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**TOWN OF PEARL RIVER, LOUISIANA**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2022**

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RICHARD  CPAS

**TOWN OF PEARL RIVER, LOUISIANA**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2022**

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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, 2022, 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, 2022, 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 the 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 twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### **Auditor's Responsibilities for the Audit of the 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 29 through 31 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, Benefits, and other payments to the 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 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 as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2023, 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 29, 2023



**TOWN OF PEARL RIVER, LOUISIANA**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2022**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ 4,746,791	\$ 1,307,627	\$ 6,054,418
Restricted cash - debt service	-	76,840	76,840
Restricted cash - federal	-	654,259	654,259
Receivables			
Water and sewer, net	-	170,399	170,399
Ad valorem taxes, net	219,543	-	219,543
Sales taxes	351,108	39,477	390,585
Franchise taxes	74,889	-	74,889
Grant	23,840	-	23,840
Internal balances	(76,240)	76,240	-
Prepaid items	25,715	3,334	29,049
Capital assets not being depreciated	104,377	395,069	499,446
Capital assets depreciated, net	1,473,284	7,487,541	8,960,825
Total assets	<u>\$ 6,943,307</u>	<u>\$ 10,210,786</u>	<u>\$ 17,154,093</u>
<b><u>LIABILITIES</u></b>			
Accounts payable	\$ 122,729	\$ 36,819	\$ 159,548
Accrued payroll	75,972	10,541	86,513
Accrued interest	-	14,007	14,007
Unearned revenue	3,819	902,237	906,056
Compensated absences payable	43,897	1,140	45,037
Non-current liabilities			
Due within one year	9,139	208,000	217,139
Due in more than one year	8,872	3,011,444	3,020,316
Total liabilities	<u>\$ 264,428</u>	<u>\$ 4,184,188</u>	<u>\$ 4,448,616</u>
<b><u>NET POSITION</u></b>			
Net investment in capital assets	\$ 1,559,650	\$ 4,663,166	\$ 6,222,816
Restricted for:			
Capital projects	2,169,006	-	2,169,006
Debt service	-	76,840	76,840
Maintenance and operations	395,861	-	395,861
Unrestricted net position	<u>2,554,362</u>	<u>1,286,592</u>	<u>3,840,954</u>
Total net position	<u>\$ 6,678,879</u>	<u>\$ 6,026,598</u>	<u>\$ 12,705,477</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, 2022**

<b>FUNCTIONS/PROGRAMS</b>	Program Revenues				Net Revenue (Expense) and Changes in Net Position		Total
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
<b>PRIMARY GOVERNMENT</b>							
Governmental activities:							
General government	\$ 774,258	\$ -	\$ 66,407	\$ 100,000	\$ (607,851)	\$ -	\$ (607,851)
Public safety	1,360,423	-	162,730	-	(1,197,693)	-	(1,197,693)
Public works	653,806	2,000	-	112,852	(538,954)	-	(538,954)
Recreation	10,207	-	-	-	(10,207)	-	(10,207)
Total governmental activities	2,798,694	2,000	229,137	212,852	(2,354,705)	-	(2,354,705)
<b>BUSINESS-TYPE ACTIVITIES</b>							
Utilities	950,411	720,580	-	-	-	(229,831)	(229,831)
State of Louisiana grant	-	-	-	200,000	-	200,000	200,000
Interest on debt	34,934	-	-	-	-	(34,934)	(34,934)
Total business-type activities	985,345	720,580	-	200,000	-	(64,765)	(64,765)
Total	\$ 3,784,039	\$ 722,580	\$ 229,137	\$ 412,852	(2,354,705)	(64,765)	(2,419,470)
Taxes							
Sales taxes					2,030,697	232,584	2,263,281
Ad valorem taxes					227,807	-	227,807
Franchise taxes					297,551	-	297,551
Licenses and permits					160,062	-	160,062
Fines and forfeitures					355,007	-	355,007
Insurance licenses					129,615	-	129,615
Other miscellaneous revenue					80,395	-	80,395
Investment earnings					3,981	1,443	5,424
Transfers					-	-	-
Total general revenues and transfers					3,285,115	234,027	3,519,142
Change in net position					930,410	169,262	1,099,672
Net position, beginning of year					5,748,469	5,857,336	11,605,805
Net position, end of year					\$ 6,678,879	\$ 6,026,598	\$ 12,705,477

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

**TOWN OF PEARL RIVER, LOUISIANA**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2022**

	Special Revenue Funds				Total Governmental Funds
	General Fund	Police Fund	Street Fund	Non-Major Fund	
<b><u>ASSETS</u></b>					
Cash and cash equivalents	\$ 2,415,884	\$ 101,367	\$ 2,228,633	\$ 907	\$ 4,746,791
Receivables					
Ad valorem taxes, net	127,335	-	92,208	-	219,543
Sales taxes	-	157,907	193,201	-	351,108
Franchise taxes	74,889	-	-	-	74,889
Grant receivables	-	19,404	-	4,436	23,840
Due from other funds	-	242,794	4,242	39,085	286,121
Prepaid expenses	4,300	20,174	1,241	-	25,715
<b><u>TOTAL ASSETS</u></b>	<b>\$ 2,622,408</b>	<b>\$ 541,646</b>	<b>\$ 2,519,525</b>	<b>\$ 44,428</b>	<b>\$ 5,728,007</b>
<b><u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</u></b>					
<b><u>LIABILITIES</u></b>					
Accounts payable	\$ 34,990	\$ 72,444	\$ 15,295	\$ -	\$ 122,729
Accrued payroll	13,699	49,348	12,925	-	75,972
Unearned revenue	-	3,819	-	-	3,819
Due to other funds	41,303	-	321,058	-	362,361
<b><u>TOTAL LIABILITIES</u></b>	<b>89,992</b>	<b>125,611</b>	<b>349,278</b>	<b>-</b>	<b>564,881</b>
<b><u>DEFERRED INFLOW OF RESOURCES</u></b>					
Unavailable FEMA revenue	-	-	-	4,436	4,436
<b><u>TOTAL DEFERRED INFLOW OF RESOURCES</u></b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,436</b>	<b>4,436</b>
<b><u>FUND BALANCES</u></b>					
Nonspendable					
Prepaid items	4,300	20,174	1,241	-	25,715
Restricted					
Capital projects	-	-	2,169,006	-	2,169,006
Maintenance and operations	-	395,861	-	-	395,861
Unassigned	2,528,116	-	-	39,992	2,568,108
<b><u>TOTAL FUND BALANCES</u></b>	<b>2,532,416</b>	<b>416,035</b>	<b>2,170,247</b>	<b>39,992</b>	<b>5,158,690</b>
<b><u>INFLOW OF RESOURCES, AND FUND BALANCE</u></b>					
<b><u>BALANCE</u></b>	<b>\$ 2,622,408</b>	<b>\$ 541,646</b>	<b>\$ 2,519,525</b>	<b>\$ 44,428</b>	<b>\$ 5,728,007</b>

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, 2022**

Total governmental fund balances \$ 5,158,690

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	\$ 3,959,437	
Less: Accumulated depreciation	<u>(2,381,776)</u>	1,577,661

Unavailable revenues are reported in the funds, but are not reported under the measurement focus employed in the statement of net position	<u>4,436</u>
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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	(43,897)
Capital lease payable	<u>(18,011)</u>

Net position of governmental activities	<u><u>\$ 6,678,879</u></u>
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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, 2022**

	Special Revenue Funds				Total Governmental Funds
	General Fund	Police Fund	Street Fund	Non-Major Fund	
<b><u>REVENUES</u></b>					
Taxes					
Sales taxes	\$ -	\$ 930,337	\$ 1,100,360	\$ -	\$ 2,030,697
Ad valorem	132,128	-	95,679	-	227,807
Franchise taxes	297,551	-	-	-	297,551
Licenses and permits	160,062	-	-	-	160,062
Fines and forfeitures	355,007	-	-	-	355,007
Insurance licenses	129,615	-	-	-	129,615
State of Louisiana grant	100,000	-	-	-	100,000
Grants and reimbursements	66,407	162,730	112,852	-	341,989
Service fees	-	-	2,000	-	2,000
Other revenues	57,782	15,303	7,310	-	80,395
Interest income	2,216	164	1,600	1	3,981
Total revenues	<u>1,300,768</u>	<u>1,108,534</u>	<u>1,319,801</u>	<u>1</u>	<u>3,729,104</u>
<b><u>EXPENDITURES</u></b>					
Current					
General government	747,777	-	-	-	747,777
Public safety	-	1,321,572	-	-	1,321,572
Public works	-	-	586,964	-	586,964
Recreation	7,477	-	-	-	7,477
Capital outlay	-	85,163	-	-	85,163
Total expenditures	<u>755,254</u>	<u>1,406,735</u>	<u>586,964</u>	<u>-</u>	<u>2,748,953</u>
<b><u>Excess (Deficiency) of Revenue Over (Under) Expenditures</u></b>	<u>545,514</u>	<u>(298,201)</u>	<u>732,837</u>	<u>1</u>	<u>980,151</u>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>					
Transfers from other funds	147,088	113,333	-	-	260,421
Transfers to other funds	(113,333)	-	(147,088)	-	(260,421)
Total other financing sources (uses)	<u>33,755</u>	<u>113,333</u>	<u>(147,088)</u>	<u>-</u>	<u>-</u>
<b><u>NET CHANGE IN FUND BALANCE</u></b>	579,269	(184,868)	585,749	1	980,151
<b><u>FUND BALANCES, BEGINNING OF YEAR</u></b>	<u>1,953,147</u>	<u>600,903</u>	<u>1,584,498</u>	<u>39,991</u>	<u>4,178,539</u>
<b><u>FUND BALANCES, END OF YEAR</u></b>	<u>\$ 2,532,416</u>	<u>\$ 416,035</u>	<u>\$ 2,170,247</u>	<u>\$ 39,992</u>	<u>\$ 5,158,690</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, 2022**

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

Net change in fund balances - total governmental funds	\$	980,151
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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.

Capital outlays	\$	85,163	
Current year depreciation expense		<u>(139,214)</u>	(54,051)

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			(4,299)
Payments on capital lease			<u>8,609</u>

Change in net position of governmental activities	\$	<u>930,410</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, 2022**

	Enterprise Funds		Total Proprietary Funds
	Sewer Fund	Water Fund	
<b><u>ASSETS</u></b>			
Current assets			
Cash and cash equivalents	\$ 991,093	\$ 316,534	\$ 1,307,627
Restricted cash - debt service	76,840	-	76,840
Restricted cash - federal	654,259	-	654,259
Receivables			
Water and sewer, net	99,336	71,063	170,399
Sales taxes	39,477	-	39,477
Due from other funds	78,392	403,208	481,600
Prepaid items	1,527	1,807	3,334
Total current assets	1,940,924	792,612	2,733,536
Capital assets not being depreciated	395,069	-	395,069
Capital assets depreciated, net	6,159,685	1,327,856	7,487,541
Total noncurrent assets	6,554,754	1,327,856	7,882,610
Total assets	\$ 8,495,678	\$ 2,120,468	\$ 10,616,146
<b><u>LIABILITIES</u></b>			
Current liabilities			
Accounts payable	\$ 27,529	\$ 9,290	\$ 36,819
Accrued payroll	8,336	2,205	10,541
Accrued interest payable	9,897	4,110	14,007
Compensated absences payable	700	440	1,140
Due to other funds	405,360	-	405,360
State revolving loans	142,000	66,000	208,000
Unearned revenue	902,237	-	902,237
Total current liabilities	1,496,059	82,045	1,578,104
Long-term liabilities			
State revolving loans	2,309,444	702,000	3,011,444
Total liabilities	\$ 3,805,503	\$ 784,045	\$ 4,589,548
<b><u>NET POSITION</u></b>			
Net investment in capital assets	\$ 4,103,310	\$ 559,856	\$ 4,663,166
Restricted for debt service	76,840	-	76,840
Unrestricted net position	510,025	776,567	1,286,592
Total net position	\$ 4,690,175	\$ 1,336,423	\$ 6,026,598
Total Liabilities and Net Position	\$ 8,495,678	\$ 2,120,468	\$ 10,616,146

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, 2022**

	<u>Enterprise Funds</u>		Total Proprietary Funds
	<u>Sewer Fund</u>	<u>Water Fund</u>	
<b><u>OPERATING REVENUES</u></b>			
Service fees	\$ 392,440	\$ 308,318	\$ 700,758
Delinquent fees	-	-	-
Installation fees	500	600	1,100
Meter fees	-	550	550
Other revenues	6,893	11,279	18,172
Total revenues	<u>399,833</u>	<u>320,747</u>	<u>720,580</u>
<b><u>OPERATING EXPENSES</u></b>			
Depreciation	295,080	123,958	419,038
Sewer system	305,563	-	305,563
Water system	-	97,440	97,440
Administrative and general	76,511	51,859	128,370
Total operating expenses	<u>677,154</u>	<u>273,257</u>	<u>950,411</u>
Operating income (loss)	<u>(277,321)</u>	<u>47,490</u>	<u>(229,831)</u>
<b><u>NONOPERATING REVENUES (EXPENSES)</u></b>			
Sales tax revenue	232,584	-	232,584
Federal grants	-	-	-
State of Louisiana grant	200,000	-	200,000
Interest income	1,188	255	1,443
Interest expense	(11,349)	(23,585)	(34,934)
Total nonoperating revenues (expenses)	<u>422,423</u>	<u>(23,330)</u>	<u>399,093</u>
Net gain (loss) before transfers	145,102	24,160	169,262
Transfers in	-	8,274	8,274
Transfers out	(8,274)	-	(8,274)
Total transfers in (out)	<u>(8,274)</u>	<u>8,274</u>	<u>-</u>
<b><u>INCREASE IN NET POSITION</u></b>	136,828	32,434	169,262
<b><u>NET POSITION, BEGINNING OF YEAR</u></b>	<u>4,553,347</u>	<u>1,303,989</u>	<u>5,857,336</u>
<b><u>NET POSITION, END OF YEAR</u></b>	<u>\$ 4,690,175</u>	<u>\$ 1,336,423</u>	<u>\$ 6,026,598</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, 2022**

	<u>Enterprise Funds</u>		Total Proprietary Funds
	<u>Sewer Fund</u>	<u>Water Fund</u>	
<b><u>OPERATING ACTIVITIES</u></b>			
Receipts from customers and users	\$ 364,182	\$ 309,467	\$ 673,649
Payments to suppliers	(294,114)	(91,417)	(385,531)
Payments to employees and for benefits	(94,069)	(58,022)	(152,091)
Net cash provided by operating activities	<u>(24,001)</u>	<u>160,028</u>	<u>136,027</u>
<b><u>NONCAPITAL FINANCING ACTIVITIES</u></b>			
Cash received from sales tax	232,291	-	232,291
Interfund transfers and borrowing	252,194	(303,596)	(51,402)
Net cash provided by noncapital financing activities	<u>484,485</u>	<u>(303,596)</u>	<u>180,889</u>
<b><u>CAPITAL AND RELATED FINANCING ACTIVITIES</u></b>			
Principal paid on state revolving loans	(141,000)	(63,000)	(204,000)
Purchase of capital assets	(51,923)	-	(51,923)
Purchase of construction in progress	(222,568)	-	(222,568)
Proceeds from federal funding	483,444	-	483,444
Proceeds from state funding	200,000	-	200,000
Interest paid	(11,349)	(23,585)	(34,934)
Net cash provided by (used in) capital and related financing activities	<u>256,604</u>	<u>(86,585)</u>	<u>170,019</u>
<b><u>INVESTING ACTIVITIES</u></b>			
Interest received	1,188	255	1,443
Net cash provided by investing activities	<u>1,188</u>	<u>255</u>	<u>1,443</u>
<b><u>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u></b>			
	718,276	(229,898)	488,378
<b><u>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</u></b>			
	<u>1,003,916</u>	<u>546,432</u>	<u>1,550,348</u>
<b><u>CASH AND CASH EQUIVALENTS, END OF YEAR</u></b>			
	<u>\$ 1,722,192</u>	<u>\$ 316,534</u>	<u>\$ 2,038,726</u>
<b><u>RECONCILIATION OF GAIN (LOSS) FROM OPERATIONS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</u></b>			
Operating income (loss)	\$ (277,321)	\$ 47,490	\$ (229,831)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	295,080	123,958	419,038
Changes in assets and liabilities			
Receivables	(35,651)	(11,280)	(46,931)
Prepaid items	(673)	(680)	(1,353)
Accounts payable	(4,676)	1,168	(3,508)
Accrued payroll	1,530	787	2,317
Compensated absences payable	(2,290)	(1,415)	(3,705)
Net cash provided by operating activities	<u>\$ (24,001)</u>	<u>\$ 160,028</u>	<u>\$ 136,027</u>

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

**TOWN OF PEARL RIVER, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2022**

**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 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, 2022**

**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, 2022**

**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, 2022**

**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 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<sup>st</sup> 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 Aldermen.
- (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 Aldermen 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, 2022.

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, 2022**

**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, 2022**

**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, 2022, the Town has recorded a compensated absences payable of \$43,897.

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, 2022**

**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, 2022**

**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.

1/4 % 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, 2022, property taxes levied were 3.21 mills for general purposes and 2.33 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, 2022**

**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, 2022.

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 Town adopted the GASB issued Statement No. 87, *Leases* with no effect on the financial statements for the year ended December 31, 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 adopted the GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans* with no effect on the financial statements for the year ended December 31, 2022.

**Recent Pronouncements – Not Yet Adopted**

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 Town is currently assessing the impact of this pronouncement on its basic financial statements.

**TOWN OF PEARL RIVER, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2022**

**2. Cash and Cash Equivalents**

At December 31, 2022, cash and cash equivalents consisted of the following:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Demand deposits	\$ 5,811,348	\$ 5,790,000
Money Market	974,169	1,020,417
	<u>\$ 6,785,517</u>	<u>\$ 6,810,417</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, 2022, 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 \$6,310,417 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, 2022, 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	\$ 132,374	\$ -	\$ 95,812	\$ -	\$ 228,186
Sales taxes	-	157,907	193,201	-	351,108
Franchise taxes	74,889	-	-	-	74,889
Grants	-	19,404	-	4,436	23,840
Gross receivables	<u>207,263</u>	<u>177,311</u>	<u>289,013</u>	<u>4,436</u>	<u>678,023</u>
Less: Allowances	<u>(5,039)</u>	<u>-</u>	<u>(3,604)</u>	<u>-</u>	<u>(8,643)</u>
Total	<u>\$ 202,224</u>	<u>\$ 177,311</u>	<u>\$ 285,409</u>	<u>\$ 4,436</u>	<u>\$ 669,380</u>

Net receivables of proprietary funds at December 31, 2022, were as follows:

	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Total</u>
Sales taxes	\$ 39,477	\$ -	\$ 39,477
Water and sewer	101,336	73,063	174,399
Gross receivables	<u>140,813</u>	<u>73,063</u>	<u>213,876</u>
Less: Allowances	<u>(2,000)</u>	<u>(2,000)</u>	<u>(4,000)</u>
Total	<u>\$ 138,813</u>	<u>\$ 71,063</u>	<u>\$ 209,876</u>

**TOWN OF PEARL RIVER, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2022**

**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, 2022:

	<u>Balance at December 31, 2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at December 31, 2022</u>
Capital assets not depreciated				
Land	\$ 104,377	\$ -	\$ -	\$ 104,377
Total	<u>104,377</u>	<u>-</u>	<u>-</u>	<u>104,377</u>
Capital assets being depreciated				
Infrastructure	1,503,740	-	-	1,503,740
Buildings and Improvements	389,311	-	-	389,311
Machinery and Equipment	963,292	-	-	963,292
Furniture and Office Equipment	52,535	-	-	52,535
Vehicles	861,019	85,163	-	946,182
Total	<u>3,769,897</u>	<u>85,163</u>	<u>-</u>	<u>3,855,060</u>
Accumulated depreciation				
Infrastructure	(416,639)	(52,949)	-	(469,588)
Buildings and Improvements	(269,618)	(8,593)	-	(278,211)
Machinery and Equipment	(783,717)	(18,299)	-	(802,016)
Furniture and Office Equipment	(48,105)	(857)	-	(48,962)
Vehicles	(724,483)	(58,516)	-	(782,999)
Total	<u>(2,242,562)</u>	<u>(139,214)</u>	<u>-</u>	<u>(2,381,776)</u>
Capital assets being depreciated, net	<u>1,527,335</u>	<u>(54,051)</u>	<u>-</u>	<u>1,473,284</u>
Total	<u>\$1,631,712</u>	<u>\$ (54,051)</u>	<u>-</u>	<u>\$1,577,661</u>

Depreciation was charged to governmental functions as follows:

General government	\$ 26,226
Public works	66,112
Public safety	44,146
Recreation	2,730
Total	<u>\$ 139,214</u>

**TOWN OF PEARL RIVER, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2022**

**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, 2022.

	Balance at December 31, 2021	Additions	Deletions	Balance at December 31, 2022
Capital assets not depreciated				
Land	\$ 68,609	\$ -	\$ -	\$ 68,609
Construction in progress	103,892	222,568	-	326,460
Total	<u>172,501</u>	<u>222,568</u>	<u>-</u>	<u>395,069</u>
Capital assets being depreciated				
Water system and equipment	7,627,922	-	-	7,627,922
Sewer system and equipment	7,735,559	-	-	7,735,559
Machinery and equipment	501,193	51,923	-	553,116
Total	<u>15,864,674</u>	<u>51,923</u>	<u>-</u>	<u>15,916,597</u>
Accumulated depreciation				
Water system and equipment	(3,156,789)	(219,093)	-	(3,375,882)
Sewer system and equipment	(4,535,856)	(147,259)	-	(4,683,115)
Machinery and equipment	(317,373)	(52,686)	-	(370,059)
Total	<u>(8,010,018)</u>	<u>(419,038)</u>	<u>-</u>	<u>(8,429,056)</u>
Capital assets being depreciated, net	<u>7,854,656</u>	<u>(367,115)</u>	<u>-</u>	<u>7,487,541</u>
Total	<u>\$ 8,027,157</u>	<u>\$ (144,547)</u>	<u>\$ -</u>	<u>\$ 7,882,610</u>

**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 full-time 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 \$96,196 for the year ended December 31, 2022. 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, 2022**

**6. Long Term Debt**

The following is a summary of long-term debt transactions of the Town for the year ended December 31, 2022:

	<u>Sewer fund</u>	<u>Water fund</u>
Balance at beginning of year	\$ 2,592,444	\$ 831,000
Loan drawdowns	-	-
Principal payments	<u>(141,000)</u>	<u>(63,000)</u>
Balance at end of year	<u>\$ 2,451,444</u>	<u>\$ 768,000</u>
Amount due in one year	<u>\$ 142,000</u>	<u>\$ 66,000</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 \$2,451,444 at December 31, 2022.

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 \$768,000 at December 31, 2022. 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:

<u>Year Ending December 31,</u>	<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>
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	75,000	13,378	148,000	8,102
2028 - 2032	416,000	31,506	759,000	30,374
2033 - 2037	-	-	796,000	12,880
2038- 2040	-	-	<u>171,444</u>	<u>386</u>
Total	<u>\$ 768,000</u>	<u>\$ 119,505</u>	<u>\$ 2,451,444</u>	<u>\$ 90,703</u>

**TOWN OF PEARL RIVER, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2022**

**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, 2022, were as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2023	\$ 9,970
2024	9,139
Total minimum lease payments	19,109
<u>Less: Amount representing interest</u>	<u>(1,098)</u>
Present value of minimum lease payments	<u>\$ 18,011</u>

**8. Interfund balances**

Due to / from other funds at December 31, 2022, are as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General fund	\$ -	\$ 41,303
Special revenue funds		
Police fund	242,794	-
Street fund	4,242	321,058
Storm fund	39,085	-
Proprietary funds		
Sewer fund	78,392	405,360
Water fund	403,208	-
Total	<u>\$ 767,721</u>	<u>\$ 767,721</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, 2022**

**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, 2022:

	Transfers In			Total
	General fund	Police fund	Water fund	
Transfers out				
General fund	\$ -	\$ 113,333	\$ -	\$ 113,333
Street fund	147,088	-	-	147,088
Sewer fund	-	-	8,274	8,274
Total	<u>\$ 147,088</u>	<u>\$ 113,333</u>	<u>\$ 8,274</u>	<u>\$ 268,695</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, 2022, 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, 2022, 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.



**TOWN OF PEARL RIVER, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2022**

**11. 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, 2022:

A wholesale grocer distribution center, through a PILOT agreement negotiated with the St. Tammany Parish Development District, has property assessed at \$33,159,605 with exempt taxes of \$738,492. 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 \$25,422,334 with exempt taxes of \$564,807. 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.

**12. 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, 2022, the Town received a direct distribution from the Treasury Department of \$483,444, which represents half of the Town's award under this program. At December 31, 2022 included in unearned revenue is \$902,237.

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.

**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, 2022**

	Budget		Actual	Variance
	Original	Final		Favorable (Unfavorable)
<b><u>REVENUES</u></b>				
Taxes				
Ad valorem	\$ 205,000	\$ 225,000	\$ 132,128	\$ (92,872)
Franchise taxes	175,000	175,000	297,551	122,551
Fines and forfeitures	260,000	330,000	355,007	25,007
Licenses and permits	109,000	109,000	160,062	51,062
Insurance licenses	124,000	124,000	129,615	5,615
State of Louisiana grant	-	-	100,000	100,000
Grants and reimbursements	-	-	66,407	66,407
Other revenues	48,250	180,065	57,782	(122,283)
Interest income	3,250	3,250	2,216	(1,034)
Total revenues	<u>924,500</u>	<u>1,146,315</u>	<u>1,300,768</u>	<u>154,453</u>
<b><u>EXPENDITURES</u></b>				
General government	772,124	933,740	747,777	185,963
Recreation	43,596	40,595	7,477	33,118
Capital outlay	15,000	5,000	-	5,000
Total expenditures	<u>830,720</u>	<u>979,335</u>	<u>755,254</u>	<u>224,081</u>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>				
Transfers from other funds	76,220	76,220	147,088	70,868
Transfers to other funds	(170,000)	(243,200)	(113,333)	129,867
Total other financing sources (uses)	<u>(93,780)</u>	<u>(166,980)</u>	<u>33,755</u>	<u>200,735</u>
<b><u>NET CHANGE IN FUND BALANCE</u></b>	-	-	579,269	579,269
<b><u>FUND BALANCE, BEGINNING OF YEAR</u></b>	<u>1,953,147</u>	<u>1,953,147</u>	<u>1,953,147</u>	-
<b><u>FUND BALANCE, END OF YEAR</u></b>	<u>\$ 1,953,147</u>	<u>\$ 1,953,147</u>	<u>\$ 2,532,416</u>	<u>\$ 579,269</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, 2022**

	Budget		Actual	Variance
	Original	Final		Favorable (Unfavorable)
<b><u>REVENUES</u></b>				
Sales taxes	\$ 792,000	\$ 875,000	\$ 930,337	\$ 55,337
Grants and reimbursements	160,000	160,000	162,730	2,730
Other revenues	12,800	17,300	15,303	(1,997)
Interest income	250	250	164	(86)
Total revenues	<u>965,050</u>	<u>1,052,550</u>	<u>1,108,534</u>	<u>55,984</u>
<b><u>EXPENDITURES</u></b>				
Public safety	1,151,500	1,473,200	1,321,572	151,628
Capital outlay	18,550	18,550	85,163	(66,613)
Total expenditures	<u>1,170,050</u>	<u>1,491,750</u>	<u>1,406,735</u>	<u>85,015</u>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>				
Transfers from other funds	205,000	439,200	113,333	(325,867)
Transfers to other funds	-	-	-	-
Total other financing sources (uses)	<u>205,000</u>	<u>439,200</u>	<u>113,333</u>	<u>(325,867)</u>
<b><u>NET CHANGE IN FUND BALANCE</u></b>	-	-	(184,868)	(184,868)
<b><u>FUND BALANCE, BEGINNING OF YEAR</u></b>	<u>600,903</u>	<u>600,903</u>	<u>600,903</u>	<u>-</u>
<b><u>FUND BALANCE, END OF YEAR</u></b>	<u>\$ 600,903</u>	<u>\$ 600,903</u>	<u>\$ 416,035</u>	<u>\$ (184,868)</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, 2022**

	Budget		Actual	Variance
	Original	Final		Favorable (Unfavorable)
<b><u>REVENUES</u></b>				
Sales taxes	\$ 775,000	\$ 810,000	\$ 1,100,360	\$ 290,360
Ad valorem	137,500	-	95,679	95,679
Grants and reimbursements	5,000	111,552	112,852	1,300
Service fees	-	-	2,000	2,000
Other revenues	148,900	148,900	7,310	(141,590)
Interest income	500	500	1,600	1,100
Total revenues	<u>1,066,900</u>	<u>1,070,952</u>	<u>1,319,801</u>	<u>248,849</u>
<b><u>EXPENDITURES</u></b>				
Public works	1,033,780	991,280	586,964	404,316
Capital outlay	-	-	-	-
Total expenditures	<u>1,033,780</u>	<u>991,280</u>	<u>586,964</u>	<u>404,316</u>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>				
Transfers in	-	60,000	-	(60,000)
Transfers out	(33,120)	(139,672)	(147,088)	(7,416)
Total other financing sources (uses)	<u>(33,120)</u>	<u>(79,672)</u>	<u>(147,088)</u>	<u>(67,416)</u>
<b><u>NET CHANGE IN FUND BALANCE</u></b>	-	-	585,749	585,749
<b><u>FUND BALANCE, BEGINNING OF YEAR</u></b>	<u>1,584,498</u>	<u>1,584,498</u>	<u>1,584,498</u>	<u>-</u>
<b><u>FUND BALANCE, END OF YEAR</u></b>	<u>\$ 1,584,498</u>	<u>\$ 1,584,498</u>	<u>\$ 2,170,247</u>	<u>\$ 585,749</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, 2022**

	Enterprise Funds		Total Proprietary Funds
	Sewer Fund	Water Fund	
<b><u>ADMINISTRATIVE AND GENERAL EXPENSES</u></b>			
Salaries	\$ 6,258	\$ 3,608	\$ 9,866
Office expense	16,188	11,729	27,917
Insurance	9,846	9,877	19,723
Workmen's compensation	2,033	1,367	3,400
Payroll taxes	5,817	4,826	10,643
Retirement	5,001	-	5,001
Education and training	2,454	1,648	4,102
Bank and NSF charges	3,051	-	3,051
Other	25,863	18,804	44,667
Total administrative and general expenses	76,511	51,859	128,370
 <b><u>SEWER SYSTEM EXPENSES</u></b>			
Utilities	167,817	-	167,817
Salaries	68,934	-	68,934
Repairs and maintenance	31,394	-	31,394
Lab testing	11,961	-	11,961
Other	25,457	-	25,457
Total sewer system expenses	305,563	-	305,563
 <b><u>WATER SYSTEM EXPENSES</u></b>			
Utilities	-	15,778	15,778
Salaries	-	49,505	49,505
Repairs and maintenance	-	14,990	14,990
Other	-	17,167	17,167
Total water system expenses	-	97,440	97,440

See Independent Auditor's Report.

**TOWN OF PEARL RIVER, LOUISIANA**  
**SCHEDULE OF COMPENSATION, BENEFITS AND OTHER**  
**PAYMENTS TO THE MEMBERS OF THE BOARD OF ALDERMEN**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

<u>Board of Alderman</u>	<u>End of Term</u>	<u>Compensation</u>
Bridgett Bennet	December 31, 2022	\$ 10,800
Angela Galloway	December 31, 2022	\$ 10,800
Jessica Hanna	December 31, 2022	\$ 10,800
Timothy Moray	December 31, 2022	\$ 10,800
Kathryn Walsh	December 31, 2022	\$ 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, 2022**

**AGENCY HEAD:** Joe Lee, Mayor

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 53,146
Benefits - insurance	-
Benefits - retirement	5,579
Benefits- other	-
Car allowance	1,749
Vehicle provided by government	-
Per diem	389
Reimbursements	-
Travel	-
Registration fees	-
Conference travel	171
Continuing professional education fees	-
Housing	-
Unvouchered expenses	-
Special meals	-
	<u>\$ 61,034</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 (12/31/2022)	12/31/2022

### Cash Basis Presentation

	First Six Month Period Ended 06/30/22	Second Six Month Period Ended 12/31/22
<b>1. Beginning Balance of Amounts Collected (i.e. cash on hand)</b>	-	-
<b>2. Add: Collections</b>		
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	5,775	7,364
f Criminal Fines - Contempt	-	-
g Criminal Fines - Other	166,288	181,734
h Restitution	-	-
i Probation/Parole/Supervision Fees	-	-
j Service/Collection Fees (e.g. credit card fees, report fees, 3rd party service fees)	838	859
k Interest Earnings on Collected Balances	-	-
l Other ( <i>do not include collections that fit into more specific categories above</i> )	-	-
<b>m Subtotal Collections</b>	<b>172,901</b>	<b>189,957</b>

**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.)

Louisiana Dept of Health - Traumatic Head & Spinal Cord	2,415	2,895
Louisiana Supreme Court - LA Judicial College	308	347
Louisiana Commission on Law Enforcement - POST Law Enforcement	1,228	1,388
Treasurer State of Louisiana - CMIS	1,824	2,040
Crime Stoppers	-	694
Agency name/collection type	-	-

**4. Less: Amounts Retained by Collecting Agency**

<b>a</b> Collection Fee for Collecting/Disbursing to Others Based on Percentage of Collection	-	-
<b>b</b> Collection Fee for Collecting/Disbursing to Others Based on Fixed Amount	-	-
<b>c</b> Amounts "Self-Disbursed" to Collecting Agency (must include a separate line for each collection type, as applicable) - Example: Criminal Fines - Other (Additional rows may be added as necessary)	-	-
Town of Pearl River - Criminal Fines - Other	166,288	181,734

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

<b>a</b> Civil Fee Refunds	-	-
<b>b</b> Bond Fee Refunds	-	-
<b>c</b> Restitution Payments to Individuals (additional detail is not required)	-	-
<b>d</b> Other Disbursements to Individuals (additional detail is not required)	-	-
<b>e</b> Payments to 3rd Party Collection/Processing Agencies	838	859

**6. Subtotal Disbursements/Retainage**

172,901	189,957
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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.

-	-
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**9. Other Information:**

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

**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, 2022, 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 29, 2023.

**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.

*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. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first 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. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2022-01 to be a material weakness.

### 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2022-02.

### Town of Pearl River's Responses to Findings

*Government Auditing Standards* requires the auditor to perform limited procedures on the Town's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Town's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### 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 29, 2023

**TOWN OF PEARL RIVER, LOUISIANA**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

**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>None reported</u>
Noncompliance material to the financial statements:	<u>None reported</u>
Other matter:	<u>Yes</u>

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

2022-01 Customer Accounts, Receivable, and Revenue

Criteria: The Town should have adequate controls in place to ensure customer accounts are billed for water usage and properly recorded in the accounting records.

Condition: The Town did not bill customer accounts for actual water usage throughout the year ended December 31, 2022. Customer accounts that did not measure water usage during the billing month were billed the minimum monthly amount of \$12.

Cause: The majority of the water meters throughout the Town were installed in each personal residence in the late 1990s. The water meters have an approximate useful life of twenty years. Over the last several years, the majority of the water meters throughout the Town reached the end of their useful life and therefor did not read water usage properly.

Effect: The monthly water revenue amounts billed throughout the year ended December 31, 2022, did not include fees based on actual water usage. The amount of water usage not billed to customer accounts is uncertain and not able to be determined.

Recommendation: We recommend the Town implement policies and procedures to accurately measure water usage for each customer account and for the Town to bill each customer based on the measured water usage.

Response: Management has implemented new water meters to be installed throughout the Town. As of August 2023, Management has accurately measured customer accounts and has billed customers based upon the measured water usage.

**TOWN OF PEARL RIVER, LOUISIANA**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

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

2022-02 Non-Compliance with State Audit Law

Criteria: In accordance State of Louisiana R.S. 24:513, any local auditee that receives \$500,000 or more in revenues and other sources in any one fiscal year shall be audited annually. The due date of the audit report is six months after the entity's year end.

Condition: The Town was required to have an annual audit completed and filed with the Louisiana Legislative Auditor by June 30, 2023 (six months after year end). The Town requested a non-emergency extension from the Louisiana Legislative auditor and the extension request was acknowledged by the Legislative Audit Advisory Council (LAAC) on July 26, 2023, and therefore fully accepted.

Cause: The Town requested a non-emergency extension for the financial statement audit of the Town.

Effect: The Town is not in compliance with State of Louisiana Audit Law R.S. 24:513.

Recommendation: The Town should ensure compliance with the State of Louisiana Audit Law R.S. 24:513.

Management response: Management has implemented procedures and new software to ensure compliance with the State of Louisiana Audit Law, R.S. 24:513.



**TOWN OF PEARL RIVER, LOUISIANA**  
**SCHEDULE OF PRIOR YEAR FINDINGS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

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

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

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.

Current Status: Resolved.

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

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, other tax revenue 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.

Current Status: Resolved.

---

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

**DECEMBER 31, 2022**

---

RICHARD || CPAS

**TOWN OF PEARL RIVER, LOUISIANA**

**LOUISIANA LEGISLATIVE AUDITOR**  
**AGREED-UPON PROCEDURES REPORT**

**DECEMBER 31, 2022**

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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, 2022, through December 31, 2022. 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, 2022, through December 31, 2022. 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, Louisiana 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 29, 2023

**TOWN OF PEARL RIVER, LOUISIANA**

**AGREED-UPON PROCEDURES PERFORMED AND ASSOCIATED FINDINGS**

**FOR THE YEAR ENDED DECEMBER 31, 2022**

**PROCEDURES (SCHEDULE A)**

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*” or for step 25 “*we performed the procedure and discussed the results with management*”. If not, then a description of the exception ensues.

1) ***Written Policies and Procedures***

---

A. Obtain and inspect the entity’s written policies and procedures and observe whether they address each of the following categories and subcategories if applicable to public funds and the entity’s operations:

*i. Budgeting*, including preparing, adopting, monitoring, and amending the budget.

*No exceptions were found as a result of this procedure.*

*ii. Purchasing*, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the Public Bid Law; and (5) documentation required to be maintained for all bids and price quotes.

*Exception noted. RICHARD CPAs observed the policy did not document how vendors are added to the vendor list.*

*iii. Disbursements*, including processing, reviewing, and approving.

*No exceptions were found as a result of this procedure.*

*iv. Receipts/Collections*, including receiving, recording, and preparing deposits. Also, policies and procedures should include management’s actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g., periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).

*Exception noted. RICHARD CPAs observed that no policy was in place for the year ended December 31, 2022.*

*v. Payroll/Personnel*, including (1) payroll processing, (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee(s) rate of pay or approval and maintenance of pay rate schedules.

*No exceptions were found as a result of this procedure.*

**TOWN OF PEARL RIVER, LOUISIANA**

**AGREED-UPON PROCEDURES PERFORMED AND ASSOCIATED FINDINGS**

**FOR THE YEAR ENDED DECEMBER 31, 2022**

**vi. Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.

***Exception noted. RICHARD CPAs observed the policy did not document the legal review, the approval process, and the monitoring process.***

**vii. Travel and Expense Reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.

***Exception noted. RICHARD CPAs observed the policy did not document dollar thresholds by category of expense.***

**viii. Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).

***No exceptions were found as a result of this procedure.***

**ix. Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute (R.S.) 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) a requirement that documentation is maintained to demonstrate that all employees and officials were notified of any changes to the entity's ethics policy.

***No exceptions were found as a result of this procedure.***

**x. Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

***Exception noted. RICHARD CPAs observed that no policy was in place for the year ended December 31, 2022.***

**TOWN OF PEARL RIVER, LOUISIANA**

**AGREED-UPON PROCEDURES PERFORMED AND ASSOCIATED FINDINGS**

**FOR THE YEAR ENDED DECEMBER 31, 2022**

*xi. Information Technology Disaster Recovery/Business Continuity*, including (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. RICHARD CPAs observed the policy did not document the identification of critical data and frequency of data backups, storage of backups in a separate physical location isolated from the network, periodic testing/verification that backups can be restored, use of anti-virus software on all systems, timely application of all available systems and software patches/updates, and identification of all personnel, processes, and tools needed to recover operations after a critical event.*

*xii. Prevention of Sexual Harassment*, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

*No exceptions were found as a result of this procedure.*

**2) Board or Finance Committee**

---

A. 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:

*i.* 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.*

*ii.* For those entities reporting on the governmental accounting model, observe whether 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 entity's collections during the fiscal period.*

*No exceptions were found as a result of this procedure.*



**TOWN OF PEARL RIVER, LOUISIANA**

**AGREED-UPON PROCEDURES PERFORMED AND ASSOCIATED FINDINGS**

**FOR THE YEAR ENDED DECEMBER 31, 2022**

- iii.* 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.*

- iv.* Observe whether the board/finance committee received written updates of the progress of resolving audit finding(s), according to management's corrective action plan at each meeting until the findings are considered fully resolved.

*Exception noted. RICHARD CPAs observed meeting minutes and noted the attendees did not receive written updates of the progress of resolving audit findings.*

**3) Bank Reconciliations**

---

- A. Obtain a listing of entity bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity'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 each selected account, and observe that:

- i.* Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated or electronically logged);

*Exceptions noted. RICHARD CPAs observed 5 of the 5 bank reconciliations selected for testing were not prepared within two months of the related statement closing date.*

- ii.* Bank reconciliations include written 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);

*Exceptions noted. RICHARD CPAs observed 5 of the 5 bank reconciliations selected for testing did not include written evidence that a member of management had reviewed the reconciliation.*

**TOWN OF PEARL RIVER, LOUISIANA**

**AGREED-UPON PROCEDURES PERFORMED AND ASSOCIATED FINDINGS**

**FOR THE YEAR ENDED DECEMBER 31, 2022**

- iii.* Management has documentation reflecting it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

***Exceptions noted. RICHARD CPAs observed 4 of the 5 bank reconciliations selected for testing did not include documentation from management reflecting it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date.***

**4) Collections (excluding electronic funds transfers)**

---

- A. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).

***No exceptions were found as a result of this procedure.***

- B. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e., 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:

- i.* Employees responsible for cash collections do not share cash drawers/registers.

***No exceptions were found as a result of this procedure.***

- ii.* Each employee responsible for collecting cash is not also responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g., pre-numbered receipts) to the deposit.

***No exceptions were found as a result of this procedure.***

- iii.* Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.

***No exceptions were found as a result of this procedure.***

- iv.* The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, are not responsible for collecting cash, unless another employee/official verifies the reconciliation.

***No exceptions were found as a result of this procedure.***

**TOWN OF PEARL RIVER, LOUISIANA**

**AGREED-UPON PROCEDURES PERFORMED AND ASSOCIATED FINDINGS**

**FOR THE YEAR ENDED DECEMBER 31, 2022**

- C. Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe the bond or insurance policy for theft was in force during the fiscal period.

***Exception noted. RICHARD CPAs observed that one employee with access to cash is not bonded.***

- D. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3A under “Bank Reconciliations” above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:

- i.* Observe that receipts are sequentially pre-numbered.

***Exceptions noted. RICHARD CPAs observed 7 of the 10 deposits selected for testing did not have sequentially pre-numbered receipts.***

- ii.* Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.

***No exceptions were found as a result of this procedure.***

- iii.* Trace the deposit slip total to the actual deposit per the bank statement.

***No exceptions were found as a result of this procedure.***

- iv.* Observe the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100 and the cash is stored securely in a locked safe or drawer).

***No exceptions were found as a result of this procedure.***

- v.* Trace the actual deposit per the bank statement to the general ledger.

***No exceptions were found as a result of this procedure.***

**TOWN OF PEARL RIVER, LOUISIANA**

**AGREED-UPON PROCEDURES PERFORMED AND ASSOCIATED FINDINGS**

**FOR THE YEAR ENDED DECEMBER 31, 2022**

5) *Non-Payroll Disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases)*

---

- A. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).

*No exceptions were found as a result of this procedure.*

- B. For each location selected under #5A above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:

- i.* At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.

*No exceptions were found as a result of this procedure.*

- ii.* At least two employees are involved in processing and approving payments to vendors.

*No exceptions were found as a result of this procedure.*

- iii.* The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.

*Exception noted. RICHARD CPAs observed that the employee responsible for processing payments is the same employee who has the ability to add/modify vendor files.*

- iv.* Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

*No exceptions were found as a result of this procedure.*

- v.* Only employees/officials authorized to sign checks approve the electronic disbursement (release) of funds, whether through automated clearinghouse (ACH), electronic funds transfer (EFT), wire transfer, or some other electronic means.

*No exceptions were found as a result of this procedure.*

**TOWN OF PEARL RIVER, LOUISIANA**

**AGREED-UPON PROCEDURES PERFORMED AND ASSOCIATED FINDINGS**

**FOR THE YEAR ENDED DECEMBER 31, 2022**

C. For each location selected under #5A above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction, and:

*i.* Observe whether the disbursement matched the related original itemized invoice and supporting documentation indicates deliverables included on the invoice were received by the entity.

*No exceptions were found as a result of this procedure.*

*ii.* Observe whether the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #5B, as applicable.

*No exceptions were found as a result of this procedure.*

D. Using the entity's main operating account and the month selected in Bank Reconciliations procedure #3A, randomly select 5 non-payroll-related electronic disbursements (or all electronic disbursements if less than 5) and observe that each electronic disbursement was (a) approved by only those persons authorized to disburse funds (e.g., sign checks) per the entity's policy, and (b) approved by the required number of authorized signers per the entity's policy. Note: If no electronic payments were made from the main operating account during the month selected the practitioner should select an alternative month and/or account for testing that does include electronic disbursements.

*No exceptions were found as a result of this procedure.*

**6) Credit Cards/Debit Cards/Fuel Cards/P-Cards**

---

A. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the person who maintained possession of the cards. Obtain management's representation that the listing is complete.

*No exceptions were found as a result of this procedure.*

**TOWN OF PEARL RIVER, LOUISIANA**

**AGREED-UPON PROCEDURES PERFORMED AND ASSOCIATED FINDINGS**

**FOR THE YEAR ENDED DECEMBER 31, 2022**

- B. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:

*i.* Observe whether there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) were reviewed and approved, in writing (or electronically approved), by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]

*No exceptions were found as a result of this procedure.*

*ii.* Observe that finance charges and late fees were not assessed on the selected statements.

*Exception noted. RICHARD CPAs observed 1 of the 4 statements selected for testing included a late fee of \$40.*

- C. Using the monthly statements or combined statements selected under #6B above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e., each card should have 10 transactions subject to testing). For each transaction, observe it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and note whether management had a compensating control to address missing receipts, such as a “missing receipt statement” that is subject to increased scrutiny.

*RICHARD CPAs observed 2 of the 16 transactions selected for testing did not include written documentation of the business/public purpose.*

**7) Travel and Travel-Related Expense Reimbursements (excluding card transactions)**

- A. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management’s representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:

**TOWN OF PEARL RIVER, LOUISIANA**

**AGREED-UPON PROCEDURES PERFORMED AND ASSOCIATED FINDINGS**

**FOR THE YEAR ENDED DECEMBER 31, 2022**

*i.* If reimbursed using a per diem, observe the approved reimbursement rate is no more than those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).

*No exceptions were found as a result of this procedure.*

*ii.* If reimbursed using actual costs, observe the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.

*No exceptions were found as a result of this procedure.*

*iii.* Observe each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by Written Policies and Procedures procedure #1A(vii); and

*No exceptions were found as a result of this procedure.*

*iv.* Observe each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

*No exceptions were found as a result of this procedure.*

**8) *Contracts***

---

A. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:

*i.* Observe whether the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.

*No exceptions were found as a result of this procedure.*

*ii.* Observe whether the contract was approved by the governing body/board, if required by policy or law (e.g., Lawrason Act, Home Rule Charter).

*No exceptions were found as a result of this procedure.*

**TOWN OF PEARL RIVER, LOUISIANA**

**AGREED-UPON PROCEDURES PERFORMED AND ASSOCIATED FINDINGS**

**FOR THE YEAR ENDED DECEMBER 31, 2022**

*iii.* If the contract was amended (e.g., change order), observe the original contract terms provided for such an amendment and that amendments were made in compliance with the contract terms (e.g., if approval is required for any amendment, was approval documented).

*No exceptions were found as a result of this procedure.*

*iv.* Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe the invoice and related payment agreed to the terms and conditions of the contract.

*No exceptions were found as a result of this procedure.*

**9) *Payroll and Personnel***

---

A. Obtain a listing of employees and officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees or officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

*No exceptions were found as a result of this procedure.*

B. Randomly select one pay period during the fiscal period. For the 5 employees or officials selected under #9A above, obtain attendance records and leave documentation for the pay period, and:

*i.* Observe all selected employees or officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). [Note: Generally, officials are not eligible to earn leave and do not document their attendance and leave. However, if the official is earning leave according to a policy and/or contract, the official should document his/her daily attendance and leave.]

*No exceptions were found as a result of this procedure.*

*ii.* Observe whether supervisors approved the attendance and leave of the selected employees or officials.

*Exceptions noted. RICHARD CPAs observed that 2 of the 5 employees timecards selected did not include documented approval of attendance and leave.*

*iii.* Observe any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

*No exceptions were found as a result of this procedure.*



TOWN OF PEARL RIVER, LOUISIANA

AGREED-UPON PROCEDURES PERFORMED AND ASSOCIATED FINDINGS

FOR THE YEAR ENDED DECEMBER 31, 2022

- iv.* Observe the rate paid to the employees or officials agree to the authorized salary/pay rate found within the personnel file.

*No exceptions were found as a result of this procedure.*

- C. Obtain a listing of those employees or officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees or officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations and the entity's policy on termination payments. Agree the hours to the employee or officials' cumulative leave records, agree the pay rates to the employee or officials' authorized pay rates in the employee or officials' personnel files, and agree the termination payment to entity policy.

*No exceptions were found as a result of this procedure.*

- D. Obtain management's representation that employer and employee portions of third-party payroll related amounts (e.g., payroll taxes, retirement contributions, health insurance premiums, garnishments, workers' compensation premiums, etc.) have been paid, and any associated forms have been filed, by required deadlines.

*No exceptions were found as a result of this procedure.*

10) *Ethics*

---

- A. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #9A, obtain ethics documentation from management, and:

- i.* Observe whether the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.

*Exception noted. RICHARD CPAs observed 1 of the 5 employees/officials selected for testing did not complete one hour of ethics training during the fiscal period.*

- ii.* Observe whether the entity maintains documentation which demonstrates each employee and official were notified of any changes to the entity's ethics policy during the fiscal period, as applicable.

*No exceptions were found as a result of this procedure.*

- B. Inquire and/or observe whether the agency has appointed an ethics designee as required by R.S. 42:1170.

*No exceptions were found as a result of this procedure.*

**TOWN OF PEARL RIVER, LOUISIANA**

**AGREED-UPON PROCEDURES PERFORMED AND ASSOCIATED FINDINGS**

**FOR THE YEAR ENDED DECEMBER 31, 2022**

**11) *Debt Service***

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- A. Obtain a listing of bonds/notes and other debt instruments issued during the fiscal period and management’s representation that the listing is complete. Select all debt instruments on the listing, obtain supporting documentation, and observe State Bond Commission approval was obtained for each debt instrument issued as required by Article VII, Section 8 of the Louisiana Constitution.

*No exceptions were found as a result of this procedure.*

- B. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management’s representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants (including contingency funds, short-lived asset funds, or other funds required by the debt covenants).

*No exceptions were found as a result of this procedure.*

**12) *Fraud Notice***

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- A. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management’s representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled as required by R.S. 24:523.

*No exceptions were found as a result of this procedure.*

- B. Observe the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

*No exceptions were found as a result of this procedure.*

**13) *Information Technology Disaster Recovery/Business Continuity***

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- A. Perform the following procedures, **verbally discuss the results with management, and report “We performed the procedure and discussed the results with management.”**

**TOWN OF PEARL RIVER, LOUISIANA**

**AGREED-UPON PROCEDURES PERFORMED AND ASSOCIATED FINDINGS**

**FOR THE YEAR ENDED DECEMBER 31, 2022**

- i.* Obtain and inspect the entity’s most recent documentation that it has backed up its critical data (if no written documentation, inquire of personnel responsible for backing up critical data) and observe that such backup occurred within the past week. If backups are stored on a physical medium (e.g., tapes, CDs), observe evidence that backups are encrypted before being transported.

*We performed the procedure and discussed the results with management.*

- ii.* Obtain and inspect the entity’s most recent documentation that it has tested/verified that its backups can be restored (if no written documentation, inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.

*We performed the procedure and discussed the results with management.*

- iii.* Obtain a listing of the entity’s computers currently in use and their related locations, and management’s representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor.

*We performed the procedure and discussed the results with management.*

- B. Randomly select 5 terminated employees (or all terminated employees if less than 5) using the list of terminated employees obtained in procedure #9C. Observe evidence that the selected terminated employees have been removed or disabled from the network.

*We performed the procedure and discussed the results with management.*

**14) *Prevention of Sexual Harassment***

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- A. Using the 5 randomly selected employees/officials from procedure #16 under “Payroll and Personnel” above, obtain sexual harassment training documentation from management, and observe the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year as required by R.S. 42:343.

***Exception noted. RICHARD CPAs observed 1 of the 5 employees/officials selected for testing did not complete one hour of sexual harassment training during the calendar year.***

- B. Observe the entity has posted its sexual harassment policy and complaint procedure on its website (or in a conspicuous location on the entity’s premises if the entity does not have a website).

***Exception noted. RICHARD CPAs observed the sexual harassment policy and complaint procedure is not present on the Town’s website.***

**TOWN OF PEARL RIVER, LOUISIANA**

**AGREED-UPON PROCEDURES PERFORMED AND ASSOCIATED FINDINGS**

**FOR THE YEAR ENDED DECEMBER 31, 2022**

C. Obtain the entity's annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1, and observe it includes the applicable requirements of R.S. 42:344:

*i.* Number and percentage of public servants in the agency who have completed the training requirements;

*No exceptions were found as a result of this procedure.*

*ii.* Number of sexual harassment complaints received by the agency;

*No exceptions were found as a result of this procedure.*

*iii.* Number of complaints which resulted in a finding that sexual harassment occurred;

*No exceptions were found as a result of this procedure.*

*iv.* Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action;

*No exceptions were found as a result of this procedure.*

*v.* Amount of time it took to resolve each complaint.

*No exceptions were found as a result of this procedure.*



# TOWN OF PEARL RIVER

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ANGELA GALLOWAY

VIRGIL PHILLIPS

CHERYL SCHULTHEIS

Aldermen

JOE D. LEE

Mayor

TIM MORAY

Mayor Pro Tempore

MAUDE F. GRIFFIS

Town Clerk

TIMOTHY MATHISON

Town Attorney

MATHIEU E. DAIGLE

Town Magistrate

BRENDA WICHTERICH

Deputy Court Clerk

## Management's Responses to Audit Exceptions

### Agreed Upon Procedures For The Year Ended December 31, 2022

#### (1) Written Policies and Procedures

(A)(ii) Management will adopt a policy relative to adding vendors to the vendor list.

(iv) Management will adopt a policy relative to Receipts/Collections.

(vi) Management will adopt a policy relative to legal review of contracts, approval process, and the monitoring process.

(vii) Management will adopt a policy incorporating by reference the State's travel policy. Management will further provide each employee with a copy of the policy to each employee who travels as well as the Chief of Police for dissemination to Police employees.

(x) Management has adopted a policy relative to Debt Service which became effective in 2023.

(xi) Management will consult with the Town's IT contractor in an effort to formulate a policy to address this Exception.

#### (2) Board or Finance Committee

(A)(iv) Management will implement a procedure whereby the Board of Aldermen will receive written updates on the progress of resolving audit findings at each regular meeting until findings are considered fully resolved.

#### (3) Bank Reconciliations

A(i) Management has implemented a procedure whereby all bank

reconciliations will be prepared within two months of the related statement closing date and signed by the Mayor.

(ii) Management has implemented a procedure whereby all bank reconciliations will be prepared within two months of the related statement closing date and signed by the Mayor.

(iii) Management has implemented a procedure whereby any items over twelve months old on the bank reconciliation are researched and eliminated in the appropriate manner.

**(4) Collections (excluding electronic funds transfers)**

(B)(ii) Management implemented a procedure that employees responsible for collecting cash do not make bank deposits.

(C) Management has required that all employees with access to cash are bonded.

(D)(i) Management has consulted with its billing software vendor who informed that sequentially pre-numbered receipts is beyond the capabilities of the software.

**(5) Non-payroll Disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases)**

(B)(iii) Management has implemented a procedure whereby the employee responsible for processing payments is not the same employee who has the ability to add and/or modify vendor files.

**(6) Credit Cards/Debit Cards/Fuel Cards/P-Cards**

(B)(ii) Management has implemented a procedure whereby an instance such as this will not occur again.

(C) Management has implemented a procedure to provide written documentation of the business/public purpose.

**(9) Payroll and Personnel**

(B)(ii) Management objects to this exception due to the fact that all timecards are approved by a supervisor. However, Management has implemented procedures whereby all timecard approvals by supervisors will be in writing.

**(10) Ethics**

(A)(i) Management has implemented a procedure whereby an instance such as this should not occur again.

**(14) Prevention of Sexual Harassment**

(A) Management has implemented a procedure whereby an instance such as this should not occur again.

A handwritten signature in blue ink that reads "Joe D. Lee". The signature is written in a cursive style with a large, looping initial "J".

Joe D. Lee  
Mayor