12,161	10,864
Transfers to other funds	(150,712)	(306,955)	(150,667)	156,288
Total Other Financing Sources (Uses)	<u>35,508</u>	<u>(305,658)</u>	<u>(138,506)</u>	<u>167,152</u>
<u>NET CHANGE IN FUND BALANCE</u>	-	-	128,404	128,404
<u>FUND BALANCE, BEGINNING OF YEAR</u>	<u>1,824,743</u>	<u>1,824,743</u>	<u>1,824,743</u>	-
<u>FUND BALANCE, END OF YEAR</u>	<u>\$ 1,824,743</u>	<u>\$ 1,824,743</u>	<u>\$ 1,953,147</u>	<u>\$ 128,404</u>

See Independent Auditor's Report.

TOWN OF PEARL RIVER, LOUISIANA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL - POLICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2021

	Budget		Actual	Variance Favorable (Unfavorable)
	Original	Final		
<u>REVENUES</u>				
Sales taxes	\$ 870,000	\$ 877,979	\$ 877,979	\$ -
Grants and reimbursements	160,000	153,579	153,579	-
Other revenues	15,000	17,413	8,098	(9,315)
Interest income	250	128	128	-
Total Revenues	<u>1,045,250</u>	<u>1,049,099</u>	<u>1,039,784</u>	<u>(9,315)</u>
<u>EXPENDITURES</u>				
Public safety	1,210,962	1,188,465	1,174,336	14,129
Capital outlay	25,000	51,301	37,168	14,133
Total Expenditures	<u>1,235,962</u>	<u>1,239,766</u>	<u>1,211,504</u>	<u>28,262</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers from other funds	190,712	190,667	150,667	(40,000)
Transfers to other funds	-	-	-	-
Total Other Financing Sources (Uses)	<u>190,712</u>	<u>190,667</u>	<u>150,667</u>	<u>(40,000)</u>
<u>NET CHANGE IN FUND BALANCE</u>	-	-	(21,053)	(21,053)
<u>FUND BALANCE, BEGINNING OF YEAR</u>	612,641	612,641	612,641	-
<u>FUND BALANCE, END OF YEAR</u>	<u>\$ 612,641</u>	<u>\$ 612,641</u>	<u>\$ 591,588</u>	<u>\$ (21,053)</u>

See Independent Auditor's Report.

TOWN OF PEARL RIVER, LOUISIANA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL - STREET FUND
FOR THE YEAR ENDED DECEMBER 31, 2021

	Budget		Actual	Variance Favorable (Unfavorable)
	Original	Final		
<u>REVENUES</u>				
Sales taxes	\$ 925,000	\$ 1,018,182	\$ 1,018,182	\$ -
Ad valorem	137,500	154,801	153,101	(1,700)
Grants and reimbursements	11,300	13,821	6,300	(7,521)
Service fees	17,000	9,500	9,500	-
Other revenues	600	18	7,609	7,591
Interest income	500	467	467	-
Total Revenues	<u>1,091,900</u>	<u>1,196,789</u>	<u>1,195,159</u>	<u>(1,630)</u>
<u>EXPENDITURES</u>				
Public works	1,058,780	615,523	591,006	24,517
Capital outlay	250,000	275,432	301,132	(25,700)
Total Expenditures	<u>1,308,780</u>	<u>890,955</u>	<u>892,138</u>	<u>(1,183)</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers in	250,000	1,411	-	(1,411)
Transfers out	(33,120)	(307,245)	(10,740)	296,505
Total other financing sources (uses)	<u>216,880</u>	<u>(305,834)</u>	<u>(10,740)</u>	<u>295,094</u>
<u>NET CHANGE IN FUND BALANCE</u>	-	-	292,281	(292,281)
<u>FUND BALANCE, BEGINNING OF YEAR</u>	<u>1,292,217</u>	<u>1,292,217</u>	<u>1,292,217</u>	-
<u>FUND BALANCE, END OF YEAR</u>	<u>\$ 1,292,217</u>	<u>\$ 1,292,217</u>	<u>\$ 1,584,498</u>	<u>\$ 292,281</u>

See Independent Auditor's Report.

ADDITIONAL SUPPLEMENTARY INFORMATION

TOWN OF PEARL RIVER, LOUISIANA
SCHEDULE OF OPERATING EXPENSES - PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021

	Enterprise Funds		Total Proprietary Funds
	Sewer Fund	Water Fund	
<u>ADMINISTRATIVE AND GENERAL EXPENSES</u>			
Salaries	\$ 7,623	\$ 6,193	\$ 13,816
Office expense	12,423	12,728	25,151
Insurance	7,955	8,109	16,064
Workmen's compensation	1,781	1,718	3,499
Payroll taxes	4,328	4,064	8,392
Retirement	4,969	-	4,969
Education and training	1,570	300	1,870
Bank and NSF charges	1,853	-	1,853
Other	19,033	36,243	55,276
Total administrative and general expenses	61,535	69,355	130,890
<u>SEWER SYSTEM EXPENSES</u>			
Utilities	127,996	-	127,996
Salaries	48,918	-	48,918
Repairs and maintenance	37,999	-	37,999
Lab testing	5,311	-	5,311
Other	32,623	-	32,623
Total sewer system expenses	252,847	-	252,847
<u>WATER SYSTEM EXPENSES</u>			
Utilities	-	11,875	11,875
Salaries	-	38,446	38,446
Repairs and maintenance	-	13,421	13,421
Other	5,369	18,392	23,761
Total water system expenses	5,369	82,134	87,503

See Independent Auditor's Report.

TOWN OF PEARL RIVER, LOUISIANA
SCHEDULE OF COMPENSATION, BENEFITS AND OTHER
PAYMENTS TO THE MEMBERS OF THE BOARD OF ALDERMAN
FOR THE YEAR ENDED DECEMBER 31, 2021

<u>Board of Alderman</u>	<u>End of Term</u>	<u>Compensation</u>
Bridgett Bennet	December 31, 2021	\$ 10,800
Angela Galloway	December 31, 2021	\$ 10,800
David McGregor	December 31, 2021	\$ 10,800
Joe Lee	November 30, 2021	\$ 9,969
Kathryn Walsh	December 31, 2021	\$ 10,800

See Independent Auditor's Report.

TOWN OF PEARL RIVER, LOUISIANA
SCHEDULE OF COMPENSATION, BENEFITS AND OTHER
PAYMENTS TO THE AGENCY HEAD
FOR THE YEAR ENDED DECEMBER 31, 2021

<u>AGENCY HEAD:</u>	David McQueen, Mayor <u>1/2/2021-</u> <u>11/30/2021</u> Amount	Joe Lee, Mayor <u>12/1/2021-</u> <u>12/31/2021</u> Amount
Purpose		
Salary	\$ 48,923	\$ 3,214
Benefits - insurance	-	-
Benefits - retirement	4,892	-
Benefits- other	-	-
Car allowance	2,021	61
Vehicle provided by government	-	-
Per diem	-	-
Reimbursements	-	-
Travel	-	-
Registration fees	-	-
Conference travel	-	-
Continuing professional education fees	-	-
Housing	-	-
Unvouchered expenses	-	-
Special meals	-	-
	<u>\$ 55,836</u>	<u>\$ 3,275</u>

See Independent Auditor's Report.

Justice System Funding Schedule - Collecting/Disbursing Entity

As Required by Act 87 of the 2020 Regular Legislative Session

Identifying Information		
Entity Name	Town of Pearl River	
LLA Entity ID # (This is the ID number assigned to the entity by the Legislative Auditor for identification purposes.)	2305	
Date that reporting period ended (mm/dd/yyyy)	12/31/2021	
	First Six Month Period Ended 06/30/21	Second Six Month Period Ended 12/31/21
Cash Basis Presentation		
1. Beginning Balance of Amounts Collected (i.e. cash on hand)	-	-
2. Add: Collections		
a Civil Fees (<i>including refundable amounts such as garnishments or advance deposits</i>)	-	-
b Bond Fees	-	-
c Asset Forfeiture/Sale	-	-
d Pre-Trial Diversion Program Fees	-	-
e Criminal Court Costs/Fees	4,918	4,904
f Criminal Fines - Contempt	-	-
g Criminal Fines - Other	155,203	138,306
h Restitution	-	-
i Probation/Parole/Supervision Fees	-	-
j Service/Collection Fees (e.g. credit card fees, report fees, 3rd party service fees)	648	652
k Interest Earnings on Collected Balances	-	-
l Other (<i>do not include collections that fit into more specific categories above</i>)	-	-
m Subtotal Collections	160,769	143,862

3. Less: Disbursements To Governments & Nonprofits: *(Must include one agency name and one collection type on each line and may require multiple lines for the same agency if more than one collection type is applicable. Additional rows may be added as necessary.)*

<i>Louisiana Dept of Health - Traumatic Head & Spinal Cord</i>	1,930	2,080
<i>Louisiana Supreme Court - LA Judicial College</i>	274	259
<i>Louisiana Commission on Law Enforcement - POST Law Enforcement</i>	1,094	1,032
<i>Treasurer State of Louisiana - CMIS</i>	1,620	1,533
<i>Agency name/collection type</i>	-	-
<i>Agency name/collection type</i>	-	-

4. Less: Amounts Retained by Collecting Agency

a Collection Fee for Collecting/Disbursing to Others Based on Percentage of Collection	-	-
b Collection Fee for Collecting/Disbursing to Others Based on Fixed Amount	-	-
c Amounts "Self-Disbursed" to Collecting Agency <i>(must include a separate line for each collection type, as applicable)</i> - Example: Criminal Fines - Other <i>(Additional rows may be added as necessary)</i>	-	-
Town of Pearl River - Criminal Fines - Other	155,203	138,306

5. Less: Disbursements to Individuals/3rd Party Collection or Processing Agencies

a Civil Fee Refunds	-	-
b Bond Fee Refunds	-	-
c Restitution Payments to Individuals (additional detail is not required)	-	-
d Other Disbursements to Individuals (additional detail is not required)	-	-
e Payments to 3rd Party Collection/Processing Agencies	648	652

6. Subtotal Disbursements/Retainage	160,769	143,862
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7. Total: Ending Balance of Amounts Collected but not Disbursed/Retained (i.e. cash on hand)	-	-
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Ending Balance of "Partial Payments" Collected but not Disbursed *(only applies if collecting agency does not disburse partial payments until fully collected) - This balance is included in the Ending Balance of Amounts Collected but not Disbursed/Retained above.*

8.	-	-
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9. Other Information:

a Ending Balance of Total Amounts Assessed but not yet Collected <i>(i.e. receivable balance)</i>	-	-
b Total Waivers During the Fiscal Period <i>(i.e. non-cash reduction of receivable balances, such as time served or community service)</i>	-	-

REPORTS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Pearl River, Louisiana (the Town), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated September 30, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town'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 responses, we identified certain deficiencies in internal control that we consider to be a material weakness and a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Town'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 responses as item 2021-01 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses as item 2021-02 to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Town of Pearl River's Responses to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town'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's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Richard CPAS

Metairie, Louisiana
September 30, 2022

TOWN OF PEARL RIVER, LOUISIANA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2021

1. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
• Material weakness(es) identified:	<u>Yes</u>
• Significant deficiency(ies) identified that are not considered to be material weakness	<u>Yes</u>
Noncompliance material to the financial statements:	<u>None reported</u>
Other matter:	<u>None reported</u>

2. Findings relating to the basic financial statements reported in accordance with *Government Auditing Standards*

2021-01 Lack of Segregation of Duties (originated in 2018)

Criteria: The Town should have a system in place to properly segregate duties among Town employees and the contracted external accountant.

Condition: Throughout the year ended December 31, 2021, the Town employees were not reviewing and approving the work of the third-party accountant who performed the services for the Town during the 2021 year.

Cause: The Town has a contracted accountant that performs substantial bookkeeping and accounting entries. No employee of the Town was reviewing this work during the year ended December 31, 2021.

Effect: The Town has a lack of segregation of duties as an employee of the Town does not review or verify the work performed by the third-party accountant who performed the services for the Town during the 2021 year.

Recommendation: The Town should ensure proper segregation of duties and be able to review and verify the work of the third-party accountant as it is performed.

Response: The Town has hired a new accounting firm who has assisted in ensuring that there is sufficient segregation of duties and the work performed by the contracted external accounting firm is reviewed by the Mayor and Finance Clerk as the work is performed.

TOWN OF PEARL RIVER, LOUISIANA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2021

2. **Findings relating to the basic financial statements reported in accordance with *Government Auditing Standards***

2021-02 Lack of Internal Controls over Revenue (originated in 2018)

Criteria: The Town should have a system of internal accounting controls which ensure the proper recording of its revenues (ie. License and permit revenue, franchise tax revenue, and other tax revenues) and the related receivables.

Condition: The Town does not have adequate policies, procedures, and related internal controls in regard to the recording of license and permit revenue, franchise tax revenue, another tax revenues and related receivables. During our audit engagement, we observed that the Town does not have a system in place to properly reconcile revenue to cash receipts throughout the year. The Town's new third-party accountant did reconcile the revenue and receivable amounts after year end.

Cause: Per observation and discussion with the third-party accountant during the audit engagement, there is a review of monthly deposit reports for accuracy of data entry, but any unexplained variances on these reports are not adjusted in the general ledger during the year. Without proper policies, procedures, and internal controls in place, the Town's financial statements may contain misstatements.

Effect: The financial statements as provided by the Town required material adjustments recorded by the Town to accounts receivable and revenue amounts at December 31, 2021.

Recommendation: The Town should implement written policies for license and permit revenue, franchise tax revenue, and other revenues. This policy should detail who can accept payments, deposit funds, who is responsible for reconciling revenue to cash received, and who is responsible for reconciling accounts receivable.

Response: The Town has ensured that the reconciliation of revenue and related receivables for the year ended December 31, 2021, was completed. The Town will adopt a written policy to reflect the reconciliation processes in place over revenues and receivables.

TOWN OF PEARL RIVER, LOUISIANA
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2021

3. Prior Year Findings relating to the basic financial statements reported in accordance with Government Auditing Standards

2020-01 Financial Reporting (originated in 2017)

Condition: For the year ended December 31, 2020, material adjusting audit entries were necessary to properly accrue and correct account balances at year end and to reclassify activity to the proper accounts.

Current Status: Resolved.

2020-02 Lack of Internal Controls over Revenue (originated in 2017)

Condition: The Town should have a system of internal accounting controls which ensure the proper recording of its revenues (ie. License and permit revenue, franchise ta revenue, and other tax revenues) and the related receivables.

Current Status: Partially Resolved. See current year finding 2021-02.

2020-03 Lack of Segregation of Duties (originated in 2018)

Condition: The Town should have a system in place to properly segregate duties among Town employees and the contracted external accountant.

Current Status: Not resolved. See current year finding 2021-01.

TOWN OF PEARL RIVER, LOUISIANA
LOUISIANA LEGISLATIVE AUDITOR
AGREED-UPON PROCEDURES REPORT

JANUARY 1, 2021 - JULY 31, 2021



TOWN OF PEARL RIVER, LOUISIANA

LOUISIANA LEGISLATIVE AUDITOR
AGREED-UPON PROCEDURES REPORT

JANUARY 1, 2021 - JULY 31, 2021

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INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES

To the Honorable Mayor and Members of the Board of Aldermen:

We have performed the procedures enumerated below on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's (LLA's) Agreed-Upon Procedures (AUPs) for the fiscal period January 1, 2021, through July 31, 2021. The Town of Pearl River, Louisiana's management is responsible for those C/C areas identified in the AUPs.

The Town of Pearl River, Louisiana (the Town) has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the C/C areas identified in LLA's Act 774 Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2021, through July 31, 2021. Additionally, LLA has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures we performed, and the associated findings are summarized in the attached Schedule A, which is an integral part of this report.

We were engaged by the Town of Pearl River, Louisiana to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the AUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the Town of Pearl River and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely to describe the scope of testing performed on those C/C areas identified in the AUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

Richard CPAS

Metairie, Louisiana
September 30, 2022

Procedures

The procedures performed and the results thereof are set forth below. The procedure is stated first, followed by the results of the procedure presented in italics. If the item being subjected to the procedures is positively identified or present, then the results will read “*no exception noted*”, then a description of the exception ensues.

Bank Reconciliations (follow-up)

1. Obtain a listing of client bank accounts for the fiscal period from management and management’s representation that the listing is complete. Ask management to identify the Town’s main operating account. Select the Town’s main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for selected each account, and observe that:
 - a) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged).

Exception noted. The Town’s bank reconciliations for the selected accounts do not have evidence of review by a member of management/board member.

Ethics (follow-up)

2. Obtain a listing of employees/elected officials/board members employed during the fiscal period and management’s representation that the listing is complete. Randomly select 5 employees/elected officials/board members, obtain ethics documentation from management, and:
 - a) Observe that the documentation demonstrates each employee/elected official/board member completed one hour of ethics training during the fiscal period; and

No exceptions were found as a result of this procedure.

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

Exception noted. For each of the employees selected, the Town did not have documentation that each employee/elected official/alderman read the Town’s ethics policy during the fiscal period.

TOWN OF PEARL RIVER, LOUISIANA

AGREED-UPON PROCEDURES PERFORMED AND ASSOCIATED FINDINGS

JANUARY 1, 2021 - JULY 31, 2021

Information Technology Disaster Recovery/Business Continuity (follow-up)

3. Obtain and inspect the Town's written policies and procedures over information technology disaster recovery/business continuity (or the equivalent contractual terms if IT services are outsourced) and observe that they address (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

Exception noted. The Town's contractual terms with the IT provider did not address the (1) identification of critical data and frequency of data backups and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

Board or Finance Committee

4. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
- a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.

No exceptions were found as a result of this procedure.

- b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund quarterly budget-to-actual, at a minimum, on proprietary funds, and semi-annual budget-to-actual, at a minimum, on all special revenue funds. *Alternately, for those entities reporting on the nonprofit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the Town's collections during the fiscal period.*

No exceptions were found as a result of this procedure.

- c) For governmental entities, obtain the prior year audit report and observe the unassigned fund balance in the general fund. If the general fund had a negative ending unassigned fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unassigned fund balance in the general fund.

No exceptions were found as a result of this procedure.



TOWN OF PEARL RIVER

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JOE D. LEE

Mayor

BRIDGETT BENNETT

Mayor Pro Tempore

CHERYL SCHULTHEIS

Town Clerk

TIMOTHY MATHISON

Town Attorney

MATHIEU E. DAIGLE

Town Magistrate

Assistant Town Attorney

BRENDA WICHTERICH

Deputy Clerk/Court Clerk

Louisiana Legislative Auditor

1600 North 3rd Street

P.O. Box 94397

Baton Rouge, LA 70804-9397

September 30, 2022

And

RICHARD CPAS

3421 N. Causeway Blvd. Suite 403

Metairie, Louisiana 70002

RE: Management's Response to Statewide Agreed-Upon Procedures

Town of Pearl River

To whom it may concern:

The Town of Pearl River will review policies and procedures in regard to the comments for each financial function and make appropriate changes that will improve operations and internal controls in each area that are cost effective and within our budget constraints. The Town has hired a new accounting firm who has assisted in performing multiple financial duties, creating a system of review between the firm, the Mayor, and the Finance Clerk.

Sincerely,

Joe Lee, Mayor