

**TOWN OF PEARL RIVER,
LOUISIANA**

FINANCIAL STATEMENTS

DECEMBER 31, 2019



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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Pearl River, Louisiana (the "Town"), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

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, 2019, 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.

Emphasis of Matters

As discussed in Note 15 to the financial statements, the Town corrected errors that resulted in changes to the December 31, 2018 net position for governmental and business-type activities, as well as a change to the December 31, 2018 net position of the Sewer and Water Funds. Our opinion is not modified with respect to those matters.

Other Matters

Required Supplementary Information

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

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 historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements and schedules that collectively comprise the Town's basic financial statements. The Schedule of Operating Expenses – Proprietary Funds, Schedule of Compensation Paid to the Members of the Board of Aldermen, and Schedule of Compensation, Benefits, and Other Payments to the Mayor are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The Schedule of Operating Expenses – Proprietary Funds, Schedule of Compensation Paid to the Members of the Board of Aldermen, Schedule of Compensation, Benefits, and Other Payments to the Mayor, and Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Operating Expenses – Proprietary Funds, Schedule of Compensation Paid to the Members of the Board of Aldermen, Schedule of Compensation, Benefits, and Other Payments to the Mayor, and schedule of expenditures of federal awards 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 December 9, 2020, on our consideration of the Town's internal control over financial reporting and 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.

Carr, Riggs & Ingram, L.L.C.

Metairie, Louisiana

December 9, 2020

BASIC FINANCIAL STATEMENTS
GOVERNMENT-WIDE FINANCIAL STATEMENTS

Town of Pearl River, Louisiana
Statement of Net Position

December 31,

2019

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 2,824,824	\$ 892,865	\$ 3,717,689
Restricted cash	-	76,851	76,851
Receivables			
Water and sewer, net	-	69,843	69,843
Ad valorem taxes, net	329,626	-	329,626
Sales taxes	241,647	27,879	269,526
Franchise taxes	60,131	-	60,131
Grant	4,436	-	4,436
Internal balances	(9,599)	9,599	-
Prepaid items	34,233	1,805	36,038
Capital assets, net	1,416,023	8,372,988	9,789,011
Total Assets	4,901,321	9,451,830	14,353,151
Liabilities			
Accounts payable	194,609	175,775	370,384
Accrued payroll	48,170	12,256	60,426
Accrued interest	-	14,007	14,007
Deferred revenue	3,819	-	3,819
Non-current liabilities			
Due within one year	-	183,000	183,000
Due in more than one year	-	3,488,845	3,488,845
Total Liabilities	246,598	3,873,883	4,120,481
Net Position			
Net investment in capital assets	1,416,023	4,701,143	6,117,166
Restricted			
Capital projects	973,823	-	973,823
Debt service	-	76,851	76,851
Maintenance and operations	505,599	-	505,599
Unrestricted	1,759,278	799,953	2,559,231
Total Net Position	\$ 4,654,723	\$ 5,577,947	\$ 10,232,670

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,

2019

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
Governmental activities							
General government	\$ 757,384	\$ -	\$ -	\$ -	\$ (757,384)	\$ -	\$ (757,384)
Public safety	1,126,903	-	204,041	-	(922,862)	-	(922,862)
Public works	532,293	-	-	9,450	(522,843)	-	(522,843)
Recreation	23,126	-	-	-	(23,126)	-	(23,126)
Total governmental activities	2,439,706	-	204,041	9,450	(2,226,215)	-	(2,226,215)
Business-type activities							
Utilities	983,711	749,903	-	239	-	(233,569)	(233,569)
Interest on debt	47,107	-	-	-	-	(47,107)	(47,107)
Total business-type activities	1,030,818	749,903	-	239	-	(280,676)	(280,676)
Total	\$ 3,470,524	\$ 749,903	\$ 204,041	\$ 9,689	(2,226,215)	(280,676)	(2,506,891)

General revenues

Taxes			
Sales taxes	1,491,485	174,876	1,666,361
Ad valorem taxes	326,901	-	326,901
Franchise taxes	217,938	-	217,938
Licenses and permits	128,956	-	128,956
Fines and forfeitures	278,758	-	278,758
Insurance licenses	116,034	-	116,034
Other miscellaneous revenue	51,863	-	51,863
Investment earnings	4,500	620	5,120
Transfers	(58,272)	58,272	-
Total general revenues and transfers	2,558,163	233,768	2,791,931
Change in net position	331,948	(46,908)	285,040
Net position, beginning of year	4,506,270	5,624,855	10,131,125
Prior period adjustments (see note 15)	(183,495)	-	(183,495)
Net position, beginning of year (as restated)	4,322,775	5,624,855	9,947,630
Net position, end of year	\$ 4,654,723	\$ 5,577,947	\$ 10,232,670

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

**BASIC FINANCIAL STATEMENTS
FUND FINANCIAL STATEMENTS
NOTES TO FINANCIAL STATEMENTS**

Town of Pearl River, Louisiana
Balance Sheet - Governmental Funds

December 31,

2019

	General Fund	Special Revenue Funds			Total Governmental Funds
		Police Fund	Street Fund	Non-Major Fund	
Assets					
Cash and cash equivalents	\$ 1,497,494	\$ 346,852	\$ 979,573	\$ 905	\$ 2,824,824
Receivables					
Ad valorem taxes, net	191,182	-	138,444	-	329,626
Sales taxes	-	111,515	130,132	-	241,647
Franchise taxes	60,131	-	-	-	60,131
Grant receivables	-	-	-	4,436	4,436
Due from other funds	-	111,995	4,242	39,085	155,322
Prepaid items	14,172	19,197	864	-	34,233
Total Assets	\$ 1,762,979	\$ 589,559	\$ 1,253,255	\$ 44,426	\$ 3,650,219
Liabilities, Deferred Inflows of Resources, and Fund Balances					
Liabilities					
Accounts payable	\$ 10,043	\$ 30,326	\$ 154,240	\$ -	\$ 194,609
Accrued payroll	9,003	30,618	8,549	-	48,170
Unearned revenue	-	3,819	-	-	3,819
Due to other funds	49,142	-	115,779	-	164,921
Total Liabilities	68,188	64,763	278,568	-	411,519
Deferred Inflows of Resources					
Unavailable FEMA revenue	-	-	-	4,436	4,436
Total Deferred Inflows of Resources	-	-	-	4,436	4,436
Fund Balances					
Nonspendable					
Prepaid items	14,172	19,197	864	-	34,233
Restricted					
Capital projects	-	-	973,823	-	973,823
Maintenance and operations	-	505,599	-	-	505,599
Unassigned	1,680,619	-	-	39,990	1,720,609
Total Fund Balances	1,694,791	524,796	974,687	39,990	3,234,264
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 1,762,979	\$ 589,559	\$ 1,253,255	\$ 44,426	\$ 3,650,219

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

<u>December 31,</u>	<u>2019</u>
Fund Balances - Total Governmental Funds	\$ 3,234,264
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds	
Governmental capital assets	\$ 3,428,790
Less: accumulated depreciation	<u>(2,012,767)</u> 1,416,023
Unavailable revenues are reported in the funds, but are not reported under the measurement focus employed in the Statement of Net Position	4,436
Net Position of Governmental Activities	\$ 4,654,723

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,

2019

	Special Revenue Funds				Total Governmental Funds
	General Fund	Police Fund	Street Fund	Non-Major Fund	
Revenues					
Taxes					
Sales taxes	\$ -	\$ 692,281	\$ 799,204	\$ -	\$ 1,491,485
Ad valorem taxes	189,628	-	137,273	-	326,901
Franchise taxes	217,938	-	-	-	217,938
Licenses and permits	128,956	-	-	-	128,956
Fines and forfeitures	278,758	-	-	-	278,758
Insurance licenses	116,034	-	-	-	116,034
Grants and reimbursements	-	164,956	9,450	39,085	213,491
Other revenues	10,571	5,545	3,547	-	19,663
Interest income	3,369	280	850	1	4,500
Total Revenues	945,254	863,062	950,324	39,086	2,797,726
Expenditures					
Current					
General government	643,421	-	-	-	643,421
Public safety	-	1,143,128	-	-	1,143,128
Public works	-	-	485,997	-	485,997
Recreation	21,288	-	-	-	21,288
Capital outlay	17,100	3,686	160,315	-	181,101
Total Expenditures	681,809	1,146,814	646,312	-	2,474,935
Excess (Deficiency) of Revenues Over (Under) Expenditures	263,445	(283,752)	304,012	39,086	322,791
Other Financing Sources (Uses)					
Transfers in	9,481	315,000	-	-	324,481
Transfers out	(370,122)	-	(12,631)	-	(382,753)
Total Other Financing Sources (Uses)	(360,641)	315,000	(12,631)	-	(58,272)
Net Change in Fund Balances	(97,196)	31,248	291,381	39,086	264,519
Fund Balances, Beginning of Year	1,791,987	493,548	683,306	904	2,969,745
Fund Balances, End of Year	\$ 1,694,791	\$ 524,796	\$ 974,687	\$ 39,990	\$ 3,234,264

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

Town of Pearl River, Louisiana

**Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and
Changes in Fund Balances to the Statement of Activities**

<i>For the Year Ended December 31,</i>	2019
Changes in Fund Balances - Total Governmental Funds	\$ 264,519
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>	
<p>Governmental funds report capital outlays as expenditures and donations of assets not kept for resell are not reported as revenue; however, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives through depreciation</p>	
Donations of Capital Assets	\$ 32,200
Capital outlays	181,101
Depreciation expense	<u>(158,187)</u> 55,114
Changes in the deferred outflows and inflows of resources related to pension result in an increase or decrease to the pension expense reported in governmental funds.	18,785
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in governmental funds. Reduction in unavailable revenues previously recorded deemed to be uncollectible in the current year.	(39,085)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on the net position.</p>	
Payments on capital lease	32,615
Changes in Net Position of Governmental Activities	\$ 331,948

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

Town of Pearl River, Louisiana
Statement of Net Position
Proprietary Funds

December 31,

2019

	Enterprise Funds		Total Proprietary Funds
	Sewer Fund	Water Fund	
ASSETS			
Current assets			
Cash and cash equivalents	\$ 760,273	\$ 132,592	\$ 892,865
Restricted cash	76,851	-	76,851
Receivables			
Water and sewer, net	34,921	34,922	69,843
Sales tax	27,879	-	27,879
Due from other funds	7,856	92,536	100,392
Prepaid items	791	1,014	1,805
Total current assets	908,571	261,064	1,169,635
Capital assets, net	6,732,973	1,640,015	8,372,988
Total Assets	\$ 7,641,544	\$ 1,901,079	\$ 9,542,623
LIABILITIES			
Current liabilities			
Accounts payable	\$ 168,666	\$ 7,109	\$ 175,775
Accrued payroll	11,076	1,180	12,256
Accrued interest payable	14,007	-	14,007
Due to other funds	90,793	-	90,793
State revolving loans	183,000	-	183,000
Total current liabilities	467,542	8,289	475,831
Long-term liabilities			
State revolving loans	3,488,845	-	3,488,845
Total Liabilities	\$ 3,956,387	\$ 8,289	\$ 3,964,676
NET POSITION			
Net investment in capital assets	\$ 3,061,128	\$ 1,640,015	\$ 4,701,143
Restricted for debt service	76,851	-	76,851
Unrestricted	547,178	252,775	799,953
Total Net Position	\$ 3,685,157	\$ 1,892,790	\$ 5,577,947
Total Liabilities and Net Position	\$ 7,641,544	\$ 1,901,079	\$ 9,542,623

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,

2019

	Enterprise Funds		Total Proprietary Funds
	Sewer Fund	Water Fund	
Operating revenues			
Service fees	\$ 368,937	\$ 357,658	\$ 726,595
Delinquent fees	-	6,060	6,060
Installation fees	7,200	-	7,200
Meter fees	2,475	-	2,475
Other	3,169	4,404	7,573
Total operating revenues	381,781	368,122	749,903
Operating expenses			
Depreciation	411,377	114,198	525,575
Sewer system	239,616	-	239,616
Water system	4,026	83,220	87,246
Administrative and general	66,681	64,593	131,274
Total operating expenses	721,700	262,011	983,711
Gain (loss) from operations	(339,919)	106,111	(233,808)
Nonoperating revenues (expenses)			
Sales tax revenue	170,169	4,707	174,876
Capital grants	-	239	239
Interest income	620	-	620
Interest expense	(47,107)	-	(47,107)
Total nonoperating revenues (expenses)	123,682	4,946	128,628
Net gain (loss) before transfers	(216,237)	111,057	(105,180)
Transfers in	72,663	52,610	125,273
Transfers out	-	(67,001)	(67,001)
Increase (decrease) in net position	(143,574)	96,666	(46,908)
Net position, beginning of year	5,567,930	56,925	5,624,855
Prior period adjustment (see note 15)	(1,739,199)	1,739,199	-
Net position, beginning of year (as restated)	3,828,731	1,796,124	5,624,855
Net Position, End of Year	\$ 3,685,157	\$ 1,892,790	\$ 5,577,947

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

**Town of Pearl River
Statement of Cash Flows
Proprietary Funds**

For the year ended December 31,

2019

	Enterprise Funds		Total Proprietary Funds
	Sewer Fund	Water Fund	
Cash Flows from Operating Activities			
Receipts from customers and users	\$ 407,657	\$ 333,199	\$ 740,856
Payments to suppliers	(36,575)	(87,775)	(124,350)
Payments to employees and for benefits	(116,405)	(55,524)	(171,929)
Net cash provided by operating activities	254,677	189,900	444,577
Cash Flows from Noncapital Financing Activities			
Cash received from sales tax	170,169	4,707	174,876
Interfund transfers and borrowing	165,411	(106,442)	58,969
Net cash provided by (used in) noncapital financing activities	335,580	(101,735)	233,845
Cash Flows from Capital and Related Financing Activities			
Proceeds from state revolving loans	1,440,348	-	1,440,348
Principal paid on state revolving loans	(57,000)	-	(57,000)
Purchase of capital assets	(1,787,899)	(5,400)	(1,793,299)
Interest paid	(47,107)	-	(47,107)
Net cash used in capital and related financing activities	(451,658)	(5,400)	(457,058)
Cash Flows from Investing Activities			
Interest received	620	-	620
Net cash provided by investing activities	620	-	620
Net Increase in Cash and Cash Equivalents	139,219	82,765	221,984
Cash and Cash Equivalents - Beginning of Year	697,905	49,827	747,732
Cash and Cash Equivalents - End of Year	837,124	132,592	969,716
Reconciliation of Gain (Loss) from Operations to Net Cash Provided by Operating Activities			
Gain (loss) from operations	(339,919)	106,111	(233,808)
Adjustments to reconcile gain (loss) from operations to net cash provided by operating activities:			
Depreciation	411,378	114,197	525,575
Changes in assets and liabilities:			
Receivables	25,875	(34,922)	(9,047)
Accounts payable	151,905	3,689	155,594
Accrued payroll	4,617	227	4,844
Prepaid items	821	598	1,419
Net cash provided by operating activities	254,677	189,900	444,577

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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

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 on 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 government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the Town. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, 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.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

New Accounting Pronouncements - The Governmental Accounting Standards Board has issued statements that will become effective in future years. These statements address:

- Leases;
- Disclosures related to debt;
- Accounting for interest costs incurred before the end of a construction period;
- Subscription-based information technology arrangements; and
- Internal Revenue Code Section 457 deferred compensation plans.

The Town is currently evaluating the effects that these statements will have on its financial statements.

NOTE 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. 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 and each Special Revenue 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 1st of the upcoming year.
- (2) A public hearing is conducted to obtain taxpayer comments.
- (3) Prior to the beginning of the new fiscal year, the budget is legally enacted through passage of a resolution by the Board of Aldermen.
- (4) The Mayor is authorized to transfer budgeted amounts among programs within a department, office, or agency; however, any revisions that alter the total revenues and/or expenditures budgeted for any department, office, agency, or fund must be approved by the Board of Aldermen.

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, 2019.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.”

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. The allowance was \$4,000 for utility receivables at December 31, 2019. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

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:

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 issuance costs, during the current period.

Fund Equity

Government-Wide and Proprietary Fund Statements

Equity is classified as net position and displayed in three components:

1. Net investment in capital assets - Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted net position - Net position with constraints placed on its use either by:
 - a. External groups, such as creditors, grantors, contributors, or laws or regulations of other governments, or
 - b. Law through constitutional provisions or enabling legislation.
3. Unrestricted net position - All other net position that does not meet the definition of "restricted" or "net investment in capital assets."

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.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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

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

Ad Valorem Revenue

Property taxes are normally levied and billed in December of each year and are delinquent on January 1st of the following year. Revenues are recognized when levied to the extent they are determined to be currently collectible. Assessed values are established by the St. Tammany Parish Assessor's Office and the State Tax Commission at percentages of actual value as specified by

Town of Pearl River, Louisiana
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Louisiana law. For the year ended December 31, 2019, property taxes levied were 5.82 mills for general purposes and 4.16 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.

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Municipal Police Employees’ Retirement System and additions to/deductions from this retirement system’s fiduciary net position have been determined on the same basis as they are reported by the retirement system. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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 accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 – CASH AND CASH EQUIVALENTS

At December 31, 2019, cash and cash equivalents consisted of the following:

	Carrying Amount	Bank Balance
Demand deposits	\$ 2,746,924	\$ 2,762,705
Money market	1,047,616	1,017,013
	\$ 3,794,540	\$ 3,779,718

Town of Pearl River, Louisiana
Notes to Financial Statements

NOTE 2 – CASH AND CASH EQUIVALENTS (CONTINUED)

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 credit risk. As of December 31, 2019, 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 \$2,512,705 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.

NOTE 3 – ACCOUNTS RECEIVABLE

Net receivables of governmental funds at December 31, 2019, were as follows:

	General Fund	Police Fund	Street Fund	Storm Fund	Total
Ad valorem taxes	\$ 196,221	\$ -	\$ 142,048	\$ -	\$ 338,269
Sales taxes	-	107,253	121,081	-	228,334
Franchise taxes	60,131	-	-	-	60,131
Grants	-	-	-	4,436	4,436
Gross receivables	256,352	107,253	263,129	4,436	631,170
Less allowances	5,039	-	3,604	-	8,643
Total	\$ 251,313	\$ 107,253	\$ 259,525	\$ 4,436	\$ 639,813

Net receivables of proprietary funds at December 31, 2019, were as follows:

	Sewer Fund	Water Fund	Total
Sales taxes	\$ 27,879	\$ -	\$ 27,879
Water and Sewer	36,921	36,922	73,843
Gross receivables	64,800	36,922	101,722
Less allowances	2,000	2,000	4,000
Total	\$ 62,800	\$ 34,922	\$ 97,722

Town of Pearl River, Louisiana
Notes to Financial Statements

NOTE 4 – CAPITAL ASSETS

The following is a summary of the changes in capital assets for the year ended December 31, 2019:

Governmental Activities	Balance December 31, 2018 (As Restated)	Additions	Deletions	Balance December 31, 2019
Capital Assets Not Depreciated:				
Land	\$ 104,377	\$ -	\$ -	\$ 104,377
Total Capital Assets Not Depreciated	104,377	-	-	104,377
Capital Assets Being Depreciated:				
Infrastructure	827,406	160,315	-	987,721
Buildings and equipment	365,411	17,100	-	382,511
Machinery and equipment	1,086,643	3,686	-	1,090,329
Furniture, fixtures and office equipment	46,534	-	-	46,534
Vehicles	785,118	32,200	-	817,318
Total Capital Assets Being Depreciated	3,111,112	213,301	-	3,324,413
Less Accumulated Depreciation for:				
Infrastructure	(297,620)	(30,318)	-	(327,938)
Buildings and improvements	(245,764)	(6,360)	-	(252,124)
Machinery and equipment	(739,534)	(29,749)	-	(769,283)
Furniture, fixtures and office equipment	(46,534)	-	-	(46,534)
Vehicles	(525,128)	(91,760)	-	(616,888)
Total Accumulated Depreciation	(1,854,580)	(158,187)	-	(2,012,767)
 Total Capital Assets Being Depreciated, net	 1,256,532	 55,114	 -	 1,311,646
Total	\$ 1,360,909	\$ 55,114	\$ -	\$ 1,416,023

Depreciation was charged to governmental functions as follows:

General government	\$ 101,989
Public works	34,985
Public safety	19,474
Recreation	1,739
Total	\$ 158,187

Town of Pearl River, Louisiana
Notes to Financial Statements

NOTE 4 – CAPITAL ASSETS (Continued)

Business-Type Activities	Balance December 31, 2018 (As Restated)	Increases	Decreases	Balance December 31, 2019
Capital Assets Not Depreciated:				
Land	\$ 68,609	\$ -	\$ -	\$ 68,609
Construction in progress	2,115,334	850,338	2,965,672	-
Total Capital Assets Not Depreciated	2,183,943	850,338	2,965,672	68,609
Capital Assets Being Depreciated:				
Water system and equipment	7,573,357	5,400	-	7,578,757
Sewer system and equipment	4,715,095	3,003,914	-	7,719,009
Machinery and equipment	309,254	40,096	-	349,350
Total Capital Assets Being Depreciated	12,597,706	3,049,410	-	15,647,116
Less Accumulated Depreciation for:				
Water system and equipment	(2,519,824)	(329,505)	-	(2,849,629)
Sewer system and equipment	(4,056,439)	(180,311)	-	(4,236,750)
Machinery and equipment	(240,899)	(15,759)	-	(256,658)
Total Accumulated Depreciation	(6,817,162)	(525,575)	-	(7,342,737)
Total Capital Assets Being Depreciated, net				
	5,780,544	2,523,835	-	8,304,379
Total	\$ 7,964,487	\$ 3,374,173	\$ 2,965,672	\$ 8,372,988

NOTE 5 – DEFERRED COMPENSATION

Certain employees of the Town participate in the Louisiana Public Employees' Deferred Compensation Plan (the Plan) qualified under Section 457 of the Internal Revenue Code. The Plan covers fulltime employees who have worked for the Town for three months and have elected to participate in the Plan. The Town matches up to 10% of the employee's contributions 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 \$80,746 for the year ended December 31, 2019. 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

NOTE 6 – LONG TERM LIABILITIES

The following is a summary of long-term debt transactions of the Town for the year ended December 31, 2019:

	LDHH Drinking Water State Revolving Loan	LDEQ Clean Water State Revolving Loan
State revolving loans at January 1, 2019	\$ 1,008,000	\$ 1,280,497
Loan draw downs	-	1,577,348
State revolving loan payments	(57,000)	(137,000)
State revolving loans at December 31, 2019	951,000	2,720,845
Amount due within one year	\$ 59,000	\$ 124,000

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 an administrative fee of 0.50% maturing on March 1, 2032.

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.

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:

For the Year Ending December 31	LDHH Drinking Water State Revolving Loan		LDEQ Clean Water State Revolving Loan	
	Principal	Interest	Principal	Interest
2020	\$ 59,000	\$ 27,184	\$ 124,000	\$ 11,965
2021	61,000	25,414	140,000	11,371
2022	63,000	23,585	141,000	10,739
2023	66,000	21,683	142,000	10,102
2024	68,000	19,706	144,000	9,458
2025 – 2029	376,000	66,523	738,000	37,428
2030 – 2034	258,000	11,594	774,000	20,427
2035 - 2039	-	-	517,845	3,832
Total	\$ 951,000	\$ 195,688	\$ 2,720,845	\$ 115,320

Town of Pearl River, Louisiana
Notes to Financial Statements

NOTE 7 – CAPITAL LEASE

During the year ended December 31, 2015, the Town entered into a lease agreement as lessee for financing the acquisition of police vehicles valued at \$158,214. The vehicles have a five year estimated useful life.

All lease obligations were paid in full during the year ended December 31, 2019.

NOTE 8 – INTERFUND BALANCES

Due to/from other funds at December 31, 2019, was as follows:

Fund	Interfund Receivables	Interfund Payables
General fund	\$ -	\$ 49,142
Special revenue funds		
Police	111,995	-
Street	4,242	115,779
Storm	39,085	-
Proprietary funds		
Sewer	7,856	90,793
Water	92,536	-
Total	\$ 255,714	\$ 255,714

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

NOTE 9 – INTERFUND TRANSFERS

Operating transfers between funds occur in the normal course of business and were as follows, during the year ended December 31, 2019:

	Transfer In:				Total
	General Fund	Police Fund	Water Fund	Sewer Fund	
Transfer Out:					
General Fund	\$ -	\$ 315,000	\$ 52,610	\$ 2,512	\$ 370,122
Street Fund	9,481	-	-	3,150	12,631
Water Fund	-	-	-	67,001	67,001
Total	\$ 9,481	\$ 315,000	\$ 52,610	\$ 72,663	

NOTE 10 – RETIREMENT PLAN

All full-time police department employees engaged in law enforcement who are not participating in another retirement system are required to participate in the Municipal Police Employees' Retirement System of Louisiana (the "Police System"). The Police System is a cost-sharing multiple-employer, defined benefit pension plan administered by separate boards of trustees. As of December 31, 2015, there were no active participants in the Police System. Therefore, there is no net pension liability.

General Information about the Pension Plan

Plan Descriptions/Benefits Provided

The Police System administers a plan to provide retirement benefits to employees of all full-time police officers employed by a municipality in the State of Louisiana and engaged in law enforcement, empowered to make arrests, providing he or she does not have to pay social security and providing he or she meets the statutory criteria. Benefits provisions are authorized within Act 189 of 1973 and amended by LRS 11:2211-2233.

Membership is mandatory as a condition of employment beginning on the date employed if the employee is a full-time police officer employed by a municipality. Members who were hired prior to January 1, 2013 may retire 1) at any age with 25 years or more of creditable service, 2) at age 50 with at least 20 years of creditable service, 3) at age 55 with at least 12 years of creditable service, or 4) at any age with 20 years of creditable service, with an actuarially reduced benefit. For members hired after January 1, 2013, eligibility for retirement benefits is based on Hazardous Duty and Non-Hazardous Duty sub plans. Under the Hazardous Duty sub plan, a member is eligible for retirement 1) at any age with at least 25 years of creditable service, or 2) at age 55 with at least 12 years of creditable service. Under the Non-Hazardous Duty sub plan, a member is eligible for retirement 1) at any age with at least 30 years of creditable service, or 2) at age 55 with at least 25 years of creditable service or 3) at age 60 with at least 10 years of service. Under both sub plans, a member is eligible for retirement at any age with at least 20 years of creditable service, with an actuarially reduced benefit from age 55.

For members hired prior to January 1, 2013, the benefit rates are 3 1/3rd percent of the average final compensation (average monthly earnings during the highest 36 consecutive months or joined months, if service was interrupted) times the number of years of creditable service, not to exceed 100 percent of final salary. For members hired after January 1, 2013, the benefit rates are 3.0 percent for the Hazardous Duty sub plan and 2 ½ percent for the Non-Hazardous Duty sub plan of the average final compensation (average monthly earnings during the highest 60 consecutive months or joined months, if service was interrupted) times the number of years of creditable service, not to exceed 100 percent of final salary.

NOTE 10 – RETIREMENT PLAN (Continued)

Survivor Benefits

Upon the death of the active contributing member, or disability retiree, the plan provides for benefits for the surviving spouse and minor children. Prior to January 1, 2013, under certain conditions outlined in the statutes, the benefits range from 40 to 60 percent of the member's average final compensation for the surviving spouse. In addition, each child under age 18 receives benefits equal to 10 percent of the member's average final compensation or \$200/month, whichever is greater. For members hired after January 1, 2013, under certain conditions outlined in the statutes, the benefits range from 25 to 55 percent of the member's average final compensation for the surviving spouse. In addition, each child under age 18 receives benefits equal to 10 percent of the member's average final compensation or \$200/month, whichever is greater. If the deceased member had less than 10 years of service, the beneficiary will receive a refund of employee contributions only.

Deferred Retirement Option Plan benefits (DROP)

In lieu of terminating employment and accepting a service retirement allowance, any member who is eligible to retire may elect to participate in the deferred retirement option plan (DROP) for up to 36 months and defer the receipt of benefits. During participation in DROP, both the employee and employer contributions to the Police System cease. The monthly retirement benefits that would be payable, had the person elected to cease employment and receive a service retirement allowance, are paid into the DROP fund. Upon termination of employment prior to or at the end of the specified period of participation, a participant in the DROP may receive, at his option, a lump sum or a true annuity. If employment is not terminated at the end of 3 years, payments into the DROP fund cease and the person resumes active contribution membership in the Police System. For those eligible to enter DROP prior to January 1, 2004, DROP accounts shall earn interest subsequent to the termination of DROP participation at a rate of half of one percentage point below the percentage return of the system's investment portfolio. For those eligible to enter DROP subsequent to January 1, 2004, an irrevocable election is made to earn interest based on the system's investment portfolio return or a money market investment return, which could result in a negative earnings rate being applied to the account.

Initial Benefit Option Plan

In 1999, the State Legislature authorized the Police System to establish an Initial Benefit Option (IBO) Program. Members eligible to retire and who do not choose to participate in DROP may elect to receive, at the time of retirement, a one-time single sum payment of up to 36 months of regular monthly retirement benefit, plus a reduced monthly retirement benefit for life. Interest is computed on the balance based on the same criteria as DROP.

NOTE 10 – RETIREMENT PLAN (Continued)

Cost of Living Adjustments

The board of trustees is authorized to provide annual cost-of-living adjustments (COLA) computed on the amount of the current regular retirement, disability, beneficiary, or survivor's benefit, not to exceed 3.0% in any given year. The board is authorized to provide an additional 2.0% COLA, computed on the member's original benefit, to all regular retirees, disability, survivors and beneficiaries who are 65 year or older on the cut-off date which determines eligibility. No regular retiree, survivor or beneficiary shall be eligible to receive a cost-of-living adjustment until benefits have been received at least one full fiscal year and the payment of such COLA when authorized shall not be effective until the lapse of at least one-half of the fiscal year. Members who elect early retirement are not eligible for a cost of living adjustment until they reach regular retirement age.

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

At December 31, 2019, the Town does not have a liability for its proportionate share of the Net Pension Liability (NPL) of the Police System as there are no active participants.

For the year ended December 31, 2019, the Town recognized a total pension benefit of \$18,786 in order to fully amortize the remaining deferred inflows of resources as of December 31, 2018.

Pension Plan Fiduciary Net Position

The Police System issues publicly available financial reports that include financial statements and required supplementary information for the system. Detailed information about the Police System's fiduciary net position is available in the issued financial reports. The report may be obtained by visiting the Louisiana Legislative Auditor's website at www.la.gov and searching under the Reports section. The Police System's report may also be found at www.lampers.org.

NOTE 11 – 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, 2019, 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.

NOTE 12 – COMMITMENTS AND CONTINGENCIES

At December 31, 2019, 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.

NOTE 13 – 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, 2019:

- A wholesale grocer distribution center, through a PILOT agreement negotiated with the St. Tammany Parish Development District, has property assessed at \$20,611,055 with exempt taxes of \$490,627. The abatement expires on February 1, 2032. The PILOT program abates up to twenty years, local property taxes on the wholesale grocer distribution center's new investment and annual capitalized additions related to the development of the distribution facility.
- A furniture distribution center, through a PILOT agreement negotiated with the St. Tammany Parish Development District, has property assessed at \$24,676,396 with exempt taxes of \$592,209. The abatement expires on February 1, 2024. The PILOT program abates up to fifteen years, local property taxes on the store's new investment and annual capitalized additions related to the development of the distribution facility. The furniture distribution center, through an agreement negotiated with the Industrial Tax Exemption program, has property assessed at \$3,623,849 with exempt taxes of \$155,221. The Industrial Tax Exemption program may be granted to manufacturers located within the Parish. The Industrial Tax Exemption program abates, up to ten years, local property taxes on the distribution center's new investment and annual capitalized additions related to the distribution facility.

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

NOTE 14 – SUBSEQUENT EVENTS

Management evaluated all events or transactions that occurred after December 31, 2019 through December 9, 2020, the date the Town's financial statements were available to be issued. The following event occurred.

Town of Pearl River, Louisiana
Notes to Financial Statements

NOTE 14 – SUBSEQUENT EVENTS (Continued)

In March 2020, the World Health Organization made the assessment that the outbreak of a novel coronavirus (COVID-19) can be characterized as a pandemic. As a result, uncertainties have arisen that may have a significant negative impact on the operating activities and results of the Organization. The occurrence and extent of such an impact will depend on future developments, including (i) the duration and spread of the virus, (ii) government quarantine measures, (iii) voluntary and precautionary restrictions on travel or meetings, (iv) the effects on the financial markets, and (v) the effects on the economy overall, all of which are uncertain.

NOTE 15 – PRIOR PERIOD ADJUSTMENT

During the year ended December 31, 2019, the Town corrected errors related to recording of capital assets and related depreciation expense and transferred capital assets that were purchased in prior years. The correction of the errors had the following impact on the governmental activities and business-type activities ending net position at December 31, 2018:

	Governmental Activities	Business-Type Activities
Net position – December 31, 2018	\$ 4,506,270	\$ 5,556,177
Prior period adjustment:		
Capital Assets, net	(183,495)	-
Total prior period adjustment	(183,495)	-
Net position – December 31, 2018, as restated	\$ 4,322,775	\$ 5,556,177

**REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULES**

Town of Pearl River, Louisiana
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund

For the year ended December 31,

2019

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
Revenues				
Taxes				
Ad valorem tax	\$ 185,600	\$ 197,096	\$ 189,628	\$ (7,468)
Franchise	175,000	215,236	217,938	2,702
Fines and forfeitures	335,000	272,823	278,758	5,935
Licenses and permits	112,500	125,782	128,956	3,174
Insurance licenses	115,000	112,551	116,034	3,483
Other revenues	30,650	49,656	10,571	(39,085)
Interest income	3,250	3,356	3,369	13
Total Revenues	957,000	976,500	945,254	(31,246)
Expenditures				
General government	629,700	649,207	643,421	5,786
Recreation	12,300	21,288	21,288	-
Capital outlay	-	-	17,100	(17,100)
Total Expenditures	642,000	670,495	681,809	(11,314)
Other Financing Sources (Uses)				
Transfers in	-	8,995	9,481	486
Transfers out	(315,000)	(315,000)	(370,122)	(55,122)
Total Other Financing Sources	(315,000)	(306,005)	(360,641)	(54,636)
Net Change in Fund Balance	-	-	(97,196)	(97,196)
Fund balance, beginning of year	1,791,987	1,791,987	1,791,987	-
Fund balance, end of year	\$ 1,791,987	\$ 1,791,987	\$ 1,694,791	\$ (97,196)

See independent auditors' report.

Town of Pearl River, Louisiana
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - Police Fund

<i>For the year ended December 31,</i>	2019			
	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
Revenues				
Sales taxes	\$ 600,000	\$ 677,345	\$ 692,281	\$ 14,936
Grants and reimbursements	100,000	164,956	164,956	-
Other revenues	5,000	5,545	5,545	-
Interest income	-	280	280	-
Total Revenues	705,000	848,126	863,062	14,936
Expenditures				
Public safety	1,011,500	1,132,289	1,143,128	(10,839)
Capital outlay	8,500	-	3,686	(3,686)
Total Expenditures	1,020,000	1,132,289	1,146,814	(14,525)
Other Financing Sources				
Transfers In	315,000	315,000	315,000	-
Transfers out	-	(30,837)	-	30,837
Total Other Financing Sources	315,000	284,163	315,000	30,837
Net Change in Fund Balance	-	-	31,248	31,248
Fund balance, beginning of year	493,548	493,548	493,548	-
Fund balance, end of year	\$ 493,548	\$ 493,548	\$ 524,796	\$ 31,248

See independent auditors' report.

Town of Pearl River, Louisiana
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - Street Fund

<i>For the year ended December 31,</i>	2019			
	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
Revenues				
Sales taxes	\$ 730,000	\$ 807,229	\$ 799,204	\$ (8,025)
Property taxes	125,000	142,724	137,273	(5,451)
Grants	3,500	9,290	9,450	160
Other revenue	200	557	3,547	2,990
Interest income	500	849	850	1
Total Revenues	859,200	960,649	950,324	(10,325)
Expenditures				
Public works	849,200	726,207	485,997	240,210
Capital outlay	10,000	-	160,315	(160,315)
Total Expenditures	859,200	726,207	646,312	79,895
Other Financing Sources (Uses)				
Transfers In	-	-	-	-
Transfers out	-	(234,442)	(12,631)	221,811
Total Other Financing Sources (Uses)	-	(234,442)	(12,631)	221,811
Net Change in Fund Balance	-	-	291,381	291,381
Fund balance, beginning of year	683,306	683,306	683,306	-
Fund balance, end of year	\$ 683,306	\$ 683,306	\$ 974,687	\$ 291,381

See independent auditors' report.

Town of Pearl River, Louisiana
Schedule of Proportionate Share of Net Pension Liability

For the Year Ended June 30,	Agency's proportion of the net pension liability (asset)	Agency's proportionate share of the net pension liability (asset)	Agency's covered payroll	Agency's Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
Municipal Police Employees' Retirement System					
2019	0.00000%	\$ -	\$ -	0.0%	71.0%
2018	0.00000%	\$ -	\$ -	0.0%	71.9%
2017	0.00000%	\$ -	\$ -	0.0%	70.1%
2016	0.00000%	\$ -	\$ -	0.0%	66.0%
2015	0.01009%	\$ 79,076	\$ -	0.0%	70.7%

*Amounts presented were determined as of the measurement date (June 30).

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Notes to the Required Supplementary Information

Changes in Benefit Terms

There were no changes of benefit terms for the five years ended June 30, 2019.

Town of Pearl River, Louisiana
Schedule of Employer Contributions to Pension Fund

Year Ended December 31	(a) Statutorily Required Contribution	(b) Contributions in relation to the statutorily required contribution	(a-b) Contribution Deficiency (Excess)	Agency's covered payroll	Contributions as a percentage of covered payroll
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Municipal Police Employees' Retirement System

2019	\$ -	\$ -	\$ -	\$ -	0.00%
2018	\$ -	\$ -	\$ -	\$ -	0.00%
2017	\$ -	\$ -	\$ -	\$ -	0.00%
2016	\$ -	\$ -	\$ -	\$ -	0.00%
2015	\$ 38,892	\$ 38,892	\$ -	\$ -	0.00%

*Amounts presented were determined as of the end of the fiscal year (December 31).

*This schedule is intended to show information for 10 years.
Additional years will be displayed as they become available.*

OTHER SUPPLEMENTARY INFORMATION

Town of Pearl River, Louisiana
Schedule of Operating Expenses
Proprietary Funds

For the year ended December 31,

2019

	<u>Enterprise Funds</u>		Total Proprietary Funds
	Sewer Fund	Water Fund	
Administrative and General Expenses			
Salaries	\$ 8,356	\$ 5,241	\$ 13,597
Office expense	10,374.00	7,332	17,706
Insurance	15,432	8,499	23,931
Workmen's compensation	4,153	2,428	6,581
Payroll taxes	7,241	3,494	10,735
Retirement	6,357	(82)	6,275
Education and training	2,666	374	3,040
Bank and NSF charges	2,055	-	2,055
Other	10,047	37,307	47,354
Total Administrative and General Expenses	\$ 66,681	\$ 64,593	\$ 131,274
Sewer System Expenses			
Utilities	101,662	-	101,662
Salaries	79,483	-	79,483
Repairs and maintenance	35,633	-	35,633
Lab testing	3,395	-	3,395
Other	19,443	-	19,443
Total Sewer System Expenses	\$ 239,616	\$ -	\$ 239,616
Water System Expenses			
Utilities	-	18,113	18,113
Salaries	-	36,171	36,171
Repairs and maintenance	-	14,801	14,801
Other	4,026	14,135	18,161
Total Water System Expenses	\$ 4,026	\$ 83,220	\$ 87,246

**Town of Pearl River, Louisiana
 Schedule of Compensation Paid to the
 Members of the Board of Aldermen
 For the Year Ended December 31, 2019**

Board of Aldermen	End of Term	Compensation
Bridgett Bennett 39267 Oak St. Pearl River, LA 70452 (985) 768-9991	December 31, 2020	\$10,800
Angela Galloway 66059 Crawford Lane Pearl River, LA 70452 (985) 707-7042	December 31, 2020	\$10,800
David McGregor 65076 Hwy 41 Spur Pearl River, LA 70452 (985) 290-1910	December 31, 2020	\$10,800
Joe Lee 65068 Hayes St. Pearl River, LA 70452 (985) 707-5045	December 31, 2020	\$10,800
Kathryn Walsh 39208 Gum Street Pearl River, LA 70452 (985) 290-5307	December 31, 2020	\$10,800

Town of Pearl River, Louisiana
Schedule of Compensation, Benefits, and Other Payments to the Mayor

For the Year Ended December 31,

2019

Agency Head Name: David McQueen, Mayor

Purpose	Amount
Salary	\$ 53,146
Benefits - insurance	-
Benefits - retirement	5,314
Benefits - other	-
Car allowance	2,082
Vehicle provided by government	-
Per diem	-
Reimbursements	-
Travel	-
Registration fees	-
Conference travel	-
Continuing professional education fees	-
Housing	-
Unvouchered expenses	-
Special meals	-
Total	\$ 60,542



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INDEPENDENT AUDITORS' 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, and each major fund of the Town of Pearl River, Louisiana (the "Town"), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated December 9, 2020.

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) to determine the 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 of this section 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 have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items **2019-001**, **2019-002**, and **2019-003** that we consider to be material weaknesses.

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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing*.

Town of Pearl River's Responses to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cary Riggs & Ingram, L.L.C.

Metairie, Louisiana
December 9, 2020



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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR THE MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for the Major Federal Program

We have audited the Town of Pearl River, Louisiana's (the "Town") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Town's major federal program for the year ended December 31, 2019. The Town's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the Town's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on the Major Federal Program

In our opinion, the Town complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2019.

Report on Internal Control over Compliance

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

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

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

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

Carr, Riggs & Ingram, L.L.C.

Metairie, Louisiana
December 9, 2020

Town of Pearl River, Louisiana
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2019

Federal Grantor/Pass-Through or Grantor/Program or Cluster Title	CFDA Number	Pass-Through Grantor's Number	Expenditures
Environmental Protection Agency			
<i>Pass - Through Louisiana Department of Environmental Quality</i>			
Clean Water State Revolving Fund Cluster			
Clean Water Revolving Loan Fund			
Total Clean Water State Revolving Fund Cluster	66.458	C5221914-01	\$ 959,989
Total Environmental Protection Agency			959,989
Total Expenditures of Federal Awards			\$ 959,989

No subrecipients for the year ended December 31, 2019

Town of Pearl River
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2019

NOTE 1: BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in Note 1 to the Town's financial statements for the year ended December 31, 2019.

NOTE 2: PROGRAM COSTS

The amounts shown as current year expenditures represent only the federal grant portion of the program costs. Entire program costs, including the Town's portion, are more than shown. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 3: FEDERALLY FUNDED LOANS AND LOAN GUARANTEES

The Town did not have any federally funded loans or loan guarantees outstanding during the year ended December 31, 2019. The Town did expend funds under the Clean Water and Drinking Water State Revolving Funds, which are required to be repaid to the State of Louisiana. Under Uniform Guidance, only the current year amounts expended under these state revolving funds are included on the schedule of expenditures of federal awards.

NOTE 4: FEDERALLY FUNDED INSURANCE

The Town has no federally funded insurance.

NOTE 5: NONCASH ASSISTANCE

The Town did not receive any federal noncash assistance for the year ended December 31, 2019.

NOTE 6: INDIRECT COST RATE

The Town did not elect to use the 10 percent (10%) de minimis indirect cost rate.

Town of Pearl River, Louisiana
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2019

A. SUMMARY OF AUDITORS' RESULTS

Financial Statements

- | | |
|--|------------|
| 1. Type of auditors' report issued | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weaknesses identified? | Yes |
| b. Significant deficiencies identified not considered to be material weaknesses? | None noted |
| c. Noncompliance material to the financial statements noted? | No |

Federal Awards

- | | | | | | |
|---|-------------------------------------|----------|--|--------|--|
| 3. Type of auditors' report issued on compliance for major programs | Unmodified | | | | |
| 4. Internal control over major program: | | | | | |
| a. Material weaknesses identified? | No | | | | |
| b. Significant deficiencies identified not considered to be material weaknesses? | None noted | | | | |
| 5. Any audit findings that are required to be reported in accordance with 2 CFR Section 200.516(a)? | No | | | | |
| 6. Identification of the major program: | | | | | |
| <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%; border-bottom: 1px solid black; text-align: center;">Name of Federal Awards (or Cluster)</td> <td style="width: 40%; border-bottom: 1px solid black; text-align: center;">CFDA No.</td> </tr> <tr> <td style="text-align: center;">Clean Water State Revolving Fund Cluster</td> <td style="text-align: center;">66.458</td> </tr> </table> | Name of Federal Awards (or Cluster) | CFDA No. | Clean Water State Revolving Fund Cluster | 66.458 | |
| Name of Federal Awards (or Cluster) | CFDA No. | | | | |
| Clean Water State Revolving Fund Cluster | 66.458 | | | | |
| 7. Dollar threshold used to distinguish between type A and type B programs: | \$750,000 | | | | |
| 8. Auditee qualified as a low-risk auditee? | No | | | | |

Town of Pearl River, Louisiana
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2019

B. FINDINGS RELATED TO THE FINANCIAL STATEMENTS

2019-001 Material Weakness – Financial Reporting (originated in 2017)

<i>Criteria:</i>	The Town should have systems of internal accounting controls which ensure the basic financial statements are presented in accordance with U.S. generally accepted accounting principles.
<i>Condition:</i>	For the year ended December 31, 2019, material adjusting audit entries were necessary to properly accrue and correct account balances at year end and to reclassify activity to the proper accounts. Prior period adjustments were made to properly record capital assets and prior year expenses that were not recorded.
<i>Cause:</i>	There continues to be a lack of communication between the Town and the contracted external accountant who assists in the preparation of the Town's financial statements. Additionally, proper and sufficient supporting documentation is not maintained for all transactions.
<i>Effect:</i>	Financial statements required material adjustments and prior period adjustments identified in the audit process to ensure the financial statements were presented in accordance with U.S. generally accepted accounting principles.
<i>Recommendation:</i>	Currently, the Town's bookkeeping is performed by a contracted external accountant. We recommend that the Town work with the contracted external accountant in ensuring effective communication so that financial statements will be materially correct.

2019-002 Material Weakness - Lack of Internal Controls Over Revenue (originated in 2017)

<i>Criteria:</i>	The Town should have system of internal accounting controls which ensure the proper recording of its revenues (i.e. license and permit revenue and ticket revenue) and the related receivables.
<i>Condition:</i>	The Town does not have adequate policies, procedures, and related internal controls in regard to the recording of license and permit revenue, ticket revenue and related receivables. During our audit, we noted that the Town does not have a system in place to properly reconcile revenue to cash receipts.

Town of Pearl River, Louisiana
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2019

B. FINDINGS RELATED TO THE FINANCIAL STATEMENTS (Continued)

<i>Cause:</i>	Per observation and discussion with the contracted external accountant during the course of our audit, there is a review of monthly deposit reports for accuracy of data entry, but any unexplained variances on these reports are posted to fund balance. Additionally, there is no annual reconciliation of accounts receivable or revenues performed to ensure the accuracy, completeness, and classification of the balances. Without proper policies, procedures, and related internal controls in place, the Town's financial information may contain material misstatements.
<i>Effect:</i>	Financial statements required material adjustments to accounts receivable and revenue accounts identified in the audit process to ensure the financial statements were presented in accordance with U.S. generally accepted accounting principles.
<i>Recommendation:</i>	The Town should implement written policies for license and permit revenue and ticket revenue. This policy should detail who can accept payments, deposit funds, and who is responsible for reconciling revenue to cash received as well as tracking receivable balances.
<i>Response:</i>	See Management's Corrective Action Plan for their response.

2019-003 Material Weakness – Lack of Segregation of Duties (originated in 2018)

<i>Criteria:</i>	The Town should have a system in place to properly segregate duties among Town employees and the contracted external accountant.
<i>Condition:</i>	For the year ended December 31, 2019, the Town employees were not reviewing and approving the work of the contracted external accountant.
<i>Cause:</i>	The City has a contracted external accountant that performs substantial bookkeeping and accounting entries. No one at the Town was reviewing this work.
<i>Effect:</i>	There is a lack of segregation of duties as no one at the Town reviews or verifies the work of the contracted accountant, which resulted in material adjustments identified during the course of the 2019 audit.
<i>Recommendation:</i>	The Town should ensure proper segregation of duties and be able to review and verify the work of the contracted external accountant.
<i>Response:</i>	See Management's Corrective Action Plan for their response.

**Town of Pearl River, Louisiana
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2019**

C. FINDINGS RELATED TO COMPLIANCE AND OTHER MATTERS

There were no findings related to compliance and other matters for the year ended December 31, 2019.

D. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAM

There were no findings or questioned costs related to the major federal award program for the year ended December 31, 2019.

Town of Pearl River, Louisiana
Summary Schedule of Prior Audit Findings
For the Year Ended December 31, 2019

2018-001 Material Weakness – Financial Reporting (originated in 2017)

Condition: For the year ended December 31, 2018, material adjusting audit entries were necessary to properly accrue and correct account balances at year end and to reclassify activity to the proper accounts. Prior period adjustments were made to properly record capital assets and prior year expenses that were not recorded.

Status: *Not Resolved – See current year finding 2019-001*

2018-002 Material Weakness - Lack of Internal Controls Over Revenue (originated in 2017)

Condition: The Town does not have adequate policies, procedures, and related internal controls in regard to the recording of license and permit revenue, ticket revenue and related receivables. During our audit, we noted that the Town does not have a system in place to properly reconcile revenue to cash receipts.

Status: *Not Resolved – See current year finding 2019-002*

2018-003 Material Weakness – Lack of Segregation of Duties

Condition: For the year ended December 31, 2018, the Town employees were not reviewing and approving the work of the contracted external accountant.

Status: *Not Resolved – See current year finding 2019-003*

2018-004 Timely Submission to the Louisiana Legislative Auditor

Condition: Governmental agencies must follow Louisiana Revised Statutes.

Status: Resolved – The Town submitted timely.

2018-005 Non-compliance with Public Bid Law

Condition: Per Louisiana Statute R.S. 38.2211, contracts by local governmental entities for purchases of materials and supplies with a value of more than \$30,000, must be advertised and let for contract with the lowest responsible bidder.

Status: Resolved – The Town advertised fuel cards and let for contract with the lowest responsible bidder.



TOWN OF PEARL RIVER

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JOE LEE
BRIDGETT BENNETT
ANGELA GALLOWAY
KATHRYN WALSH
Aldermen

CLARENCE "David" McQUEEN
Mayor

DAVID McGREGOR
Mayor Pro Tempore

CHERYL SCHULTHEIS
Town Clerk

TIMOTHY MATHISON
Town Attorney

MATHIEU E. DAIGLE
Town Magistrate
Assistant Town Attorney

BRENDA WICHTERICH
Deputy Clerk/Court Clerk

December 9, 2020

Carr, Riggs & Ingram L.L.C.
111 Veterans Blvd.
Suite 350
Metairie, LA 70005

RE: Town of Pearl River Response to CRI Audit

To whom it may concern:

The following represents the response of the Town of Pear River to the findings included in the independent auditors' report performed by CRI.

2019-001 - Financial Reporting

Corrective Action Plan: The Town will discuss this matter with its external accounting consultant and make changes to ensure that financial statements are materially correct for the year ended December 31, 2020.

Estimated Date of Completion: April 30, 2021

Person Responsible: David McQueen, Mayor

2019-002 - Lack of Internal Controls over Revenue

Corrective Action Plan: The Town has ensured proper segregation of duties between payment collection, recording and depositing funds into Town accounts. The Town shall review and compare the daily total deposits to the total receipts on a monthly basis and immediately investigate any differences. The Town will maintain a monthly log of revenues and reconcile to the cash receipts weekly.

Estimated Date of Completion: January 31, 2021

Person Responsible: David McQueen, Mayor

2019-003 - Lack of Segregation of Duties

Corrective Action Plan: To the extent staff limitations allow, the Town shall implement proper policies to ensure that there is sufficient segregation of duties and proper review and verification of work performed by the contracted external accountant.

Estimated Date of Completion: January 31, 2021

Person Responsible: David McQueen, Mayor

Sincerely,

A handwritten signature in blue ink that reads "David McQueen". The signature is written in a cursive style.

David McQueen, Mayor

Town of Pearl River
AGREED-UPON PROCEDURES REPORT

December 31, 2019



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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Honorable Mayor
And Members of the Board of Alderman
39460 Willis Alley
Pearl River, LA 70452

We have performed the procedures enumerated below, which were agreed to by the Town of Pearl River (the Town) and the Louisiana Legislative Auditor ("LLA") on the control and compliance ("C/C") areas identified in the Act 774 Agreed-Upon Procedures ("Act 774 AUPs") for the fiscal period January 1, 2019 through December 31, 2019. The Town is responsible for those C/C areas identified in the Act 774 AUPs.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated results are as follows:

Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to the entity's operations):
 - a) ***Receipts/Collections***, including 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).
Results: No exceptions were found as a result of applying the procedure.
 - b) ***Ethics***, including (1) actions to be taken if an ethics violation takes place, (2) system to monitor possible ethics violations, and (3) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.
Results: No exceptions were found as a result of applying the procedure.

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

Results: Exception noted. The Town did not implement a Debt Service written policy.

- d) **Traffic Tickets**, including (1) remittance of fine payments to state treasury, per Louisiana Revised Statute (R.S.) 32:266, and (2) reporting moving violations to the Louisiana Department of Public Safety within 30 days of final disposition, per R.S. 32:393 C (1)(b).

Results: No exceptions were found as a result of applying the procedure.

Bank Reconciliations

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

- a) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged).

Results: Exception noted. The Town's bank reconciliations were performed by a contracted accountant; however, the bank reconciliations examined did not include evidence of Town management review by an independent reviewer.

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

- 3. 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).

Results: No exceptions were found as a result of applying the procedure.

- 4. For each location selected under #3 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:

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

Results: No exceptions were found as a result of applying the procedure.

- b) At least two employees are involved in processing and approving payments to vendors.

Results: No exceptions were found as a result of applying the procedure.

- c) 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.

Results: No exceptions were found as a result of applying the procedure.

- d) 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.

Results: No exceptions were found as a result of applying the procedure.

- 5. For each location selected under #3 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:

- a) Observe that the disbursement matched the related original invoice/billing statement.

Results: No exceptions were found as a result of applying the procedure.

- b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #4, as applicable.

Results: No exceptions were found as a result of applying the procedure.

- c) Observe that the disbursement documentation contains evidence of complying with written policies, including use of a receiving report.

Results: No exceptions were found as a result of applying the procedure.

Fuel Purchases

- 6. Obtain management's representation that it either bid its aggregated fuel purchases under the Public Bid Law or adopted the State Procurement Code and utilized the state's fleet card program.

Results: No exceptions were found as a result of applying the procedure.

Ethics

- 7. Obtain a listing of employees/elected officials/board members employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/elected officials/board members, obtain ethics documentation from management, and:

- a) Observe that the documentation demonstrates each employee/elected official/board member completed one hour of ethics training during the fiscal period; and

Results: Exception noted. The Town could not provide documentation to demonstrate that one (1) of the five (5) employees selected received the required ethics training.

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

Results: Exception noted. The Town did not require employees to acknowledge in writing that they have read the Town's ethics policy during the fiscal year.

Deferred Compensation Plan Employer Match

- 8. Obtain a listing of employees participating in the entity's deferred compensation plan, with their related salaries, and obtain management's representation that the listing is complete. Randomly select one payroll period during the fiscal period and:

- a) Obtain the employee deferred compensation enrollment form from each participant's file or the entity's overall deferred compensation file, as applicable.

Results: No exceptions were found as a result of applying the procedure.

- b) Obtain payment support for each participant in the deferred compensation plan for the selected period and perform a recalculation of the participant's deferred compensation contributions. Trace the amount deducted from the participant's pay to the amount shown on the participant's deferred compensation enrollment form.

Results: No exceptions were found as a result of applying the procedure.

- c) Obtain the payment support for the employer's deferred compensation payment from the entity for the selected period and recalculate the employer's deferred compensation contributions.

Results: No exceptions were found as a result of applying the procedure.

- d) Observe that the employer's deferred compensation payment(s) match the required employer contributions, per the policy/agreement.

Results: No exceptions were found as a result of applying the procedure.

Information Technology Disaster Recovery/Business Continuity

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

Results: Exception noted. The Town did not implement an IT Disaster Recovery written policy.

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

- a) 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.

Results: We performed the procedure and discussed the results with management.

- b) 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.

Results: We performed the procedure and discussed the results with management.

- c) 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 active antivirus software and that the antivirus, operating system, and accounting system software are the most recent versions available (i.e. up-to-date).

Results: We performed the procedure and discussed the results with management.

Sexual Harassment

11. Obtain and inspect the entity’s written sexual harassment policies and procedures and observe that they address all requirements of Louisiana Revised Statutes (R.S.) 42:342-344, including agency responsibilities and prohibitions; annual employee training; and annual reporting requirements.

Results: No exceptions were found as a result of applying the procedure.

12. Obtain a listing of employees/elected officials/board members employed during the fiscal period and management’s representation that the listing is complete. Randomly select 5 employees/elected officials/board members, obtain sexual harassment training documentation from management, and observe that the documentation demonstrates each employee/elected official/board member completed at least one hour of sexual harassment training during the calendar year.

Results: No exceptions were found as a result of applying the procedure.

13. Observe that 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).

Results: No exceptions were found as a result of applying the procedure.

14. 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 that it includes the applicable requirements of R.S. 42:344.

Results: No exceptions were found as a result of applying the procedure.

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the Act 774 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.

The purpose of this report is solely to describe the scope of procedures performed on those C/C areas identified in the Act 774 AUPs, and the result of the procedures performed, 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.

Carly Riggs & Ingram, L.L.C.

Metairie, Louisiana
December 9, 2020