



Town of Pearl River, Louisiana

FINANCIAL STATEMENTS

December 31, 2020



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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, 2020, 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, 2020, 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.

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 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, and 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, and Schedule of Compensation, Benefits, and Other Payments to the Mayor 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 November 30, 2021, 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
November 30, 2021

TOWN OF PEARL RIVER, LOUISIANA
Basic Financial Statements

Town of Pearl River, Louisiana
Statement of Net Position

December 31,

2020

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 3,104,024	\$ 982,216	\$ 4,086,240
Restricted cash	-	76,840	76,840
Receivables			
Water and sewer, net	-	100,711	100,711
Ad valorem taxes, net	340,157	-	340,157
Sales taxes	310,687	35,304	345,991
Franchise taxes	51,225	-	51,225
Grant	9,209	-	9,209
Internal balances	(9,038)	9,038	-
Prepaid items	36,393	1,884	38,277
Capital assets, net	1,538,132	8,221,784	9,759,916
Total Assets	5,380,789	9,427,777	14,808,566
Liabilities			
Accounts payable	8,558	39,173	47,731
Accrued payroll	56,252	7,988	64,240
Accrued interest	-	14,007	14,007
Deferred revenue	3,819	-	3,819
Non-current liabilities			
Due within one year	8,110	201,000	209,110
Due in more than one year	26,620	3,423,444	3,450,064
Total Liabilities	103,359	3,685,612	3,788,971
Net Position			
Net investment in capital assets	1,503,402	4,597,340	6,100,742
Restricted			
Capital projects	1,291,321	-	1,291,321
Debt service	-	76,840	76,840
Maintenance and operations	593,624	-	593,624
Unrestricted	1,889,083	1,067,985	2,957,068
Total Net Position	\$ 5,277,430	\$ 5,742,165	\$ 11,019,595

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,

2020

Functions / Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Services	Operating	Capital	Governmental Activities	Business-Type Activities	
			Grants and Contributions	Grants and Contributions			
Governmental activities							
General government	\$ 741,160	\$ -	\$ -	\$ -	\$ (741,160)	\$ -	\$ (741,160)
Public safety	1,107,740	-	152,336	-	(955,404)	-	(955,404)
Public works	562,098	-	-	6,300	(555,798)	-	(555,798)
Recreation	4,942	-	-	-	(4,942)	-	(4,942)
Total governmental activities	2,415,940	-	152,336	6,300	(2,257,304)	-	(2,257,304)
Business-type activities							
Utilities	714,722	716,648	-	86	-	2,012	2,012
Interest on debt	39,341	-	-	-	-	(39,341)	(39,341)
Total business-type activities	754,063	716,648	-	86	-	(37,329)	(37,329)
Total	\$ 3,170,003	\$ 716,648	\$ 152,336	\$ 6,386	(2,257,304)	(37,329)	(2,294,633)
General revenues							
Taxes							
Sales taxes					1,705,926	200,735	1,906,661
Ad valorem taxes					345,763	-	345,763
Franchise taxes					187,634	-	187,634
Licenses and permits					149,218	-	149,218
Fines and forfeitures					287,999	-	287,999
Insurance licenses					123,069	-	123,069
Other miscellaneous revenue					76,761	-	76,761
Investment earnings					3,967	486	4,453
Transfers					(326)	326	-
Total general revenues and transfers					2,880,011	201,547	3,081,558
Change in net position					622,707	164,218	786,925
Net position, beginning of year					4,654,723	5,577,947	10,232,670
Net position, end of year					\$ 5,277,430	\$ 5,742,165	\$ 11,019,595

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

Town of Pearl River, Louisiana Balance Sheet - Governmental Funds

December 31,

2020

	General Fund	Special Revenue Funds			Total Governmental Funds
		Police Fund	Street Fund	Non-Major Fund	
Assets					
Cash and cash equivalents	\$ 1,618,865	\$ 381,053	\$ 1,103,200	\$ 906	\$ 3,104,024
Receivables					
Ad valorem taxes, net	197,256	-	142,901	-	340,157
Sales taxes	-	141,216	169,471	-	310,687
Franchise taxes	51,225	-	-	-	51,225
Grant receivables	-	4,773	-	4,436	9,209
Due from other funds	-	110,956	4,242	39,085	154,283
Prepaid items	16,480	19,017	896	-	36,393
Total Assets	\$ 1,883,826	\$ 657,015	\$ 1,420,710	\$ 44,427	\$ 4,005,978
Liabilities, Deferred Inflows of Resources, and Fund Balances					
Liabilities					
Accounts payable	\$ 128	\$ 7,076	\$ 1,354	\$ -	\$ 8,558
Accrued payroll	11,256	33,479	11,517	-	56,252
Unearned revenue	-	3,819	-	-	3,819
Due to other funds	47,699	-	115,622	-	163,321
Total Liabilities	59,083	44,374	128,493	-	231,950
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	16,480	19,017	896	-	36,393
Restricted					
Capital projects	-	-	1,291,321	-	1,291,321
Maintenance and operations	-	593,624	-	-	593,624
Unassigned	1,808,263	-	-	39,991	1,848,254
Total Fund Balances	1,824,743	612,641	1,292,217	39,991	3,769,592
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 1,883,826	\$ 657,015	\$ 1,420,710	\$ 44,427	\$ 4,005,978

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>2020</u>
Fund Balances - Total Governmental Funds	\$ 3,769,592
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	\$ 3,612,750
Less: accumulated depreciation	<u>(2,074,618)</u> 1,538,132
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	\$ 5,277,430

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,

2020

	General Fund	Special Revenue Funds			Total Governmental Funds
		Police Fund	Street Fund	Non-Major Fund	
Revenues					
Taxes					
Sales taxes	\$ -	\$ 784,112	\$ 921,814	\$ -	\$ 1,705,926
Ad valorem taxes	200,544	-	145,219	-	345,763
Franchise taxes	187,634	-	-	-	187,634
Licenses and permits	149,218	-	-	-	149,218
Fines and forfeitures	287,999	-	-	-	287,999
Insurance licenses	123,069	-	-	-	123,069
Grants and reimbursements	-	152,336	6,300	-	158,636
Other revenues	51,466	8,770	5,485	-	65,721
Interest income	2,760	240	966	1	3,967
Total Revenues	1,002,690	945,458	1,079,784	1	3,027,933
Expenditures					
Current					
General government	633,247	-	-	-	633,247
Public safety	-	1,081,468	-	-	1,081,468
Public works	-	-	542,300	-	542,300
Recreation	2,632	-	-	-	2,632
Capital outlay	17,745	-	250,448	-	268,193
Total Expenditures	653,624	1,081,468	792,748	-	2,527,840
Excess (Deficiency) of Revenues					
Over (Under) Expenditures	349,066	(136,010)	287,036	1	500,093
Other Financing Sources (Uses)					
Transfers in	4,741	223,855	-	-	228,596
Transfers out	(223,855)	-	(5,067)	-	(228,922)
Proceeds from capital lease	-	-	35,561	-	35,561
Total Other Financing Sources (Uses)	(219,114)	223,855	30,494	-	35,235
Net Change in Fund Balances	129,952	87,845	317,530	1	535,328
Fund Balances, Beginning of Year	1,694,791	524,796	974,687	39,990	3,234,264
Fund Balances, End of Year	\$ 1,824,743	\$ 612,641	\$ 1,292,217	\$ 39,991	\$ 3,769,592

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**

<u>For the Year Ended December 31,</u>	<u>2020</u>	
Changes in Fund Balances - Total Governmental Funds	\$	535,328
Amounts reported for governmental activities in the Statement of Activities are different because:		
<p>Governmental funds report capital outlays as expenditures, donations of assets not kept for resell are not reported as revenue, and the disposal of assets not fully depreciated is not reported as a loss; however, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives through depreciation expense.</p>		
Donations of capital assets	\$	12,000
Capital outlays		268,193
Loss on disposal of capital assets		(960)
Depreciation expense		(157,124)
		122,109
<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>		
Proceeds from capital lease	\$	(35,561)
Payments on capital lease		831
		(34,730)
Changes in Net Position of Governmental Activities	\$	622,707

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

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

December 31,

2020

	Enterprise Funds		Total Proprietary Funds
	Sewer Fund	Water Fund	
ASSETS			
Current assets			
Cash and cash equivalents	\$ 534,242	\$ 447,974	\$ 982,216
Restricted cash	76,840	-	76,840
Receivables			
Water and sewer, net	50,739	49,972	100,711
Sales tax	35,304	-	35,304
Due from other funds	7,253	92,578	99,831
Prepaid items	826	1,058	1,884
Total current assets	705,204	591,582	1,296,786
Capital assets, net	6,677,476	1,544,308	8,221,784
Total Assets	\$ 7,382,680	\$ 2,135,890	\$ 9,518,570
LIABILITIES			
Current liabilities			
Accounts payable	\$ 36,198	\$ 2,975	\$ 39,173
Accrued payroll	6,531	1,457	7,988
Accrued interest payable	9,897	4,110	14,007
Due to other funds	90,793	-	90,793
State revolving loans	140,000	61,000	201,000
Total current liabilities	283,419	69,542	352,961
Long-term liabilities			
State revolving loans	2,592,444	831,000	3,423,444
Total Liabilities	\$ 2,875,863	\$ 900,542	\$ 3,776,405
NET POSITION			
Net investment in capital assets	\$ 3,945,032	\$ 652,308	\$ 4,597,340
Restricted for debt service	76,840	-	76,840
Unrestricted	484,945	583,040	1,067,985
Total Net Position	\$ 4,506,817	\$ 1,235,348	\$ 5,742,165
Total Liabilities and Net Position	\$ 7,382,680	\$ 2,135,890	\$ 9,518,570

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,

2020

	Enterprise Funds		Total Proprietary Funds
	Sewer Fund	Water Fund	
Operating revenues			
Service fees	\$ 349,517	\$ 325,090	\$ 674,607
Delinquent fees	-	1,011	1,011
Installation fees	11,000	6,875	17,875
Meter fees	-	6,950	6,950
Other	3,520	12,685	16,205
Total operating revenues	364,037	352,611	716,648
Operating expenses			
Depreciation	153,234	116,837	270,071
Sewer system	228,630	-	228,630
Water system	3,842	73,141	76,983
Administrative and general	73,203	65,835	139,038
Total operating expenses	458,909	255,813	714,722
Gain (loss) from operations	(94,872)	96,798	1,926
Nonoperating revenues (expenses)			
Sales tax revenue	196,028	4,707	200,735
Capital grants	-	86	86
Interest income	486	-	486
Interest expense	(12,157)	(27,184)	(39,341)
Total nonoperating revenues (expenses)	184,357	(22,391)	161,966
Net gain (loss) before transfers	89,485	74,407	163,892
Transfers in	732,175	-	732,175
Transfers out	-	(731,849)	(731,849)
Increase (decrease) in net position	821,660	(657,442)	164,218
Net position, beginning of year	3,685,157	1,892,790	5,577,947
Net Position, End of Year	\$ 4,506,817	\$ 1,235,348	\$ 5,742,165

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

Town of Pearl River, Louisiana
Statement of Cash Flows
Proprietary Funds

For the year ended December 31,

2020

	Enterprise Funds		Total Proprietary Funds
	Sewer Fund	Water Fund	
Operating Activities			
Receipts from customers and users	\$ 348,219	\$ 337,561	\$ 685,780
Payments to suppliers	(337,235)	(86,414)	(423,649)
Payments to employees and for benefits	(105,488)	(56,463)	(161,951)
Net cash provided by (used in) operating activities	(94,504)	194,684	100,180
Noncapital Financing Activities			
Cash received from sales tax	196,028	4,707	200,735
Interfund transfers and borrowing	721,243	(727,695)	(6,452)
Net cash provided by (used in) noncapital financing activities	917,271	(722,988)	194,283
Capital and Related Financing Activities			
Proceeds from state revolving loans	135,599	951,000	1,086,599
Principal paid on state revolving loans	(1,075,000)	(59,000)	(1,134,000)
Purchase of capital assets	(97,737)	(21,130)	(118,867)
Interest paid	(12,157)	(27,184)	(39,341)
Net cash provided by (used in) capital and related financing activities	(1,049,295)	843,686	(205,609)
Investing Activities			
Interest received	486	-	486
Net cash provided by (used in) investing activities	486	-	486
Net Increase (Decrease) in Cash and Cash Equivalents	(226,042)	315,382	89,340
Cash and Cash Equivalents - Beginning of Year	837,124	132,592	969,716
Cash and Cash Equivalents - End of Year	611,082	447,974	1,059,056
Reconciliation of Gain (Loss) from Operations to Net Cash Provided by (used in) Operating Activities			
Gain (loss) from operations	(94,872)	96,798	1,926
Adjustments to reconcile gain (loss) from operations to net cash provided by (used in) operating activities:			
Depreciation	153,234	116,837	270,071
Changes in assets and liabilities:			
Receivables	(15,818)	(15,050)	(30,868)
Accounts payable	(132,468)	(4,134)	(136,602)
Accrued payroll	(4,545)	277	(4,268)
Prepaid items	(35)	(44)	(79)
Net cash provided by (used in) operating activities	(94,504)	194,684	100,180

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 funds. 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 Town has implemented GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The implementation of this statement did not result in any change in the Town's financial statements. GASB Statement No. 88 requires that additional essential information related to debt be disclosed in the notes to the financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to the financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placement of debt separately from other debt. Additional information can be found in Note 6.

The Governmental Accounting Standards Board has issued statements that will become effective in future years.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncements (continued)

These statements address:

- Leases;
- 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.

Budgets and Budgetary Accounting

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

The Town adopted a budget on a basis consistent with accounting principles generally accepted in the United States of America for the following funds: General Fund and Police Fund. The Street Fund adopted a budget on a basis consistent with accounting principles generally accepted in the United States of America in all ways except for capital leases, which is budgeted only to the extent that principal and interest is expected to be paid, rather than on the modified accrual basis. 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.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2020.

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.

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. 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.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 and Equipment	30 Years
Furniture, Fixtures, and Office Equipment	7 Years
Vehicles	5 Years
Machinery and Equipment	5 - 15 Years

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.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental Fund Statements

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

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

Sales Tax Revenues

Sales tax revenues are derived from the following sales taxes:

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Ad Valorem Revenue

Property taxes are normally levied and billed in December of each year and are delinquent on January 1st of the following year. Revenues are recognized when levied to the extent they are determined to be currently collectible. Assessed values are established by the St. Tammany Parish Assessor's Office and the State Tax Commission at percentages of actual value as specified by Louisiana law. For the year ended December 31, 2020, property taxes levied were 5.54 mills for general purposes and 3.96 mills for street improvement.

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

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

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

Use of Estimates - The preparation of financial statements in conformity with 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.

Subsequent Events - Management has evaluated subsequent events through the date that the financial statements were available to be issued, November 30, 2021 and determined there were no events that occurred that required disclosure. No subsequent events occurring after that date have been evaluated for inclusion in these financial statements.

Town of Pearl River, Louisiana
Notes to Financial Statements

Note 2: CASH AND CASH EQUIVALENTS

At December 31, 2020, cash and cash equivalents consisted of the following:

	Carrying Amount	Bank Balance
Demand deposits	\$ 3,113,523	\$ 3,230,466
Money market	1,049,557	1,018,965
	\$ 4,163,080	\$ 4,249,431

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, 2020, 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 \$2,980,466 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: RECEIVABLES

Net receivables of governmental funds at December 31, 2020, were as follows:

	General Fund	Police Fund	Street Fund	Storm Fund	Total
Ad valorem taxes	\$ 202,295	\$ -	\$ 146,505	\$ -	\$ 348,800
Sales taxes	-	141,216	169,471	-	310,687
Franchise taxes	51,225	-	-	-	51,225
Grants	-	4,773	-	4,436	9,209
Gross receivables	253,520	145,989	315,976	4,436	719,921
Less allowances	5,039	-	3,604	-	8,643
Total	\$ 248,481	\$ 145,989	\$ 312,372	\$ 4,436	\$ 711,278

Net receivables of proprietary funds at December 31, 2020, were as follows:

	Sewer Fund	Water Fund	Total
Sales taxes	\$ 35,304	\$ -	\$ 35,304
Water and Sewer	52,739	51,972	104,711
Gross receivables	88,043	51,972	140,015
Less allowances	2,000	2,000	4,000
Total	\$ 86,043	\$ 49,972	\$ 136,015

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, 2020:

Governmental Activities	Balance December 31, 2019	Additions	Deletions	Balance December 31, 2020
Capital Assets Not Depreciated:				
Land	\$ 104,377	\$ -	\$ -	\$ 104,377
Total Capital Assets Not Depreciated	104,377	-	-	104,377
Capital Assets Being Depreciated:				
Infrastructure	987,721	214,887	-	1,202,608
Buildings and equipment	382,511	-	-	382,511
Machinery and equipment	1,090,329	11,745	(34,406)	1,067,668
Furniture, fixtures and office equipment	46,534	6,001	-	52,535
Vehicles	817,318	47,560	(61,827)	803,051
Total Capital Assets Being Depreciated	3,324,413	280,193	(96,233)	3,508,373
Less Accumulated Depreciation for:				
Infrastructure	(327,938)	(41,394)	-	(369,333)
Buildings and improvements	(252,124)	(9,191)	-	(261,315)
Machinery and equipment	(769,283)	(25,345)	34,406	(760,221)
Furniture, fixtures and office equipment	(46,534)	(714)	-	(47,248)
Vehicles	(616,888)	(80,480)	60,867	(636,501)
Total Accumulated Depreciation	(2,012,767)	(157,124)	95,273	(2,074,618)
Total Capital Assets Being Depreciated, net	1,311,646	123,069	(960)	1,433,755
Total	\$ 1,416,023	\$ 123,069	\$ (960)	\$ 1,538,132

Depreciation was charged to governmental functions as follows:

General government	\$ 107,913
Public works	20,629
Public safety	26,272
Recreation	2,310
Total	\$ 157,124

Town of Pearl River, Louisiana
Notes to Financial Statements

Note 4: CAPITAL ASSETS (CONTINUED)

Business-Type Activities	Balance December 31, 2019	Increases	Decreases	Balance December 31, 2020
Capital Assets Not Depreciated:				
Land	\$ 68,609	\$ -	\$ -	\$ 68,609
Construction in progress	-	39,242	-	39,242
Total Capital Assets Not Depreciated	68,609	39,242	-	107,851
Capital Assets Being Depreciated:				
Water system and equipment	7,578,757	21,130	-	7,599,887
Sewer system and equipment	7,719,009	10,800	-	7,729,809
Machinery and equipment	349,350	47,695	-	397,045
Total Capital Assets Being Depreciated	15,647,116	79,625	-	15,726,741
Less Accumulated Depreciation for:				
Water system and equipment	(2,849,629)	(91,798)	-	(2,941,127)
Sewer system and equipment	(4,236,750)	(152,030)	-	(4,388,780)
Machinery and equipment	(256,658)	(26,243)	-	(282,901)
Total Accumulated Depreciation	(7,342,737)	(270,071)	-	(7,612,808)
Total Capital Assets Being Depreciated, net	8,304,379	(190,446)	-	8,113,933
Total	\$ 8,372,988	\$ (151,204)	\$ -	\$ 8,221,784

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 \$88,616 for the year ended December 31, 2020. 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 DEBT

The following is a summary of long-term debt transactions of the Town for the year ended December 31, 2020:

	LDHH Drinking Water State Revolving Loan	LDEQ Clean Water State Revolving Loan
State revolving loans at January 1, 2020	\$ 951,000	\$ 2,720,845
Loan draw downs	-	135,599
State revolving loan payments	(59,000)	(124,000)
State revolving loans at December 31, 2020	892,000	2,732,444
Amount due within one year	\$ 61,000	\$ 140,000

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
2021	\$ 61,000	\$ 25,414	\$ 140,000	\$ 11,981
2022	63,000	23,585	141,000	11,349
2023	66,000	21,683	142,000	10,712
2024	68,000	19,706	144,000	10,068
2025	70,000	17,670	145,000	9,418
2026 – 2030	389,000	55,239	745,000	37,142
2031 – 2035	175,000	5,207	781,000	19,979
2036 - 2040	-	-	494,444	3,384
Total	\$ 892,000	\$ 168,504	\$ 2,732,444	\$ 114,033

Town of Pearl River, Louisiana
Notes to Financial Statements

Note 7: CAPITAL LEASE

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

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2020, were as follows:

For the Year Ending December 31	Governmental Activities
2021	\$ 9,970
2022	\$ 9,970
2023	\$ 9,970
2024	\$ 9,139
Total minimum lease payments	39,049
Less: Amount representing interest	(4,319)
Present value of minimum lease payments	\$ 34,730

Note 8: INTERFUND BALANCES

Due to/from other funds at December 31, 2020, was as follows:

Fund	Interfund Receivables	Interfund Payables
General fund	\$ -	\$ 47,699
Special revenue funds		
Police	110,956	-
Street	4,242	115,622
Storm	39,085	-
Proprietary funds		
Sewer	7,253	90,793
Water	92,578	-
Total	\$ 254,114	\$ 254,114

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

Town of Pearl River, Louisiana
Notes to Financial Statements

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, 2020:

	Transfer In:				Total
	General Fund	Police Fund	Water Fund	Sewer Fund	
Transfer Out:					
General Fund	\$ -	\$ 223,855	\$ -	\$ -	\$ 223,855
Street Fund	4,741	-	-	326	5,067
Water Fund	-	-	-	731,849	731,849
Total	\$ 4,741	\$ 223,855	\$ -	\$ 732,175	\$ 960,771

Note 10: 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, 2020, 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 11: COMMITMENTS AND CONTINGENCIES

At December 31, 2020, 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 12: UNCERTAINTIES

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 have had a significant negative impact on the operating activities and results of the Town. 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 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, 2020:

- 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.

REQUIRED SUPPLEMENTARY INFORMATION

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,

2020

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
Revenues				
Taxes				
Ad valorem tax	\$ 195,417	\$ 214,766	\$ 200,544	\$ (14,222)
Franchise	175,000	198,527	187,634	(10,893)
Fines and forfeitures	255,000	287,999	287,999	-
Licenses and permits	131,850	146,402	149,218	2,816
Insurance licenses	120,000	119,377	123,069	3,692
Other revenues	18,625	51,466	51,466	-
Interest income	2,350	2,753	2,760	7
Total Revenues	898,242	1,021,290	1,002,690	(18,600)
Expenditures				
General government	782,882	625,878	633,247	(7,369)
Recreation	20,500	2,632	2,632	-
Capital outlay	13,948	11,745	17,745	(6,000)
Total Expenditures	817,330	640,255	653,624	(13,369)
Other Financing Sources (Uses)				
Transfers in	66,240	-	4,741	4,741
Transfers out	(147,152)	(381,035)	(223,855)	157,180
Total Other Financing Sources	(80,912)	(381,035)	(219,114)	161,921
Net Change in Fund Balance	-	-	129,952	129,952
Fund balance, beginning of year	1,694,791	1,694,791	1,694,791	-
Fund balance, end of year	\$ 1,694,791	\$ 1,694,791	\$ 1,824,743	\$ 129,952

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

For the year ended December 31,

2020

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
Revenues				
Sales taxes	\$ 715,000	\$ 783,889	\$ 784,112	\$ 223
Grants and reimbursements	160,000	152,336	152,336	-
Other revenues	6,274	3,996	8,770	4,774
Interest income	200	240	240	-
Total Revenues	881,474	940,461	945,458	4,997
Expenditures				
Public safety	1,078,627	1,044,773	1,081,468	(36,695)
Total Expenditures	1,078,627	1,044,773	1,081,468	(36,695)
Other Financing Sources				
Transfers In	197,153	197,153	223,855	26,702
Transfers out	-	(92,841)	-	92,841
Total Other Financing Sources	197,153	104,312	223,855	119,543
Net Change in Fund Balance	-	-	87,845	87,845
Fund balance, beginning of year	524,796	524,796	524,796	-
Fund balance, end of year	\$ 524,796	\$ 524,796	\$ 612,641	\$ 87,845

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

For the year ended December 31,

2020

	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Actual Amounts GAAP Basis	Variance with Final Budget Favorable (Unfavorable)	Budget to GAAP Differences Over (Under)
Revenues						
Sales taxes	\$ 830,000	\$ 914,992	\$ 921,814	\$ 921,814	\$ 6,822	\$ -
Property taxes	137,500	147,285	145,219	145,219	(2,066)	-
Grants	6,300	6,300	6,300	6,300	-	-
Other revenue	5,500	5,485	5,485	5,485	-	-
Interest income	500	966	966	966	-	-
Total Revenues	979,800	1,075,028	1,079,784	1,079,784	4,756	-
Expenditures						
Public works	657,799	532,697	542,300	542,300	(9,603)	-
Capital outlay	288,881	211,545	215,718	250,448	(4,173) (1)	(34,730)
Total Expenditures	946,680	744,242	758,018	792,748	(13,776)	(34,730)
Other Financing Sources (Uses)						
Transfers In	-	-	-	-	-	-
Transfers out	(33,120)	(330,786)	(5,067)	(5,067)	325,719	-
Proceeds from capital lease	-	-	35,561	35,561	-	-
Total Other Financing Sources (Uses)	(33,120)	(330,786)	30,494	30,494	361,280	-
Net Change in Fund Balance	-	-	352,260	317,530	352,260	34,730
Fund balance, beginning of year	974,687	974,687	974,687	974,687	-	-
Fund balance, end of year	\$ 974,687	\$ 974,687	\$ 1,326,947	\$ 1,292,217	\$ 352,260	\$ 34,730

Explanation of differences:

(1) The Town budgets for capital leases only to the extent that principal and interest is expected to be paid, rather than on the modified accrual basis. (See Note 1 for description of the Town's budgetary method.) (34,730)

Net decrease in fund balance - budget to GAAP (34,730)

OTHER SUPPLEMENTARY INFORMATION

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

For the year ended December 31,

2020

	Enterprise Funds		Total Proprietary Funds
	Sewer Fund	Water Fund	
Administrative and General Expenses			
Salaries	\$ 7,042	\$ 3,837	\$ 10,879
Office expense	12,342	9,527	21,869
Insurance	13,318	7,556	20,874
Workmen's compensation	3,351	2,130	5,481
Payroll taxes	8,501	5,047	13,548
Retirement	6,723	-	6,723
Education and training	1,865	615	2,480
Bank and NSF charges	1,054	-	1,054
Other	19,007	37,123	56,130
Total Administrative and General Expenses	\$ 73,203	\$ 65,835	\$ 139,038
Sewer System Expenses			
Utilities	107,162	-	107,162
Salaries	62,008	-	62,008
Repairs and maintenance	38,137	-	38,137
Lab testing	6,302	-	6,302
Other	15,021	-	15,021
Total Sewer System Expenses	\$ 228,630	\$ -	\$ 228,630
Water System Expenses			
Utilities	-	10,117	10,117
Salaries	-	38,170	38,170
Repairs and maintenance	-	13,587	13,587
Other	3,842	11,267	15,109
Total Water System Expenses	\$ 3,842	\$ 73,141	\$ 76,983

Town of Pearl River, Louisiana
Schedule of Compensation Paid to the Members of the Board of Aldermen

For the year ended December 31,

2020

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,

2020

Agency Head Name: David McQueen, Mayor

Purpose		Amount
Salary	\$	53,000
Benefits - insurance		-
Benefits - retirement		5,300
Benefits - other		-
Car allowance		1,542
Vehicle provided by government		-
Per diem		-
Reimbursements		-
Travel		-
Registration fees		-
Conference travel		-
Continuing professional education fees		-
Housing		-
Unvouchered expenses		-
Special meals		-
Total	\$	59,842

REPORTS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*



Carr, Riggs & Ingram, LLC
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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, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated November 30, 2021.

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 **2020-001**, **2020-002**, and **2020-003** 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.

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

Metairie, Louisiana

November 30, 2021

Town of Pearl River, Louisiana
Schedule of Findings
For the Year Ended December 31, 2020

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

B. FINDINGS RELATED TO THE FINANCIAL STATEMENTS

2020-001 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, 2020, material adjusting audit entries were necessary to properly accrue and correct account balances at year end and to reclassify activity to the proper accounts.
<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 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.
<i>Response:</i>	See Management's Corrective Action Plan for their response.

Town of Pearl River, Louisiana
Schedule of Findings
For the Year Ended December 31, 2020

B. FINDINGS RELATED TO THE FINANCIAL STATEMENTS (Continued)

2020-002 Material Weakness - Lack of Internal Controls Over Revenue (originated in 2017)

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

Condition: The Town does not have adequate policies, procedures, and related internal controls in regard to the recording of license and permit revenue, franchise tax revenue, other tax revenues 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.

Cause: 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.

Effect: 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.

Recommendation: The Town should implement written policies for license and permit revenue, franchise tax revenue, and other tax revenues. 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.

Response: See Management's Corrective Action Plan for their response.

2020-003 Material Weakness – Lack of Segregation of Duties (originated in 2018)

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

Condition: For the year ended December 31, 2020, the Town employees were not reviewing and approving the work of the contracted external accountant.

Town of Pearl River, Louisiana
Schedule of Findings
For the Year Ended December 31, 2020

B. FINDINGS RELATED TO THE FINANCIAL STATEMENTS (Continued)

Cause: The City has a contracted external accountant that performs substantial bookkeeping and accounting entries. No one at the Town was reviewing this work.

Effect: 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 2020 audit.

Recommendation: The Town should ensure proper segregation of duties and be able to review and verify the work of the contracted external accountant.

Response: See Management's Corrective Action Plan for their response.

C. FINDINGS RELATED TO COMPLIANCE AND OTHER MATTERS

There were no findings related to compliance and other matters for the year ended December 31, 2020.

Town of Pearl River, Louisiana
Summary Schedule of Prior Audit Findings
For the Year Ended December 31, 2020

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

Condition: 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.

Status: *Not Resolved – See current year finding 2020-001*

2019-002 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: *Partially Resolved; Management successfully implemented internal controls and procedures over ticket revenue, while other revenue streams remain affected by the above condition – See current year finding 2020-002*

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

Condition: For the year ended December 31, 2019, the Town employees were not reviewing and approving the work of the contracted external accountant.

Status: *Not Resolved – See current year finding 2020-003*



TOWN OF PEARL RIVER

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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

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.

2020-001 - 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, 2021.

Estimated Date of Completion: April 30, 2022

Person Responsible: Joe Lee, Mayor

2020-002 - 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, 2022

Person Responsible: Joe Lee, Mayor

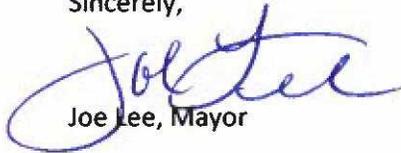
2020-003 - Lack of Segregation of Duties

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, 2022

Person Responsible: Joe Lee, Mayor

Sincerely,

A handwritten signature in blue ink, appearing to read "Joe Lee". The signature is stylized and cursive, with the first name "Joe" and last name "Lee" clearly visible. It is positioned above the printed name "Joe Lee, Mayor".

Joe Lee, Mayor