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TOWN OF PEARL RIVER
PEARL RIVER, LOUISIANA

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS'
REPORT WITH SUPPLEMENTAL INFORMATION

December 31, 1998

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

Release Date MAY 12 1999

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

39

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying primary government financial statements of the Town of Pearl River, Louisiana, as of and for the year ended December 31, 1998, as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the primary government financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Governmental Accounting Standards Board Technical Bulletin 98-1, Disclosures about Year 2000 Issues, requires disclosure of certain matters regarding the year 2000 issue in order for financial statements to be prepared in conformity with generally accepted accounting principles. Such required disclosures include:

- any significant amount of resources committed to make computer systems and other electronic equipment year 2000-compliant;
- a general description of the year 2000 issue, including a description of the stages of work in process or completed as of the end of the reporting period to make computer systems and other electronic equipment critical to conducting operations year 2000-compliant; and
- the additional stages of work necessary for making the computer systems and other electronic equipment year 2000-compliant.

The Town of Pearl River has omitted such disclosures. We do not provide assurance that the Town of Pearl River is or will be year 2000 ready, that the Town of Pearl River's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the Town of Pearl River does business will be year 2000 ready.

A primary government is a legal entity or body politic and includes all funds, organizations, institutions, agencies, departments and offices that are not legally separate. Such legally separate entities are referred to as component units. In our opinion, the primary government financial statements present fairly, in all material respects, the financial position of the primary government of the Town of Pearl River, Louisiana, as of December 31, 1998, and the results of its operations and cash flows of its proprietary fund type for the year then ended in conformity with generally accepted accounting principles.

However, the primary government financial statements, because they do not include the financial data of the Housing Authority of the Town of Pearl River (the only component unit of the Town of Pearl River, Louisiana), do not purport to, and do not, present fairly the financial position of the Town of Pearl River, Louisiana, as of December 31, 1998, and the results of its operations and cash flows of its proprietary fund type for the year then ended in conformity with generally accepted accounting principles.

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

In accordance with Government Auditing Standards, we have also issued a report dated March 19, 1999 on our consideration of the Town of Pearl River's internal control over financial reporting and, on its compliance with laws, regulations, contracts, and grants.

Smith, Heval & Associates, L.L.C.

March 19, 1999

PRIMARY GOVERNMENT FINANCIAL STATEMENTS
(COMBINED STATEMENTS - OVERVIEW)

Town of Pearl River, Louisiana

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS

December 31, 1998

ASSETS	Governmental Fund Types		Proprietary Fund Type	Account Groups			Total
	General	Special Revenue		Enterprise	General Fixed Assets	General Long-Term Debt	
Cash on hand and in bank	\$ 41,369	\$ 14,434	\$ 546,696				
Certificates of deposit		43,732	108,007				
Receivables							
Property taxes	33,661						602,499
Sales taxes							151,739
Other		30,851					
Accounts receivable, net	31,313						33,661
Interest receivable							30,851
Due from other funds	82	63	23,439				31,313
	127,091	9,761	459				23,439
Restricted assets:							604
Revenue Bond Sinking Fund							136,852
Cash							
Revenue Bond Reserve Fund							
Certificate of deposit			33,935				33,935
Depreciation and Contingency Fund							
Cash			51,158				51,158
Certificate of deposit - contingency							
Certificate of deposit - future project	23,916		1,203				1,203
Bond issuance costs	37,548						23,916
Fixed assets - net of depreciation							37,548
Construction in progress			20,563				20,563
Amount to be provided for retirement of capital lease			3,488,409	683,321			4,171,730
			4,900				4,900
	\$ 294,980	\$ 98,841	\$ 4,278,769	\$ 683,321	\$ 19,205		\$ 5,375,116

The accompanying notes are an integral part of this statement.

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

December 31, 1998

	Governmental Fund Types		Proprietary Fund Type	Account Groups			Total
	General	Special Revenue		Enterprise	General Fixed Assets	General Long-Term Debt	
LIABILITIES AND FUND EQUITY							
Current liabilities:							
Accounts payable and accrued expenses	\$ 9,785	\$ 14,272	\$ 7,236	\$	\$	\$	\$ 31,293
Deferred revenue		24,957	20,473				20,473
Due to other funds			111,895				136,852
Payable from restricted assets:							
Interest payable on revenue bonds			13,220				13,220
Revenue bonds payable			48,502				48,502
Capital lease payable					19,205		19,205
Long-term liabilities:							
Bonds payable			1,001,498				1,001,498
Total liabilities	<u>9,785</u>	<u>39,229</u>	<u>1,202,824</u>	<u>-</u>	<u>19,205</u>		<u>1,271,043</u>
Fund Equity:							
Contributed capital			2,884,666	683,321			2,884,666
Investment in General Fixed Assets							683,321
Retained earnings:							
Revenue Bond Fund			23,371				23,371
Contingencies Fund			1,203				1,203
Unreserved			166,705				166,705
Fund balances:							
Reserve for contingency	23,916						23,916
Reserve for future project	37,548						37,548
Unreserved and undesignated	223,731	59,612					283,343
Total fund equity	<u>285,195</u>	<u>59,612</u>	<u>3,075,945</u>	<u>683,321</u>	<u>-</u>		<u>4,104,073</u>
	\$ 294,980	\$ 98,841	\$ 4,278,769	\$ 683,321	\$ 19,205	\$	\$ 5,375,116

The accompanying notes are an integral part of this statement.

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

For the Year Ended December 31, 1998

	General	Special Revenue	Total (Memorandum Only)
Revenues:			
Taxes	\$ 73,700	\$ 307,403	\$ 381,103
Court fines	97,819		97,819
Licenses and permits	79,229		79,229
Insurance licenses	59,387		59,387
Reimbursements		10,604	10,604
Grants	27,500	89,150	116,650
Interest	3,945	1,854	5,799
Other	17,187	13,187	30,374
Total revenues	<u>358,767</u>	<u>422,198</u>	<u>780,965</u>
Expenditures:			
General government	255,533		255,533
Police		324,522	324,522
Public works		216,741	216,741
Total expenditures	<u>255,533</u>	<u>541,263</u>	<u>796,796</u>
Excess (deficiency) of revenues over expenditures	103,234	(119,065)	(15,831)
Other financing sources (uses)			
Sales of fixed assets	3,500		3,500
Operating transfers in	26,825	293,020	319,845
Operating transfers out	(152,934)	(166,911)	(319,845)
Total other financing sources (uses)	<u>(122,609)</u>	<u>126,109</u>	<u>3,500</u>
Excess (deficiency) of revenue and other financing sources over expenditures and other financing uses	(19,375)	7,044	(12,331)
Fund balance, beginning	<u>304,570</u>	<u>52,568</u>	<u>357,138</u>
Fund balance, ending	<u>\$ 285,195</u>	<u>\$ 59,612</u>	<u>\$ 344,807</u>

The accompanying notes are an integral part of this statement.

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

For the Year Ended December 31, 1998

	General Fund		Special Revenue Funds		Variance Favorable (Unfavorable)
	Budget	Actual	Budget	Actual	
Revenues:					
Taxes	\$ 93,084	\$ 73,700	\$ 349,149	\$ 307,403	\$ (41,746)
Court fines	100,000	97,819	(19,384)		(2,181)
Licenses and permits	34,250	79,229	44,979		44,979
Insurance licenses	50,000	59,387	9,387		9,387
Grants		27,500	27,500		27,500
Reimbursements				89,150	89,150
Interest		3,945		10,604	10,604
Other	13,600	17,187	3,945	1,854	1,854
Total revenue	<u>290,934</u>	<u>358,767</u>	<u>349,149</u>	<u>422,198</u>	<u>73,049</u>
Expenditures:					
General government	237,286	255,533	(18,247)		(18,247)
Police			309,320	324,522	(15,202)
Public works			209,427	216,741	(7,314)
Total expenditures	<u>237,286</u>	<u>255,533</u>	<u>518,747</u>	<u>541,263</u>	<u>(22,516)</u>
Excess (deficiency) of revenues over expenditures	<u>53,648</u>	<u>103,234</u>	<u>(169,598)</u>	<u>(119,065)</u>	<u>50,533</u>
Other financing sources (uses):					
Sale of fixed assets		3,500			3,500
Operating transfers in	26,825	26,825	293,020	293,020	
Operating transfers out	(152,934)	(152,934)	(166,911)	(166,911)	
Total other financing sources (uses)	<u>(126,109)</u>	<u>(122,609)</u>	<u>126,109</u>	<u>126,109</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	\$ <u>(72,461)</u>	\$ <u>(19,375)</u>	\$ <u>(43,489)</u>	\$ <u>7,044</u>	\$ <u>50,533</u>
Fund balance, beginning		<u>304,570</u>		<u>52,568</u>	
Fund balance, ending		\$ <u>285,195</u>		\$ <u>59,612</u>	

The accompanying notes are an integral part of this statement.

Town of Pearl River, Louisiana

ENTERPRISE FUND
UTILITY SYSTEMS

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

For the Year Ended December 31, 1998

	<u>1998</u>	<u>1997</u>
Operating revenues		
Sewer charges	\$ 167,218	\$ 162,492
Water charges	62,964	51,374
Late fees	4,584	4,218
Other fees and charges	<u>15,210</u>	<u>17,177</u>
Total operating revenues	<u>249,976</u>	<u>235,261</u>
Operating expenses		
Administrative and general	28,181	33,984
Sewerage system expense	61,671	78,284
Water system expense	24,429	11,322
Depreciation	<u>174,417</u>	<u>171,069</u>
Total operating expenses	<u>288,698</u>	<u>294,659</u>
Net operating loss	(38,722)	(59,398)
Non-operating revenues (expenses)		
Interest income	13,315	5,245
Interest expense	<u>(47,027)</u>	<u>(48,118)</u>
Total non-operating revenues (expenses)	<u>(33,712)</u>	<u>(42,873)</u>
Net loss	(72,434)	(102,271)
Depreciation transferred to Contributed Capital	<u>135,192</u>	<u>139,471</u>
Net increase in retained earnings	62,758	37,200
Retained earnings, beginning	<u>128,521</u>	<u>91,321</u>
Retained earnings, ending	<u>\$ 191,279</u>	<u>\$ 128,521</u>

The accompanying notes are an integral part of this statement.

Town of Pearl River, Louisiana

ENTERPRISE FUND
UTILITY SYSTEMS

STATEMENT OF CASH FLOWS - PROPRIETARY FUND TYPE

For the Year Ended December 31, 1998

	<u>1998</u>	<u>1997</u>
Cash flows from operating activities:		
Net operating loss	\$ (38,722)	\$ (59,398)
Adjustments to reconcile net operating loss to net cash provided by operating activities		
Depreciation	174,417	171,069
Increase in receivables	(2,315)	(598)
Increase (decrease) in accounts payable	(1,823)	4,663
Increase in deferred revenue	1,406	915
Total adjustments	<u>171,685</u>	<u>176,049</u>
Net cash provided by operating activities	<u>132,963</u>	<u>116,651</u>
Cash flows from capital and related financing activities:		
Principal payments	(576,000)	(178,425)
Purchase of fixed assets	(48,161)	(66,445)
Construction of facilities	(4,900)	-
Interest payments	(73,101)	(51,293)
Bond issuance costs	(20,563)	-
Rural development grant	-	25,000
Bond proceeds	1,050,000	-
Loan from other fund	-	111,895
Net cash provided (used) by capital and related financing activities	<u>327,275</u>	<u>(159,268)</u>
Cash flows from investing activities:		
Interest received	13,167	8,727
Purchases of certificates of deposit not classified as cash equivalents	<u>(76,407)</u>	<u>(4,354)</u>
Net cash provided (used) by investing activities	<u>(63,240)</u>	<u>4,373</u>
Net increase (decrease) in cash and cash equivalents	396,998	(38,244)
Cash and cash equivalents at the beginning of the year	<u>184,836</u>	<u>223,080</u>
Cash and cash equivalents at the end of the year	<u>\$ 581,834</u>	<u>\$ 184,836</u>

The accompanying notes are an integral part of this statement.

Town of Pearl River, Louisiana

NOTES TO FINANCIAL STATEMENTS

December 31, 1998

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The accounting and reporting policies of the Town of Pearl River conform to generally accepted accounting principles (GAAP) as applicable to governments. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:517. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body in establishing governmental accounting and financial reporting principles. The following is a summary of certain significant accounting policies:

1. Reporting Entity

All activities of the primary government are included in these financial statements.

Based upon the criteria of Governmental Accounting Standards Board Statement No. 14, it has been determined that the Housing Authority of Town of Pearl River is the only component unit of the Town of Pearl River.

The Town, as the reporting entity, is the primary government. Governmental Accounting Standards Board Statement No. 14 provides for the issuance of primary government financial statements that are separate from those of the reporting entity. However, a primary government's financial statements are not a substitute for the reporting entity's financial statements. The Town has chosen to issue financial statements of the primary government only. As such, the accompanying financial statements are not intended to and do not report in accordance with Governmental Accounting Standards Board Statement No. 14.

2. Fund Accounting

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

Town of Pearl River, Louisiana

NOTES TO FINANCIAL STATEMENTS

December 31, 1998

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Fund Accounting - Continued

Governmental Funds:

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

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

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

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

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

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

Proprietary Fund:

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

Town of Pearl River, Louisiana

NOTES TO FINANCIAL STATEMENTS

December 31, 1998

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Fund Accounting - Continued

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

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

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

3. Fixed Assets and Long-Term Liabilities

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

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

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

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

Town of Pearl River, Louisiana

NOTES TO FINANCIAL STATEMENTS

December 31, 1998

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Fixed Assets and Long-Term Liabilities- Continued

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

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

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

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

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

4. Basis of Accounting

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

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

Town of Pearl River, Louisiana

NOTES TO FINANCIAL STATEMENTS

December 31, 1998

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. Basis of Accounting - Continued

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

All proprietary funds are accounted for using the accrual basis of accounting whereby revenues are recognized when they are earned and expenses are recognized when incurred.

5. Budgets and Budgetary Accounting

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

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

- (1) The Mayor, Board of Aldermen, Town Clerk, and other advisory personnel assemble the necessary financial information. The Mayor submits the information for review to the Board of Aldermen at least 45 days prior to January 1 of the following year.
- (2) A public hearing is conducted to obtain taxpayer comments.
- (3) Prior to the beginning of the new fiscal year, the budget is legally enacted through passage of a resolution by the Board of Aldermen.
- (4) The Mayor is authorized to transfer budgeted amounts among programs within a department, office or agency; however, any revisions that alter the total revenues and/or expenditures budgeted for any department, office, agency or fund must be approved by the Board of Aldermen. During the year ended December 31, 1998, the Town did not amend its budget.

Town of Pearl River, Louisiana

NOTES TO FINANCIAL STATEMENTS

December 31, 1998

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

6. Cash, Cash Equivalents and Investments

Cash includes amounts in demand deposits, interest-bearing demand deposits, and money market accounts. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the municipality may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

Under state law, the municipality may invest in United States bonds, treasury notes, or certificates. These are classified as investments if their original maturities exceed 90 days; however, if the original maturities are 90 days or less, they are classified as cash equivalents.

7. Accounts Receivable

Uncollectible amounts due for customers' utility receivables are recognized as bad debts through the establishment of an allowance account at the time information becomes available which would indicate the uncollectibility of the particular receivable. The allowance is \$2,000 at December 31, 1998.

8. Interfund Transactions

Quasi-external transactions are accounted for as revenues or expenditures. Rental income from the Town's component unit is classified as a quasi-external transaction and reported as revenue in the *General Fund*.

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

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

Town of Pearl River, Louisiana

NOTES TO FINANCIAL STATEMENTS

December 31, 1998

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

9. Expenditures Exceeding Appropriations

Excess of expenditures over appropriations in the General and Special Revenue Funds occurred as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Unfavorable Variance</u>
General Fund	\$ 237,286	\$255,533	\$ (18,247)
Special Revenue Fund			
Police Fund	\$ 309,320	\$324,522	\$ (15,202)
Sales Tax Fund	\$ 209,427	\$216,741	\$ (7,314)

10. Total Columns of Combined Statements - Overview

Total columns on the combined statements - overview are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE B - CASH AND CASH EQUIVALENTS

The Town's deposits at December 31, 1998, are summarized as follows:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Category 1		
Demand deposits	\$ 637,637	\$ 645,570
Certificates of deposit	<u>264,361</u>	<u>264,361</u>
 Total	 <u>\$ 901,998</u>	 <u>\$ 909,931</u>

Town of Pearl River, Louisiana

NOTES TO FINANCIAL STATEMENTS

December 31, 1998

NOTE B - CASH AND CASH EQUIVALENTS (CONTINUED)

Under state law, the bank balances of these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal or exceed the amount on deposit with the fiscal agent. At December 31, 1998, deposits are entirely insured or collateralized with securities held by a mutually acceptable third party financial institution in the Town's name, which is considered a Category 1 investment credit risk as defined by the Governmental Accounting Standards Board. The carrying amount does not include accrued interest of \$604 on certificates of deposit.

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

Unrestricted	\$ 546,696
Bond Sinking	33,935
Depreciation and Contingency	<u>1,203</u>
	<u>\$ 581,834</u>

NOTE C - DUE TO/FROM OTHER FUNDS

Individual fund Interfund receivable and payable balances at December 31, 1998 were as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 127,091	\$ -
Enterprise Fund	-	111,895
Special Revenue Funds	<u>9,761</u>	<u>24,957</u>
	<u>\$ 136,852</u>	<u>\$ 136,852</u>

NOTE D - AD VALOREM TAXES

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

Town of Pearl River, Louisiana

NOTES TO FINANCIAL STATEMENTS

December 31, 1998

NOTE E - RESTRICTED ASSETS

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

1. Revenue Bond Sinking Fund

The requirement calls for the establishment and maintenance of a Sewer Utility Revenue Bond and Sinking Fund sufficient to pay promptly and in full the principal of and the interest on bonds authorized as they become due and payable. This requirement has been met at December 31, 1998.

2. Revenue Bond Reserve Fund

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

3. Depreciation and Contingency Fund

The resolution called for the establishment and maintenance of a Depreciation and Contingency Fund to care for depreciation, extensions, additions, improvements and replacements necessary to properly operate the system. Regular deposits of \$400 per month are to be deposited with the regularly designated fiscal agent of the Town. This requirement has been met at December 31, 1998.

NOTE F - FIXED ASSETS

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

	<u>Amount</u>
Balance at January 1, 1998	\$ 555,136
Additions	132,961
Retirements	<u>(4,776)</u>
Balance at December 31, 1998	<u>\$ 683,321</u>

Town of Pearl River, Louisiana

NOTES TO FINANCIAL STATEMENTS

December 31, 1998

NOTE F - FIXED ASSETS (CONTINUED)

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

Land	\$ 68,609
Sewer plant	859,369
Sewer lines	2,785,635
Water system	795,431
Street resurfacing	232,026
Tools and equipment	83,759
Trucks	12,260
Computer system	<u>6,879</u>
	4,843,968
Less: Accumulated Depreciation	<u>(1,355,559)</u>
Net	<u>\$ 3,488,409</u>

NOTE G - REVENUE BONDS PAYABLE

The following is a summary of revenue bond transactions of the Enterprise Fund for the year ended December 31, 1998:

	<u>Revenue</u>
	<u>Bonds</u>
Bonds Payable at 1/1/98	\$ 576,000
Bonds Issued	1,050,000
Bonds Retired	<u>(576,000)</u>
Bonds Payable at 12/31/97	<u>\$1,050,000</u>

Town of Pearl River, Louisiana

NOTES TO FINANCIAL STATEMENTS

December 31, 1998

NOTE G - REVENUE BONDS PAYABLE

Bonds payable at December 31, 1998 is comprised of the following individual bond:

\$1,050,000 Utility Revenue and Refunding Bonds dated 10/01/98; due in fifteen annual installments of \$101,527 including interest at 5.05%; secured by revenues of the Water and Sewer System	\$ 1,050,000
Less current maturities	<u>(48,502)</u>
Long-term debt	<u>\$ 1,001,498</u>

The Town has utilized a portion of the 1998 Bonds to currently refund the outstanding balance of Series 1989 Utility Revenue Bonds. As the Town collected an amount equal to the face amount of the bonds less issuance costs and retired the 1989 Bonds at no additional costs, the Town has not incurred either an extraordinary gain or loss on this refunding. The remaining proceeds of the 1998 bonds will be used by the Town to make certain improvements to its water system.

The annual requirements to amortize Revenue Bonds Payable, including interest payments of \$472,905, are as follows as of December 31, 1998:

<u>Year Ending December 31</u>	<u>Revenue Bonds</u>
1999	\$ 101,527
2000	101,527
2001	101,527
2002	101,527
2003	101,527
Thereafter	<u>1,015,270</u>
	<u>\$1,522,905</u>

Town of Pearl River, Louisiana

NOTES TO FINANCIAL STATEMENTS

December 31, 1998

NOTE H - PENSION PLANS

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA

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

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Municipal Police Employees Retirement System of Louisiana, 8401 United Plaza Boulevard, Baton Rouge, Louisiana 70809-2250, or by calling (504) 929-7411.

Funding Policy. Plan members are required by state statute to contribute 7.5 percent of their annual covered salary and the Town of Pearl River is required to contribute at an actuarially determined rate. The current rate is 9.0 percent of annual covered payroll. The contribution requirements of plan members and the Town of Pearl River are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Town of Pearl River contributions to the System for the years ending December 31, 1998, 1997, and 1996 were \$3,721, \$3,978, and \$3,429, respectively, equal to the required contributions for each year.

NOTE I - CAPITAL LEASE OBLIGATIONS

The Town is obligated under a lease accounted for as a capital lease. The leased asset and related obligation is accounted for in the General Fixed Asset Account Group and the General Long-Term Debt Account Group, respectively. The assets under capital lease totaled \$33,912. The following is a schedule of future minimum lease payments under the capital lease, together with the net present value of the minimum lease payments as of December 31, 1998:

Town of Pearl River, Louisiana

NOTES TO FINANCIAL STATEMENTS

December 31, 1998

NOTE I - CAPITAL LEASE OBLIGATIONS (CONTINUED)

<u>Year Ending December 31</u>	<u>General Long-Term Debt Account Group</u>
1999	\$ 7,855
2000	7,855
2001	<u>5,037</u>
Minimum lease payments	20,747
Amount representing interest	<u>1,542</u>
Present value of minimum lease payments	<u>\$ 19,205</u>

NOTE J - CHANGES IN CONTRIBUTED CAPITAL

The following details the components of Waste Water Fund Contributed Capital at December 31, 1998:

Contributed Capital - Beginning	\$ 3,019,858
Additions	-
Decreases	
Depreciation on assets constructed substantially from funds supplied by contributions in aid of construction	<u>(135,192)</u>
Contributed Capital - Ending	<u>\$ 2,884,666</u>

NOTE K - BOARD OF ALDERMEN COMPENSATION

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

Town of Pearl River, Louisiana

NOTES TO FINANCIAL STATEMENTS

December 31, 1998

NOTE L - SUBSEQUENT EVENTS

Subsequent to December 31, 1998, the Town has embarked on two construction projects. The Town will make certain improvements and extensions to its water system which has been financed with the remaining proceeds of the 1998 Utility Revenue and Refunding Bonds. The Town also has been awarded a Community Development Block Grant of not to exceed \$500,000 for repaving of Town streets.

SUPPLEMENTAL INFORMATION

Town of Pearl River, Louisiana

GENERAL FUND

SCHEDULE OF REVENUES

For the Year Ended December 31, 1998

Revenue:

Taxes:

Ad valorem tax	\$ 33,696
Video poker	27,775
Tobacco	7,840
Beer	4,389
Court fines	97,819
Licenses and permits	79,229
Insurance licenses	59,387
Grants	27,500
Interest	3,945
Other:	
Charges for services	7,091
Donations	5,294
Rental income	3,000
Other	<u>1,802</u>

Total revenue

\$ 358,767

Town of Pearl River, Louisiana

GENERAL FUND

SCHEDULE OF EXPENDITURES

For the Year Ended December 31, 1998

General government:	\$ 59,835
Salaries	25,698
Sidewalk grant expense	18,000
Alderman's expense	17,327
Utilities	15,938
Office expense	13,216
Other operating expenses	2,084
Recreation	11,035
Accounting	9,408
Repairs and maintenance	7,534
Summer Camp Program	5,892
Dues and conventions	5,680
Payroll taxes	5,245
Insurance	5,120
Retirement	4,975
Attorney fees	4,678
Animal control	2,364
Community center	2,278
Vehicle expense	1,950
Clerk expense	1,700
Town decorations	1,524
Tree City USA	1,280
Tax collectors' expense	553
Official journal	<u>32,219</u>
Capital outlay	<u>\$ 255,533</u>
Total	

Town of Pearl River, Louisiana
 ALL SPECIAL REVENUE FUNDS
 COMBINING BALANCE SHEET

December 31, 1998

	<u>Sales Tax</u>	<u>Police Fund</u>	<u>Total</u>
ASSETS			
Cash	\$ 11,943	\$ 2,491	\$ 14,434
Certificate of deposit	43,732	-	43,732
Sales taxes receivable	30,851	-	30,851
Accrued interest receivable	63	-	63
Due from other funds	<u>-</u>	<u>9,761</u>	<u>9,761</u>
	<u>\$ 86,589</u>	<u>\$ 12,252</u>	<u>\$ 98,841</u>
LIABILITIES AND FUND BALANCE			
Accounts payable and accrued expenses	\$ 4,167	\$ 10,105	\$ 14,272
Due to other funds	<u>24,957</u>	<u>-</u>	<u>24,957</u>
Total liabilities	<u>29,124</u>	<u>10,105</u>	<u>39,229</u>
Fund balances	<u>57,465</u>	<u>2,147</u>	<u>59,612</u>
	<u>\$ 86,589</u>	<u>\$ 12,252</u>	<u>\$ 98,841</u>

Town of Pearl River, Louisiana

ALL SPECIAL REVENUE FUNDS

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

For the Year Ended December 31, 1998

	<u>Sales Tax</u>	<u>Police Fund</u>	<u>Total</u>
Revenues			
Taxes	\$ 307,403	\$ -	\$307,403
Grants	30,304	58,846	89,150
Reimbursements	-	10,604	10,604
Interest	1,738	116	1,854
Other	<u>9,061</u>	<u>4,126</u>	<u>13,187</u>
 Total revenues	 <u>348,506</u>	 <u>73,692</u>	 <u>422,198</u>
Expenditures			
Public safety	-	324,522	324,522
Public works	<u>216,741</u>	<u>-</u>	<u>216,741</u>
 Total expenditures	 <u>216,741</u>	 <u>324,522</u>	 <u>541,263</u>
 Excess (deficiency) of revenues over expenditures	 131,765	 (250,830)	 (119,065)
Other financing sources (uses)			
Operating transfers in	46,281	246,739	293,020
Operating transfers out	<u>(162,931)</u>	<u>(3,980)</u>	<u>(166,911)</u>
 Total other financing sources (uses)	 <u>(116,650)</u>	 <u>242,759</u>	 <u>126,109</u>
 Excess (deficiency) of revenue and other sources over expenditures and other uses	 15,115	 (8,071)	 7,044
 Fund balance, beginning	 <u>42,350</u>	 <u>10,218</u>	 <u>52,568</u>
 Fund balance, ending	 <u>\$ 57,465</u>	 <u>\$ 2,147</u>	 <u>\$ 59,612</u>

Town of Pearl River, Louisiana

SALES TAX FUND

SCHEDULE OF EXPENDITURES

For the Year Ended December 31, 1998

EXPENDITURES

Public works:

Salaries	\$ 70,666
Street grant	30,304
General operating	27,496
Paving materials	12,804
Workmen's compensation insurance	10,436
Repairs and maintenance	9,482
Payroll taxes	5,416
Gasoline and fluids	3,730
Insurance	2,399
Other	419
Vehicle expenses	401
Utilities	279
Capital outlay	35,054
Capital lease payments:	
Principal	6,545
Interest	<u>1,310</u>
 Total	 <u>\$ 216,741</u>

Town of Pearl River, Louisiana

POLICE FUND

SCHEDULE OF EXPENDITURES

For the Year Ended December 31, 1998

EXPENDITURES

Public Safety:

Salaries	\$ 169,874
Vehicle expenses	19,487
Insurance	15,096
Payroll taxes	13,345
Workmen's compensation insurance	9,577
Utilities	6,312
Other	8,072
Prisoner meals	4,026
Retirement	3,721
Training	2,760
Radio communications	2,724
Office supplies	2,551
Building repair and maintenance	1,289
Capital outlay	<u>65,688</u>

Total \$ 324,522

Town of Pearl River, Louisiana

ENTERPRISE FUND
UTILITY SYSTEMS

SCHEDULE OF OPERATING EXPENSES

For the Year Ended December 31, 1998

	<u>1998</u>	<u>1997</u>
Administrative and General:		
Salaries	\$ 18,310	\$ 17,160
Insurance	1,308	2,588
Payroll taxes	3,475	3,195
Workmen's compensation insurance	2,272	2,527
Postage	1,949	1,874
Professional fees	-	5,187
Education and training	584	335
Office supplies	283	1,118
Total	<u>\$ 28,181</u>	<u>\$ 33,984</u>
Sewerage System:		
Salaries	\$ 17,543	\$ 15,499
Utilities	15,202	21,138
Repairs and maintenance	9,762	22,860
Chemicals	2,955	2,308
Supplies	4,035	6,518
Lab testing	2,702	2,891
Contract labor	-	1,083
Vehicle expenses	1,061	1,235
Other	7,664	4,452
State permit	747	300
Total	<u>\$ 61,671</u>	<u>\$ 78,284</u>
Water System:		
Salaries	\$ 8,388	\$ 7,167
Utilities	6,117	3,599
Grant expenses	6,551	-
Pump expenses	3,373	-
Water testing	-	556
Total	<u>\$ 24,429</u>	<u>\$ 11,322</u>

Town of Pearl River, Louisiana

SCHEDULE OF GENERAL FIXED ASSETS

December 31, 1998

GENERAL FIXED ASSETS

Buildings	\$ 45,652
Land	111,255
Equipment and machinery	<u>526,414</u>
Total general fixed assets	<u>\$ 683,321</u>

INVESTMENT IN GENERAL FIXED ASSETS

Total investment in general fixed assets	<u>\$ 683,321</u>
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Town of Pearl River, Louisiana
SCHEDULE OF UTILITY RATES

December 31, 1998

Sewer charges:

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

Water rates:

Single Family Residential	- \$8.50
Multi-Family Residential	- \$8.50 x No. of Units
Commercial - Low Volume User	- \$15.00
Commercial - High Volume User	- \$32.00
Institutional	- \$250.00
Light Industrial	- \$250.00

Town of Pearl River, Louisiana
SCHEDULE OF GOVERNING BOARD

December 31, 1998

<u>Board of Aldermen</u>	<u>Term of Office</u>	<u>Compensation</u>
David McQueen, Mayor Pro-Tem Town of Pearl River Pearl River, LA 70452	December 31, 2002	\$ 3,600
Pat Walsh Town of Pearl River Pearl River, LA 70452	December 31, 2002	\$ 3,600
Billy Blackwell Town of Pearl River Pearl River, LA 70452	December 31, 1998	\$ 3,600
Theresa Zechenelly Town of Pearl River Pearl River, LA 70452	December 31, 2002	\$ 3,600
Richard Karchner Town of Pearl River Pearl River, LA 70452	December 31, 2002	\$ 3,600

Town of Pearl River, Louisiana

SCHEDULE OF INSURANCE COVERAGE

December 31, 1998

<u>Coverage</u>	<u>Amount of Coverage</u>
Property and contents (aggregate)	\$ 763,300
Fidelity:	
Mayor	\$ 80,000
Town clerk	80,000
Assistant clerk	80,000
Utility clerk	80,000
Liability:	
General	\$ 500,000
Auto	500,000
Error and omissions	500,000
Law enforcement	500,000

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

(A LIMITED LIABILITY COMPANY)

Certified Public Accountants

P.O. Box 1660

Covington, Louisiana 70434-1660

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

(504) 892-6633 - Covington
(504) 892-4666 - FAX

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

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

We have audited the general purpose financial statements of the Town of Pearl River, Louisiana, as of and for the year ended December 31, 1998, and have issued our report thereon dated March 19, 1999 which was qualified due to the omission of the year 2000 disclosures that are required by Government Accounting Standards Board Technical Bulletin 98-1, *Disclosures about Year 2000 Issues*. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

As part of obtaining reasonable assurance about whether the Town of Pearl River, Louisiana's, general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determinations of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under Government Auditing Standards which is described in the following paragraph.

For the year ending December 31, 1998 the General Fund's actual expenditures of \$255,533 exceeded budgeted expenditures of \$237,286 which resulted in an unfavorable variance of 18,247. La Rev. Stat. 39:1310 requires the Mayor to advise the Board of Aldermen in writing when total actual expenditures plus projected expenditures for the remainder of the year, within a fund, are exceeding the total budgeted expenditures by five percent or more. In this case, the unfavorable percent variance was 7.7%. In the future, the Mayor and Board of Aldermen should institute procedures whereby actual to budgeted expenditures are monitored and budget is amended as necessary.

In planning and performing our audit, we considered Town of Pearl River, Louisiana's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce, to a relatively low level, the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Page 2

This report is intended for the information of management and the Louisiana Legislative Auditor. However, this report is a matter of public record and its distribution is not limited.

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

March 19, 1999



JAMES LAVIGNE
Mayor

TOWN OF PEARL RIVER

Pearl River, Louisiana 70452

Telephone (504) 863-5800

FAX (504) 863-2586

T.D.D. Tel. 863-5868

APRIL 26, 1999

DAVID McQUEEN
Mayor Pro-Tem

THERESA ZECHENELLY

RICHARD KARCHNER

PAT WALSH

PATSY ELLIS

Aldermen

BENNIE RAYNOR
Chief of Police

RUBY GAULEY
Town Clerk

RONALD W. "RON" GUTH
Town Attorney

ELIZABETH ALLEN
Deputy Clerk

OFFICE OF LEGISLATIVE AUDITOR
STATE OF LOUISIANA
BATON ROUGE, LOUISIANA

DEAR SIRs:

In response to the report on compliance and on internal control over financial reporting based on an audit of financial statements performed in accordance with government auditing standards, as furnished by the auditing firm of Smith, Huval and Associates, Inc. chapter 3:

REFERRING TO THE GENERAL FUND'S EXPENDITURES EXCEEDING BUDGETED EXPENDITURES OF \$237,286, CAUSING AN EXCESS OF \$18,247. THESE MONIES WERE DUE TO PAYING THE FOLLOWING FROM THE GENERAL FUND ACCOUNT AS A LOAN TO THE POLICE ACCOUNT.

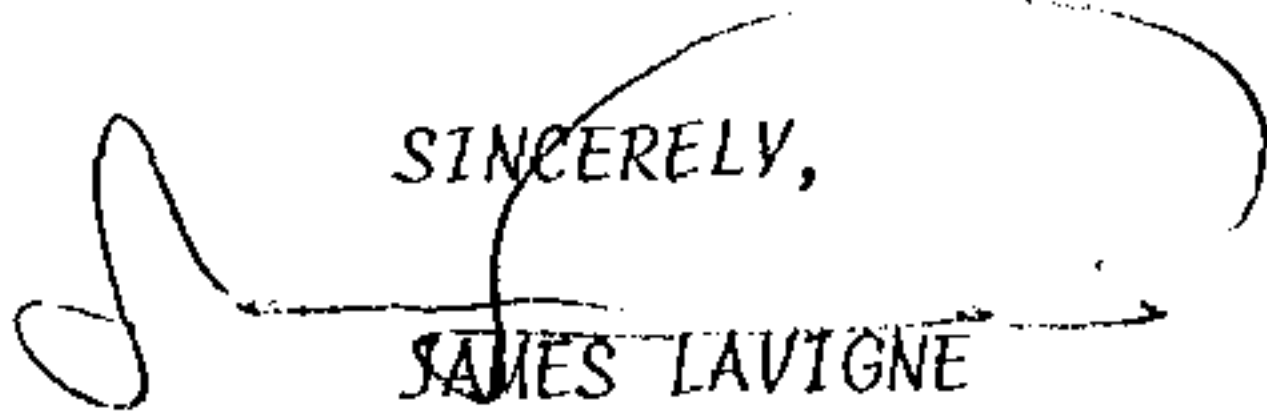
\$7,000, for police units, due to the vehicles going over the cost that was budgeted for police units.

\$1885.53 for increase in salaries for 4 POLICE OFFICERS.

\$7,259.65 due to the COPS MORE grant for the police department. The General Fund has to absorb this cost for the 25% matching amount, due to the police account not being financially able. The police station suffered damages from windstorm, so the general fund had to pay the \$2,101.82 not covered by insurance.

In the future the Town will be certain to amend the budget if this should occur again. The General Fund account will loan to the police account in the future.

SINCERELY,


JAMES LAVIGNE

MAYOR

JL:rg

AN EQUAL OPPORTUNITY EMPLOYER