
TOWN OF PEARL RIVER, LOUISIANA

FINANCIAL STATEMENTS

DECEMBER 31, 2025

RICHARD  CPAS

TOWN OF PEARL RIVER, LOUISIANA

FINANCIAL STATEMENTS

DECEMBER 31, 2025

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Pearl River, Louisiana (the Town), as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town as of December 31, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 4-13, budgetary comparison information on pages 51-53, Schedule of Proportionate share of the Net Pension Liability on page 54, Schedule of Employer Contributions to each Retirement System on page 55, and Notes to Required Supplementary information on page 56, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The Schedule of Operating Expenses – Proprietary Funds, Schedule of Compensation, Benefits, and other payments to the Members of the Board of Aldermen, the Schedule of Compensation, Benefits, and Other Payments to the Agency Head, and the Justice System Funding Schedule – Collecting/Disbursing Entity are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Operating Expenses – Proprietary Funds, Schedule of Compensation Paid to Members of the Board of Aldermen, the Schedule of Compensation, Benefits, and Other Payments to the Agency Head, and the Justice System Funding Schedule – Collecting/Disbursing Entity are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2026, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Richard CPAS

Metairie, Louisiana
June 26, 2026

TOWN OF PEARL RIVER, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2025

As financial management of the Town's government, we offer this narrative overview and analysis of the financial activities of the Town for the year ended December 31, 2025. We encourage readers to consider the information presented here with the basic financial statements and accompanying notes to the financial statements which follow this narrative.

FINANCIAL HIGHLIGHTS

- As of December 31, 2025, assets and deferred outflows of Town's government exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$14,564,205 (net position).
- As of December 31, 2025, the Town's governmental funds reported combined ending fund balance of \$5,920,389, a decrease of \$59,943 from the December 31, 2024 balance of \$5,980,332.
- As of December 31, 2025, the fund balance for the General fund is \$2,726,991, which includes nonspendable fund balance of \$13,109 and unassigned fund balance of \$2,713,882. This represents a \$89,567 decrease from the December 31, 2024 balance of \$2,816,558.
- As of December 31, 2025, current liabilities in the statement of net position increased by \$76,653 due to the related claim payable of the Police Fund. See Note 10.
- As of December 31, 2025, deferred outflows of resources, deferred inflows of resources, and long-term liabilities in the statement of net position increased by \$631,972, \$195,708, and \$1,001,756, respectively, due to the Town's employees increased participation in the Municipal Police Employee Retirement System (MPERS) during the fiscal year.
- As of December 31, 2025, the Town recorded a \$300,000 accrual due within one year as a non-current liability related to MPERS claim payable. See Note 10.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements are comprised of three components: 1) government-wide financial statements, (2) fund financial statements, and (3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves. Government-Wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business. The statement of net position presents information on all of the Town's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between them reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business. The statement of net position presents information on all of the Town's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between them reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

TOWN OF PEARL RIVER, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2025

Government-Wide Financial Statements (continued)

The statement of activities presents information showing how the Town's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town include general government, public safety (police), recreation, and public works. The Town has two business-type activities, the Sewer and Water fund. The government-wide financial statements (Statement A and Statement B) can be found on pages 14-15 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into three categories: governmental funds and proprietary funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Town's near-term financing decisions.

Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. The Town maintains individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Police Fund, and, Street Fund, which are considered to be major funds. The Town adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget. The basic governmental fund financial statements can be found on pages 16 and 18 of this report.

TOWN OF PEARL RIVER, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2025

Fund Financial Statements (continued)

Enterprise (Proprietary) funds are used to report the same functions presented as *business-type* activities in the government-wide financial statements. The Town maintains two types of proprietary fund. The Town uses the enterprise fund to account for its operations and maintenance of the sewer and water facilities. Enterprise funds provide the same type of information as the government-wide financial statements, only in more detail. The basic proprietary fund financial statements can be found on pages 20-22 of this report.

Notes to Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to basic financial statements can be found on pages 23-50 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning budgetary comparisons for the general fund, police fund, street fund, Schedule of Proportionate Share of the Net Pension Liability, Schedule of Employer Contributions to Each Retirement System, and Notes to Required Supplementary information. Required supplementary information can be found at pages 51-56. Additional supplementary information can be on pages 57-61.

TOWN OF PEARL RIVER, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2025

Government-Wide Financial Analysis

The following tables reflects the condensed Statement of Net Position as of December 31, 2025 and 2024:

Town of Pearl River's Condensed Statement of Net Position						
December 31						
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>
Assets:						
Current and other assets	\$ 6,229,503	\$ 6,234,191	\$ 1,661,294	\$ 1,402,840	\$ 7,890,797	\$ 7,637,031
Restricted assets	-	-	76,840	76,840	76,840	76,840
Capital assets, net	2,523,735	1,970,827	8,019,995	8,343,157	10,543,730	10,313,984
Internal balances	(38,319)	(37,248)	38,319	37,248	-	-
Total assets	<u>8,714,919</u>	<u>8,167,770</u>	<u>9,796,448</u>	<u>9,860,085</u>	<u>18,511,367</u>	<u>18,027,855</u>
Deferred outflows of resources:						
Deferred amounts - net pension liability	<u>1,398,829</u>	<u>766,857</u>	<u>-</u>	<u>-</u>	<u>1,398,829</u>	<u>766,857</u>
Total deferred outflows	<u>1,398,829</u>	<u>766,857</u>	<u>-</u>	<u>-</u>	<u>1,398,829</u>	<u>766,857</u>
Liabilities:						
Current liabilities	270,795	216,611	77,976	55,507	348,771	272,118
Long-term liabilities	<u>2,194,014</u>	<u>977,068</u>	<u>2,584,877</u>	<u>2,800,067</u>	<u>4,778,891</u>	<u>3,777,135</u>
Total liabilities	<u>2,464,809</u>	<u>1,193,679</u>	<u>2,662,853</u>	<u>2,855,574</u>	<u>5,127,662</u>	<u>4,049,253</u>
Deferred inflows of resources:						
Deferred amounts - net pension liability	<u>218,329</u>	<u>22,621</u>	<u>-</u>	<u>-</u>	<u>218,329</u>	<u>22,621</u>
Total deferred inflows	<u>218,329</u>	<u>22,621</u>	<u>-</u>	<u>-</u>	<u>218,329</u>	<u>22,621</u>
Net Position:						
Net investment in capital assets	1,904,797	1,826,177	5,436,551	5,544,713	7,341,348	7,370,890
Restricted	3,091,266	3,061,305	76,840	76,840	3,168,106	3,138,145
Unrestricted	<u>2,434,547</u>	<u>2,830,845</u>	<u>1,620,204</u>	<u>1,382,958</u>	<u>4,054,751</u>	<u>4,213,803</u>
Net position	<u>\$ 7,430,610</u>	<u>\$ 7,718,327</u>	<u>\$ 7,133,595</u>	<u>\$ 7,004,511</u>	<u>\$ 14,564,205</u>	<u>\$ 14,722,838</u>

TOWN OF PEARL RIVER, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2025

Government-Wide Financial Analysis (continued)

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$14,564,205.

As of December 31, 2025, the net investment in capital assets amounts to \$7,341,348 (e.g. land, buildings, streets, machinery, vehicles, sewer system, and equipment); less any related debt used to acquire those assets that is still outstanding and adding back any unspent bond proceeds. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

As of December 31, 2025, Town's restricted net position amounts to \$3,168,106. The restricted net position is used for mainly future capital projects and maintenance and operations in the governmental funds and payment of debt in the proprietary fund.

As of December 31, 2025 the unrestricted net position amounts to \$4,054,751, a decrease of 159,052 in net position from prior year unrestricted net position of \$4,213,803.

Governmental activities decrease the Town's net position by \$287,717 during the year ended December 31, 2025. Key Elements of the change in net position are as follows:

- The capital assets, net, increased by \$552,908, primarily as a result of the completion and construction of street and drainage improvements.
- The deferred outflows and deferred inflows related to net pension liability increased by \$631,972 and \$195,708, respectively, primarily because of increase participation of the Town's employees for MPERS.
- Long-term liabilities increased by \$1,216,946, primarily as a result of increase participation of the Town's employees for MPERS and the accrual of claim payable to MPERS. See Note 10.

Business-type activities increase the Town's net position by \$129,084 during the year ended December 31, 2025. Key Elements of the change in net position are as follows:

- Current and other assets increased by \$258,454, primarily as a result of more water fees, sewer fees, and grants provided.
- Capital assets, net, decreased by \$323,162, primarily because of disposal of old equipment.
- Long-term liabilities decreased by \$215,190, primarily as a result of payment of old outstanding debt and no issuance of new debt for the fiscal year.

TOWN OF PEARL RIVER, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2025

Government-Wide Financial Analysis (continued)

Town of Pearl River Changes in Net Position						
December 31						
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>
Revenues:						
Program revenue:						
Charges for services	\$ -	\$ -	\$ 891,893	\$ 741,918	\$ 891,893	\$ 741,918
Operating grants and contributions	323,042	327,018	-	-	323,042	327,018
Capital grants and contributions	6,300	7,875	166,818	32,228	173,118	40,103
General revenue:						
Taxes:						
Sales taxes	2,524,612	2,324,496	305,935	280,307	2,830,547	2,604,803
Ad valorem taxes	278,180	282,906	-	-	278,180	282,906
Franchise taxes	277,070	240,480	-	-	277,070	240,480
Licenses and permits	211,734	184,668	-	-	211,734	184,668
Fines and forfeitures	895,572	1,013,965	-	-	895,572	1,013,965
Insurance licenses	148,054	134,059	-	-	148,054	134,059
Gain on disposal of fixed assets	25,030	-	-	-	25,030	-
Other miscellaneous revenue	81,658	93,368	-	-	81,658	93,368
Service fees	22,842	16,000	-	-	22,842	16,000
Investment earnings	18,291	17,995	4,229	3,773	22,520	21,768
Transfers	(210,000)	(175,000)	210,000	175,000	-	-
Total revenues	<u>4,602,385</u>	<u>4,467,830</u>	<u>1,578,875</u>	<u>1,233,226</u>	<u>6,181,260</u>	<u>5,701,056</u>
Expenses:						
General government	1,136,193	1,005,789	-	-	1,136,193	1,005,789
Public safety	2,726,158	2,149,722	-	-	2,726,158	2,149,722
Public works	907,347	932,003	-	-	907,347	932,003
Recreation	106,348	41,353	-	-	106,348	41,353
Utilities	-	-	1,422,706	1,150,477	1,422,706	1,150,477
Interest on debt	14,056	-	27,085	31,485	41,141	31,485
Total expenses	<u>4,890,102</u>	<u>4,128,867</u>	<u>1,449,791</u>	<u>1,181,962</u>	<u>6,339,893</u>	<u>5,310,829</u>
Increase in net position	<u>(287,717)</u>	<u>338,963</u>	<u>129,084</u>	<u>51,264</u>	<u>(158,633)</u>	<u>390,227</u>
Net position, January 1	<u>7,718,327</u>	<u>7,379,364</u>	<u>7,004,511</u>	<u>6,953,247</u>	<u>14,722,838</u>	<u>14,332,611</u>
Net position, December 31	<u>\$ 7,430,610</u>	<u>\$ 7,718,327</u>	<u>\$ 7,133,595</u>	<u>\$ 7,004,511</u>	<u>\$ 14,564,205</u>	<u>\$ 14,722,838</u>

TOWN OF PEARL RIVER, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2025

Government-Wide Financial Analysis (continued)

Governmental activities decreased the Town's net position by \$287,717 during the year ended December 31, 2025. Key elements of the change in net position are as follows:

- During the year ended December 31, 2025, sales tax revenues amounted to \$2,524,612 due to increased sales tax collected, an increase of \$200,116 in comparison with the prior year sales tax revenue in the amount of \$2,324,496.
- During the year ended December 31, 2025, fines and forfeitures amount to \$895,572 due to decreased tickets issued and fines on tickets, a decrease of \$118,393 in comparison with prior year fines and forfeitures in the amount of \$1,013,965.
- During the year ended December 31, 2025, general government amounted to \$1,136,193 due to increase in professional fees such as accounting, attorney fees, and new staff hired, a increase of \$130,404 in comparison with prior year amount of \$1,005,789.
- During the year ended December 31, 2025, public safety amounted to \$2,726,158 due to MPERS claim payable owed starting in 2023 and prior years, an increase of \$576,436 in comparison with prior year amount of \$2,149,722. See Note 10.

Business-type activities increased the Town's net position by \$129,084 during the year ended December 31, 2025. Key elements of the change in net position are as follows:

- During the year ended December 31, 2025, charge for services amount to \$891,893 due to increase activity related to sewer and water fees, an increase of \$149,975, in comparison with prior year amount of \$741,918.
- During the year ended December 31, 2025, capital grants and contributions amount to \$166,818 due to funding from the State of Louisiana for related sewer and water improvements, an increase of \$134,590 in comparison with prior year amount of \$32,228.
- During the year ended December 31, 2025, utilities amounted to \$1,422,706 primarily as a result of an increase in repairs and maintenance related to sewer and water infrastructure, an increase of \$272,229 in comparison with prior year amount of \$1,150,477.

Financial Analysis of the Government's Funds

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

TOWN OF PEARL RIVER, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2025

Governmental Funds

The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of December 31, 2025, the Town's governmental funds reported combined ending fund balances of \$5,920,389, a decrease of \$59,943 in comparison with the prior year in the amount of \$5,980,332. This total consists of general fund in the amount \$2,726,991, police fund in the amount of \$355,384, street fund, in the amount of \$2,793,580, and storm fund in the amount of \$44,434. These fund balances are intended, and in some cases restricted, committed, or assigned, for specific purposes.

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, the unassigned fund balance of the general fund was a surplus of \$2,713,882. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund budget. The unassigned fund balance represents 172.82% of the general fund's final budgeted expenditures of \$1,570,350. As of December 31, 2025, the general fund balance amounts to \$2,726,991 due to an overall increase of expenditures over revenues. There was a decrease of \$89,567 in comparison to prior year general fund balance amounts of \$2,816,558.

As of December 31, 2025, the ending police fund amounts to \$355,384, an increase of \$86,263 in comparison to prior year ending police fund in the amount of \$269,121. The increase in ending police fund for the fiscal year ended December 31, 2025, is due to the increase transfers in from the General Fund and proceeds from the sale of fixed assets. During the year ended December 31, 2025, public safety expenses amounts to \$2,037,954 due to an decrease of purchase of supplies and equipment, a decrease of \$71,728 from the prior year in the amount of \$2,109,682.

As of December 31, 2025, the ending street fund balance amounts to \$2,793,580, a decrease of \$56,639 in comparison to the prior year ending street fund balance in the amount of \$2,850,219, primarily as a result of more street repairs during the current year. During the fiscal year end December 31, 2025, total revenues in the amount of \$1,340,353 did not exceed total expenses and transfers out in the amount of \$1,402,137. During the year ended December 31, 2025, sales tax revenues in the amount of \$1,300,872 comprise of 97.05% of the total revenues.

As of December 31, 2025, the ending storm fund balance amounts to \$44,434. During the year ended December 31, 2025, the storm fund had no revenue or expenditures.

Proprietary Fund

The Town's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail. The unrestricted net position of the Town's proprietary fund amounted to a surplus of \$1,620,204, which is an increase of \$237,246 as compared to the prior year unrestricted net position of \$1,382,958, primarily as a result of more water fees, sewer fees, and grants provided.

TOWN OF PEARL RIVER, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2025

General Fund Budgetary Highlights

The Town approved the General fund budget during the year ended December 31, 2025. During the fiscal year end December 31, 2025, the total actual revenue amounts to \$1,854,979 and budgeted revenues amounts to \$1,740,350. The total actual revenues were more than the budgeted revenues in the amount of \$114,629, primarily because of an increase in taxes, license and permits, and fines and forfeitures.

During the fiscal year ended December 31, 2025, the total actual expenditure amounted to \$1,174,546 and budgeted expenditure amounted to \$1,570,350. The total actual expenditure was less than the budgeted expenditures in the amount of \$395,804, primarily because of more transfers-out to the other funds.

During the fiscal year ended December 31, 2025, the total actual transfers-out amounted to \$770,00 and budgeted transfers-out amounted to \$170,000.

Capital Asset and Debt Administration

Capital Assets

The Town's investment in capital assets for its governmental and business type activities as of December 31, 2025 amounts to \$10,543,730 (net of accumulated depreciation). This investment in capital assets includes land, infrastructure sewer treatment plant and system, transportation equipment, machinery and equipment, furniture and fixtures, and construction in progress.

**Town of Pearl River
Capital Assets (Net of Depreciation & Amortization)
As of December 31, 2025**

	Governmental Activities	Business- type Activities	Total
Land	\$ 587,764	\$ 68,609	\$ 656,373
Infrastructure	1,949,071	-	1,949,071
Sewer treatment plant and system	-	17,111,674	17,111,674
Transportation equipment	1,313,483	-	1,313,483
Machinery and Equipment	1,126,610	681,299	1,807,909
Furniture and fixtures	24,001	-	24,001
Construction in progress	36,471	12,127	48,598
	<u>5,037,400</u>	<u>17,873,709</u>	<u>22,911,109</u>
Less: Accumulated Depreciation and Amortization	<u>(2,513,665)</u>	<u>(9,853,714)</u>	<u>(12,367,379)</u>
	<u>\$ 2,523,735</u>	<u>\$ 8,019,995</u>	<u>\$ 10,543,730</u>

TOWN OF PEARL RIVER, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2025

Capital Asset and Debt Administration (continued)

Major capital asset events during the current fiscal year included the following:

- Transfer of construction in progress in the amount of \$20,681 and additions in the amount of \$424,650 into Infrastructure for street improvements
- Disposals at a cost of \$358,790 and accumulated depreciation in the amount of \$356,300, with net disposal of assets in the amount of \$2,490, primarily as a result of disposal of old machinery equipment, and furniture.
- Additions in the amount of \$242,072, primarily as result of new police vehicles paid through financing of note payable.
- Additions in the amount of \$97,221, primarily because of the improvement to the water system.
- During the year ended December 31, 2025, depreciation and amortization expense amounts to \$248,875, and \$507,055 for the governmental activities and business-type activities, respectively.
- During the year ended December 31, 2025, the Police Fund had proceeds for the sale of assets in the amount of \$22,375.
- During the year ended December 31, 2025, the Street Fund had proceeds for the sale of fixed assets in the amount of \$5,145.

Long-Term Debt

As of December 31, 2025, the Town had total bond debt outstanding the in the amount of \$2,583,444. The debt represents debt from LDHH Drinking Water State Revolving Loan and LDEQ Clean Water State Revolving Loan. The loans were for improvements to the sewer and water system. For the police vehicles, the total debt total represents \$318,938 which relates to debt outstanding for three police vehicles. Additional information on long-term obligations can be found in Note 6 of the report.

Economic Factors and Next Year's Budget and Rates (continued)

In September 29, 2025, the Town entered into an agreement with the State of Louisiana Office of Facility Planning and Control for total funding of \$620,000 with a 25% match from the Town of \$206,666 for a total project cost of \$826,666. The project is funding the related sewer collection and treatment system improvements and water drainage improvements. For the year ended, December 31, 2025, the Town recorded revenues in the amount of \$31,818 related to capital grant revenue for capital expenditures in the Sewer Fund.

On May 28, 2026, the Town approved for a 1/4 (.25%) sales tax renewal for the sewer maintenance. The renewal begins on July 1, 2026, with a duration for another 10 years.

When preparing the Town's budget for the 2026 fiscal year, budgeted revenues and expenditures for 2026 are comparable to final budgeted revenues for 2025.

Request for Information

This financial report is designed to provide a general overview of the finances of the Town of Pearl River, Louisiana, for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Mayor at 39460 Willis Alley, Pearl River, Louisiana 70452.

FINANCIAL SECTION

BASIC FINANCIAL STATEMENTS
GOVERNMENT-WIDE FINANCIAL STATEMENTS

TOWN OF PEARL RIVER, LOUISIANA
STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2025

	Governmental Activities	Business-Type Activities	Total
<u>ASSETS</u>			
Cash and cash equivalents	\$ 5,401,355	\$ 1,488,251	\$ 6,889,606
Restricted cash - debt service	-	76,840	76,840
Receivables			
Water and sewer, net	-	49,348	49,348
Ad valorem taxes, net	256,510	-	256,510
Sales taxes	433,377	51,800	485,177
Franchise taxes	67,454	-	67,454
Grants receivable	-	66,821	66,821
Internal balances	(38,319)	38,319	-
Prepaid items	70,807	5,074	75,881
Capital assets not being depreciated	140,848	80,736	221,584
Capital assets depreciated, net	2,382,887	7,939,259	10,322,146
Total assets	<u>\$ 8,714,919</u>	<u>\$ 9,796,448</u>	<u>\$ 18,511,367</u>
<u>DEFERRED OUTFLOW OF RESOURCES:</u>			
Deferred amounts related to net pension liability	\$ 1,398,829	\$ -	\$ 1,398,829
Total deferred outflows of resources	<u>\$ 1,398,829</u>	<u>\$ -</u>	<u>\$ 1,398,829</u>
<u>LIABILITIES</u>			
Accounts payable	\$ 72,431	\$ 64,096	\$ 136,527
Accrued payroll	98,364	4,399	102,763
Accrued interest	-	9,481	9,481
Compensated absences payable	130,680	1,433	132,113
Claims payable	100,000	-	100,000
Non-current liabilities			
Due within one year	119,701	220,000	339,701
Due in more than one year	499,237	2,363,444	2,862,681
Net pension liability	1,444,396	-	1,444,396
Total liabilities	<u>\$ 2,464,809</u>	<u>\$ 2,662,853</u>	<u>\$ 5,127,662</u>
<u>DEFERRED INFLOW OF RESOURCES:</u>			
Deferred amounts related to net pension liability	\$ 218,329	\$ -	\$ 218,329
Total deferred inflows of resources	<u>\$ 218,329</u>	<u>\$ -</u>	<u>\$ 218,329</u>
<u>NET POSITION</u>			
Net investment in capital assets	\$ 1,904,797	\$ 5,436,551	\$ 7,341,348
Restricted for:			
Capital projects	2,780,261	-	2,780,261
Debt service	-	76,840	76,840
Maintenance and operations	311,005	-	311,005
Unrestricted net position	<u>2,434,547</u>	<u>1,620,204</u>	<u>4,054,751</u>
Total net position	<u>\$ 7,430,610</u>	<u>\$ 7,133,595</u>	<u>\$ 14,564,205</u>

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

TOWN OF PEARL RIVER, LOUISIANA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2025

FUNCTIONS/PROGRAMS	Program Revenues				Net Revenue (Expense) and Changes in Net Position		Total
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
PRIMARY GOVERNMENT							
Governmental activities:							
General government	\$ 1,136,193	\$ -	\$ -	\$ -	\$ (1,136,193)	\$ -	\$ (1,136,193)
Public safety	2,726,158	-	323,042	-	(2,403,116)	-	(2,403,116)
Public works	907,347	-	-	6,300	(901,047)	-	(901,047)
Recreation	106,348	-	-	-	(106,348)	-	(106,348)
Interest and fiscal charges	14,056	-	-	-	(14,056)	-	(14,056)
Total governmental activities	<u>4,890,102</u>	<u>-</u>	<u>323,042</u>	<u>6,300</u>	<u>(4,560,760)</u>	<u>-</u>	<u>(4,560,760)</u>
BUSINESS-TYPE ACTIVITIES							
Utilities	1,422,706	891,893	-	166,818	-	(363,995)	(363,995)
Interest on debt	<u>27,085</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(27,085)</u>	<u>(27,085)</u>
Total business-type activities	<u>1,449,791</u>	<u>891,893</u>	<u>-</u>	<u>166,818</u>	<u>-</u>	<u>(391,080)</u>	<u>(391,080)</u>
Total	<u>\$ 6,339,893</u>	<u>\$ 891,893</u>	<u>\$ 323,042</u>	<u>\$ 173,118</u>	<u>(4,560,760)</u>	<u>(391,080)</u>	<u>(4,951,840)</u>
Taxes							
Sales taxes					2,524,612	305,935	2,830,547
Ad valorem taxes					278,180	-	278,180
Franchise taxes					277,070	-	277,070
Licenses and permits					211,734	-	211,734
Fines and forfeitures					895,572	-	895,572
Insurance licenses					148,054	-	148,054
Gain on disposal of assets					25,030	-	25,030
Other miscellaneous revenue					81,658	-	81,658
Service fees					22,842	-	22,842
Investment earnings					18,291	4,229	22,520
Transfers					(210,000)	210,000	-
Total general revenues and transfers					<u>4,273,043</u>	<u>520,164</u>	<u>4,793,207</u>
Change in net position					(287,717)	129,084	(158,633)
Net position, beginning of year					<u>7,718,327</u>	<u>7,004,511</u>	<u>14,722,838</u>
Net position, end of year					\$ 7,430,610	\$ 7,133,595	\$ 14,564,205

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

BASIC FINANCIAL STATEMENTS
FUND FINANCIAL STATEMENTS

TOWN OF PEARL RIVER, LOUISIANA
BALANCE SHEET - GOVERNMENTAL FUNDS
AS OF DECEMBER 31, 2025

	Special Revenue Funds				Total Governmental Funds
	General Fund	Police Fund	Street Fund	Storm Fund (Non-Major Fund)	
<u>ASSETS</u>					
Cash and cash equivalents	\$ 2,593,540	\$ 111,107	\$ 2,695,792	\$ 916	\$ 5,401,355
Receivables					
Ad valorem taxes, net	256,510	-	-	-	256,510
Sales taxes	-	211,560	221,817	-	433,377
Franchise taxes	67,454	-	-	-	67,454
Due from other funds	5,789	164,360	4,242	43,518	217,909
Prepaid expenses	13,109	44,379	13,319	-	70,807
<u>TOTAL ASSETS</u>	<u>\$ 2,936,402</u>	<u>\$ 531,406</u>	<u>\$ 2,935,170</u>	<u>\$ 44,434</u>	<u>\$ 6,447,412</u>
<u>LIABILITIES AND FUND BALANCES</u>					
<u>LIABILITIES</u>					
Accounts payable	\$ 49,868	\$ 13,157	\$ 9,406	\$ -	\$ 72,431
Accrued payroll	19,144	62,865	16,355	-	98,364
Claims payable	-	100,000	-	-	100,000
Due to other funds	140,399	-	115,829	-	256,228
<u>TOTAL LIABILITIES</u>	<u>209,411</u>	<u>176,022</u>	<u>141,590</u>	<u>-</u>	<u>527,023</u>
<u>FUND BALANCES</u>					
Nonspendable					
Prepaid items	13,109	44,379	13,319	-	70,807
Restricted					
Capital projects	-	-	2,780,261	-	2,780,261
Maintenance and operations	-	311,005	-	-	311,005
Unassigned	2,713,882	-	-	44,434	2,758,316
<u>TOTAL FUND BALANCES</u>	<u>2,726,991</u>	<u>355,384</u>	<u>2,793,580</u>	<u>44,434</u>	<u>5,920,389</u>
<u>TOTAL LIABILITIES AND FUND BALANCE</u>	<u>\$ 2,936,402</u>	<u>\$ 531,406</u>	<u>\$ 2,935,170</u>	<u>\$ 44,434</u>	<u>\$ 6,447,412</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF PEARL RIVER, LOUISIANA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2025

Total governmental fund balances \$ 5,920,389

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

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

Cost of capital assets	\$	5,037,400	
Less: Accumulated depreciation		(2,513,665)	2,523,735

Net pension liability balances in accordance with GASB 68:

Deferred outflow of resources - related to net pension liability	\$	1,398,829	
Net pension liability		(1,444,396)	
Deferred inflow of resources - related to net pension liability		(218,329)	(263,896)

Long-term liabilities applicable to the Town's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term are reported in the Statement of Net Position.

Compensated absences payable		(130,680)	
Claim payable		(300,000)	
Note payable - police vehicles		(318,938)	

Net position of governmental activities	\$	7,430,610	
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The accompanying notes are an integral part of this financial statement.

TOWN OF PEARL RIVER, LOUISIANA
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2025

	Special Revenue Funds				Total
	General Fund	Police Fund	Street Fund	Storm Fund (Non-Major Fund)	Governmental Funds
<u>REVENUES</u>					
Taxes					
Sales taxes	\$ -	\$ 1,223,740	\$ 1,300,872	\$ -	\$ 2,524,612
Ad valorem	278,180	-	-	-	278,180
Franchise taxes	277,070	-	-	-	277,070
Licenses and permits	211,734	-	-	-	211,734
Fines and forfeitures	876,246	19,326	-	-	895,572
Insurance licenses	148,054	-	-	-	148,054
Grants and reimbursements	-	323,042	6,300	-	329,342
Other revenues	54,331	25,476	1,851	-	81,658
Service fees	-	-	22,842	-	22,842
Interest income	9,364	439	8,488	-	18,291
Total revenues	<u>1,854,979</u>	<u>1,592,023</u>	<u>1,340,353</u>	<u>-</u>	<u>4,787,355</u>
<u>EXPENDITURES</u>					
General government	1,103,214	-	-	-	1,103,214
Public safety	-	2,037,954	-	-	2,037,954
Public works	-	-	859,692	-	859,692
Recreation	19,917	-	-	-	19,917
Debt service:					
Principal	-	67,784	-	-	67,784
Interest and fiscal charges	-	14,056	-	-	14,056
Capital outlay	51,415	250,413	502,445	-	804,273
Total expenditures	<u>1,174,546</u>	<u>2,370,207</u>	<u>1,362,137</u>	<u>-</u>	<u>4,906,890</u>
<u>Excess (Deficiency) of Revenue Over (Under) Expenditures</u>	<u>680,433</u>	<u>(778,184)</u>	<u>(21,784)</u>	<u>-</u>	<u>(119,535)</u>
<u>OTHER FINANCING SOURCES (USES)</u>					
Proceeds from finance lease	-	242,072	-	-	242,072
Proceeds from sale of fixed assets	-	22,375	5,145	-	27,520
Transfers from other funds	60,000	600,000	-	-	660,000
Transfers to other funds	(830,000)	-	(40,000)	-	(870,000)
Total other financing sources (uses)	<u>(770,000)</u>	<u>864,447</u>	<u>(34,855)</u>	<u>-</u>	<u>59,592</u>
<u>NET CHANGE IN FUND BALANCE</u>	<u>(89,567)</u>	<u>86,263</u>	<u>(56,639)</u>	<u>-</u>	<u>(59,943)</u>
<u>FUND BALANCES, BEGINNING OF YEAR</u>	<u>2,816,558</u>	<u>269,121</u>	<u>2,850,219</u>	<u>44,434</u>	<u>5,980,332</u>
<u>FUND BALANCES, END OF YEAR</u>	<u>\$ 2,726,991</u>	<u>\$ 355,384</u>	<u>\$ 2,793,580</u>	<u>\$ 44,434</u>	<u>\$ 5,920,389</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF PEARL RIVER, LOUISIANA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2025

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

Net change in fund balances - total governmental funds	\$	(59,943)
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Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of these assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeds gain on disposal of assets and depreciation expense.

Capital outlays	\$	804,273	
Gain on disposal of assets		(2,490)	
Current year depreciation expense		(248,875)	552,908

Changes in net pension liability and deferred inflows and outflows in accordance with GASB 68		(260,341)
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In the Statement of Activities, certain operating expenses-compensated absences are measured by the amounts earned during the year.

Claims and litigation costs are reported in governmental funds only to the extent they use current financial resources and are due and payable. In the Statement of Activities, claims and litigation costs are recognized as expenses when the liability is probable and reasonably estimable. The related claims payable is reported as a liability in the Statement of Net Position under the accrual basis of accounting.

Loan proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of note payable is an expenditures in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).

Compensated absence expense		(46,053)	
Claim payable		(300,000)	
Note payable - police vehicles		(242,072)	
Note payable - principal payments of police vehicles		67,784	(520,341)

Change in net position of governmental activities	\$	(287,717)
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The accompanying notes are an integral part of this financial statement.

BASIC FINANCIAL STATEMENTS
PROPRIETARY FUND

TOWN OF PEARL RIVER, LOUISIANA
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
AS OF DECEMBER 31, 2025

	Enterprise Funds		Total Proprietary Funds
	Sewer Fund	Water Fund	
<u>ASSETS</u>			
Current assets			
Cash and cash equivalents	\$ 581,491	\$ 906,760	\$ 1,488,251
Restricted cash - debt service	76,840	-	76,840
Receivables:			
Sales taxes	51,800	-	51,800
Grant receivables	31,821	35,000	66,821
Water and sewer, net	19,332	30,016	49,348
Due from other funds	38,976	101,320	140,296
Prepaid items	2,368	2,706	5,074
Total current assets	802,628	1,075,802	1,878,430
Capital assets not being depreciated	80,736	-	80,736
Capital assets depreciated, net	6,874,141	1,065,118	7,939,259
Total noncurrent assets	6,954,877	1,065,118	8,019,995
Total assets	<u>\$ 7,757,505</u>	<u>\$ 2,140,920</u>	<u>\$ 9,898,425</u>
<u>LIABILITIES</u>			
Current liabilities			
Accounts payable	\$ 36,292	\$ 27,804	\$ 64,096
Accrued payroll	1,404	2,995	4,399
Accrued interest payable	6,234	3,247	9,481
Due to other funds	101,977	-	101,977
State revolving loans	147,000	73,000	220,000
Total current liabilities	292,907	107,046	399,953
Long-term liabilities			
Compensated absences	435	998	1,433
State revolving loans	1,872,444	491,000	2,363,444
Total liabilities	<u>\$ 2,165,786</u>	<u>\$ 599,044</u>	<u>\$ 2,764,830</u>
<u>NET POSITION</u>			
Net investment in capital assets	\$ 4,935,433	\$ 501,118	\$ 5,436,551
Restricted for debt service	76,840	-	76,840
Unrestricted net position	579,446	1,040,758	1,620,204
Total net position	<u>\$ 5,591,719</u>	<u>\$ 1,541,876</u>	<u>\$ 7,133,595</u>
Total Liabilities and Net Position	<u>\$ 7,757,505</u>	<u>\$ 2,140,920</u>	<u>\$ 9,898,425</u>

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

TOWN OF PEARL RIVER, LOUISIANA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2025

	Enterprise Funds		Total Proprietary Funds
	Sewer Fund	Water Fund	
<u>OPERATING REVENUES</u>			
Service fees	\$ 366,157	\$ 451,634	\$ 817,791
Installation fees	31,399	8,400	39,799
Meter fees	-	15,115	15,115
Other revenues	6,720	12,468	19,188
Total revenues	<u>404,276</u>	<u>487,617</u>	<u>891,893</u>
<u>OPERATING EXPENSES</u>			
Depreciation	381,865	125,190	507,055
Sewer system	552,759	-	552,759
Water system	-	291,929	291,929
Administrative and general	42,170	28,793	70,963
Total operating expenses	<u>976,794</u>	<u>445,912</u>	<u>1,422,706</u>
Operating income (loss)	<u>(572,518)</u>	<u>41,705</u>	<u>(530,813)</u>
<u>NONOPERATING REVENUES (EXPENSES)</u>			
Sales tax revenue	305,935	-	305,935
Grant revenue	131,818	35,000	166,818
Interest income	2,855	1,374	4,229
Interest expense	(9,414)	(17,671)	(27,085)
Total nonoperating revenues (expenses)	<u>431,194</u>	<u>18,703</u>	<u>449,897</u>
Net gain (loss) before transfers	(141,324)	60,408	(80,916)
Transfers in	230,000	-	230,000
Transfers out	-	(20,000)	(20,000)
Total transfers in (out)	<u>230,000</u>	<u>(20,000)</u>	<u>210,000</u>
<u>INCREASE (DECREASE) IN NET POSITION</u>	88,676	40,408	129,084
<u>NET POSITION, BEGINNING OF YEAR</u>	<u>5,503,043</u>	<u>1,501,468</u>	<u>7,004,511</u>
<u>NET POSITION, END OF YEAR</u>	<u>\$ 5,591,719</u>	<u>\$ 1,541,876</u>	<u>\$ 7,133,595</u>

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

TOWN OF PEARL RIVER, LOUISIANA
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2025

	Enterprise Funds		Total Proprietary Funds
	Sewer Fund	Water Fund	
<u>OPERATING ACTIVITIES</u>			
Receipts from customers and users	\$ 405,202	\$ 496,898	\$ 902,100
Payments to suppliers	(546,371)	(275,225)	(821,596)
Payments to employees and for benefits	(43,503)	(29,588)	(73,091)
Net cash provided by (used in) operating activities	(184,672)	192,085	7,413
<u>NONCAPITAL FINANCING ACTIVITIES</u>			
Cash received from sales tax	304,541	-	304,541
Interfund transfers and borrowing	(50,457)	259,383	208,926
Net cash provided by noncapital financing activities	254,084	259,383	513,467
<u>CAPITAL AND RELATED FINANCING ACTIVITIES</u>			
Principal paid on state revolving loans	(145,000)	(70,000)	(215,000)
Purchase of capital assets and construction in progress	(96,431)	(87,461)	(183,892)
Proceeds from state funding	99,997	-	99,997
Interest paid	(9,414)	(17,671)	(27,085)
Net cash used in capital and related financing activities	(150,848)	(175,132)	(325,980)
<u>INVESTING ACTIVITIES</u>			
Interest received	2,855	1,374	4,229
Net cash provided by investing activities	2,855	1,374	4,229
<u>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>	(78,581)	277,710	199,129
<u>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</u>	736,912	629,050	1,365,962
<u>CASH AND CASH EQUIVALENTS, END OF YEAR</u>	<u>\$ 658,331</u>	<u>\$ 906,760</u>	<u>\$ 1,565,091</u>
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</u>			
Operating income (loss)	\$ (572,518)	\$ 41,705	\$ (530,813)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities (used in):			
Depreciation	381,864	125,190	507,054
Changes in assets and liabilities			
Receivables	927	9,281	10,208
Prepaid items	(340)	(975)	(1,315)
Accounts payable	6,728	17,679	24,407
Accrued payroll	(1,228)	(710)	(1,938)
Compensated absences	(105)	(85)	(190)
Net cash provided by (used in) operating activities	<u>\$ (184,672)</u>	<u>\$ 192,085</u>	<u>\$ 7,413</u>

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

TOWN OF PEARL RIVER, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025

1. Summary of Significant Accounting Policies

History and Organization

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

Basis of Presentation

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

Reporting Entity

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

Government-Wide and Fund Financial Statements

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

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

TOWN OF PEARL RIVER, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025

1. Summary of Significant Accounting Policies (continued)

Government-Wide and Fund Financial Statements (continued)

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

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

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

TOWN OF PEARL RIVER, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025

1. Summary of Significant Accounting Policies (continued)

Governmental Funds

The Town reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the Town. This fund is used to account for all financial transactions and resources except those that are required to be accounted for in another fund. Revenues are derived primarily from licenses and permits, local taxes, charges for service, and interest income.

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

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

The Town reports the following non-major governmental fund:

Storm Fund - This Special Revenue Fund is used to account for storm expenses which have been submitted for reimbursement by FEMA. During the year ended December 31, 2025, there have been no related FEMA expense and revenues for reimbursements from FEMA.

Proprietary Funds

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

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

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

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

TOWN OF PEARL RIVER, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025

1. Summary of Significant Accounting Policies (continued)

Budgets and Budgetary Accounting

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

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

- (1) The Mayor, Board of Aldermen, Town Clerk, and other advisory personnel assemble the necessary financial information. The Mayor submits the information for review to the Board of Aldermen at least 45 days prior to January 1st of the upcoming year.
- (2) A public hearing is conducted to obtain taxpayer comments.
- (3) Prior to the beginning of the new fiscal year, the budget is legally enacted by ordinance by the Board of Aldermen.
- (4) Any revisions that alter the total revenues and/or expenditures budgeted for any department, office, agency, or fund must be approved by the Board of Aldermen by ordinance.

Deposits and Investments

Cash includes amounts in demand deposits. Under state law, the Town may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana. The Town may invest in United States bonds, treasury notes, or certificates. These are classified as investments if their original maturities exceed 90 days; however, if the original maturities are 90 days or less, they are classified as cash equivalents. In accordance with state law, all uninsured deposits of municipal funds in financial institutions must be secured with acceptable collateral valued at the lower of market or par. The Town was in compliance with the deposit and investment laws and regulations at December 31, 2025.

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

TOWN OF PEARL RIVER, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025

1. Summary of Significant Accounting Policies (continued)

Accounts Receivable

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

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

Capital Assets

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

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

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

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

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

TOWN OF PEARL RIVER, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025

1. Summary of Significant Accounting Policies (continued)

Compensated absences

The Town recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled (for example paid in cash to the employee or payment to an employee flex spending account) during or upon separation from employment. Based on the criteria listed, two types of leave qualify for liability recognition for compensated absences – vacation and sick leave. The liability for compensated absences is reported as incurred in the government-wide financial statements. A liability for compensated absences is recorded in the governmental funds only if the liability has matured because of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable.

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

Deferred Outflows and Inflows of Resources and Pensions

In addition to assets and liabilities, the statement of net position and governmental funds balance sheet will sometimes report separate sections for deferred outflows of resources and deferred inflows of resources. These separate financial statement elements, deferred outflows of resources and deferred inflows of resources, represent a consumption or acquisition of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) or inflow of resources (revenue) until that time.

The governmental activities have deferred outflows and inflows that relate to the net pension liability, which include the Town's contributions subsequent to the measurement date, which is recognized as a reduction of the net pension liability in the subsequent year. They also include changes in assumptions, differences between expected and actual experience, and changes in proportion and differences between Town's contributions and proportionate share of contributions, which are deferred and amortized over the average expected remaining service lives of active and inactive members in the plan.

They also include the net difference between projected and actual earnings on pension plan investments, which is deferred and amortized over a four-year period.

TOWN OF PEARL RIVER, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025

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 insurance costs, during the current period.

Fund Equity

Government-Wide and Proprietary Fund Statements

Net Position

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

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

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

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

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

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.

TOWN OF PEARL RIVER, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025

1. Summary of Significant Accounting Policies (continued)

Governmental Fund Statements (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.

1/4 % of levy dedicated for the purpose of all sewer maintenance and operations. This portion is deposited in the Sewer Funds where sewer operations are accounted. Beginning on July1, 2026, the levy dedicated for the purpose of all sewer maintenance and operations was renewed for another 10 years.

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, 2025, property taxes levied were 5.35 mills for general purposes.

TOWN OF PEARL RIVER, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025

1. Summary of Significant Accounting Policies (continued)

Interfund Transactions

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

Use of Estimates

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

Future Accounting Pronouncements

GASB Statement No. 103, "*Financial Reporting Model Improvements*," establishes new accounting and financial reporting requirements – or modifies existing requirements – related to the following: (a) Management's discussion and analysis (MD&A), (b) Unusual or infrequent items, (c) Presentation of the Proprietary fund statement of revenues, expenses, and changes in fund net position, (d) Information about major component units in basic financial statements, (e) Budgetary comparison information and (f) Financial trends information in the statistical section. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025. The Town has not yet determined the effect this Statement will have on the Town's financial statements and disclosures.

GASB Statement 104, "*Disclosure of Certain Capital Assets*," requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by GASB Statement 34, including leases and subscription-based information technology arrangements. This Statement also requires additional disclosures for capital assets held for sale. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025. The Town has not yet determined the effect this Statement will have on the Town's financial statements and disclosures.

GASB Statement No. 105, "*Subsequent Events*," establishes new accounting and financial reporting requirements for subsequent events and supersedes prior GASB Statement No. 56 guidance on subsequent events. It defines subsequent events as transactions or other events that occur after the date of the financial statements but before the date the financial statements are available to be issued; requires disclosure of the date through which subsequent events have been evaluated; clarifies recognized and nonrecognized subsequent events; and establishes specific note disclosure requirements for nonrecognized events. The requirements are effective for fiscal years beginning after June 15, 2026, and all reporting periods thereafter, with earlier application encouraged. The Town has not yet determined the effect this Statement will have on the Town's financial statements and disclosures.

TOWN OF PEARL RIVER, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025

2. Cash and Cash Equivalents

At December 31, 2025, cash and cash equivalents consisted of the following:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Demand deposits	\$ 5,979,959	\$ 5,985,099
Money Market	986,487	1,032,735
	<u>\$ 6,966,446</u>	<u>\$ 7,017,834</u>

Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be recovered. The Town does not have a deposit policy for custodial risk. As of December 31, 2025, the Town's bank balance was not exposed to custodial risk. \$250,000 of the Town's bank balance was secured by federal deposit insurance, while the remaining \$6,767,834 was secured by pledged securities owned by the fiscal agent bank. Under state law, deposits must be secured by federal deposit insurance, or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities, plus the federal deposit insurance, must at all times equal the amount on deposit with the fiscal agent. The custodial bank must advertise and sell the pledged securities within 10 days of being notified that the fiscal agent has failed to pay deposited funds upon demand.

3. Receivables

Net receivables of governmental funds at December 31, 2025, were as follows:

	<u>General Fund</u>	<u>Police Fund</u>	<u>Street Fund</u>	<u>Storm Fund</u>	<u>Total</u>
Ad valorem taxes	\$ 257,922	\$ -	\$ -	\$ -	\$ 257,922
Sales taxes	-	211,560	221,817	-	433,377
Franchise taxes	67,454	-	-	-	67,454
Gross receivables	325,376	211,560	221,817	-	758,753
Less: Allowances	(1,412)	-	-	-	(1,412)
Total	<u>\$ 323,964</u>	<u>\$ 211,560</u>	<u>\$ 221,817</u>	<u>\$ -</u>	<u>\$ 757,341</u>

Net receivables of proprietary funds at December 31, 2025, were as follows:

	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Total</u>
Sales taxes	\$ 51,800	\$ -	\$ 51,800
Grants receivables	31,821	35,000	66,821
Water and sewer	49,578	58,940	108,518
Gross receivables	133,199	93,940	227,139
Less: Allowances	(30,246)	(28,924)	(59,170)
Total	<u>\$ 102,953</u>	<u>\$ 65,016</u>	<u>\$ 167,969</u>

TOWN OF PEARL RIVER, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025

4. Capital Assets, net

The following is a summary of the changes in the capital assets for the governmental activities for the year ended December 31, 2025:

	Balance at December 31, 2024	Additions	Deletions	Transfers	Balance at December 31, 2025
Capital assets not depreciated					
Land	\$ 104,377	\$ -	\$ -	\$ -	\$ 104,377
Construction in progress	57,152	-	-	(20,681)	36,471
Total	161,529	-	-	(20,681)	140,848
Capital assets being depreciated					
Infrastructure	1,503,740	424,650	-	20,681	1,949,071
Buildings and Improvements	454,972	35,415	(7,000)	-	483,387
Machinery and Equipment	1,277,011	62,741	(213,142)	-	1,126,610
Furniture and Office Equipment	70,535	-	(46,534)	-	24,001
Vehicles	1,124,130	281,467	(92,114)	-	1,313,483
Total	4,430,388	804,273	(358,790)	20,681	4,896,552
Accumulated depreciation / amortization					
Infrastructure	(575,444)	(56,639)	-	-	(632,083)
Buildings and Improvements	(305,664)	(16,722)	7,000	-	(315,386)
Machinery and Equipment	(869,590)	(60,620)	213,142	-	(717,068)
Furniture and Office Equipment	(51,876)	(4,457)	46,534	-	(9,799)
Vehicles	(818,516)	(110,437)	89,624	-	(839,329)
Total	(2,621,090)	(248,875)	356,300	-	(2,513,665)
Capital assets being depreciated, net	1,809,298	555,398	(2,490)	20,681	2,382,887
Total	\$ 1,970,827	\$ 555,398	(2,490)	-	\$ 2,523,735

Depreciation and amortization were charged to governmental functions as follows:

General government	\$ 28,497
Public works	102,565
Public safety	31,382
Recreation	86,431
Total	<u>\$ 248,875</u>

TOWN OF PEARL RIVER, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025

4. Capital Assets, net (continued)

The following is a summary of the changes in the capital assets for the business type activities for the year ended December 31, 2025.

	Balance at December 31, 2024	Additions	Deletions	Transfers	Balance at December 31, 2025
Capital assets not depreciated:					
Land	\$ 68,609	\$ -	\$ -	\$ -	\$ 68,609
Construction in progress	9,759	2,368	-	-	12,127
Total	78,368	2,368	-	-	80,736
Capital assets being depreciated:					
Water system and equipment	7,643,329	97,221	-	-	7,740,550
Sewer system and equipment	9,371,124	-	-	-	9,371,124
Machinery and equipment	596,996	84,303	-	-	681,299
Total	17,611,449	181,524	-	-	17,792,973
Accumulated depreciation:					
Water system and equipment	(3,816,328)	(220,323)	-	-	(4,036,651)
Sewer system and equipment	(5,050,276)	(227,441)	-	-	(5,277,717)
Machinery and equipment	(480,056)	(59,290)	-	-	(539,346)
Total	(9,346,660)	(507,054)	-	-	(9,853,714)
Capital assets being depreciated, net	8,264,789	(325,530)	-	-	7,939,259
Total	\$ 8,343,157	\$ (323,162)	\$ -	\$ -	\$ 8,019,995

TOWN OF PEARL RIVER, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025

5. Deferred Compensation

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

Plan expenses (including the Town's contributions) were \$150,599 for the year ended December 31, 2025. 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.

6. Long Term Obligation

Governmental activities

Note payable

Note payable as of December 31, 2025, consists of the following:

\$202,694 of police vehicles (purchased in 2023) due in monthly installments of \$4,848, including interest through September 13, 2027, at 7.25%, collateralized by the police vehicles	\$95,345
\$242,072 of police vehicles (purchased in 2025) due in monthly installments of \$4,733, including interest through June 22, 2030, at 6.70%, collateralized by the police vehicles	\$223,593

The future minimum note payable payment obligations and the present net value of these minimum payments for the 2023 police vehicles as of December 31, 2025, were as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2026	\$ 58,176
2027	43,633
Total minimum lease payments	101,809
Less: Amount representing interest	(6,464)
Present value of minimum lease payments	<u>\$ 95,345</u>

TOWN OF PEARL RIVER, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025

6. Long Term Obligation (continued)

Governmental activities (continued)

Note payable (continued)

The future minimum note payable payment obligations and the present net value of these minimum payments for the 2025 police vehicles as of December 31, 2025, were as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2026	\$ 61,525
2027	56,792
2028	56,792
2029	56,792
2030	28,396
Total minimum lease payments	260,297
<u>Less: Amount representing interest</u>	<u>(36,704)</u>
Present value of minimum lease payments	<u>\$ 223,593</u>

Business-type activities

The following is a summary of long-term debt transactions of the Town for the year ended December 31, 2025:

	<u>Sewer fund</u>	<u>Water fund</u>
Balance at beginning of year	2,164,444	634,000
Loan drawdowns	-	-
Principal payments	(145,000)	(70,000)
Balance at end of year	<u>\$ 2,019,444</u>	<u>\$ 564,000</u>

On November 1, 2017, the Town entered into an agreement with the Louisiana Department of Environmental Quality (LDEQ) related to the issuance of, not to exceed, \$1,800,000 of Taxable Sales Tax Bonds, Series 2017, secured by the Town's one percent (1%) sales and use tax. 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 Clean Water State Revolving Loan is payable to the State with semi-annual principal payments, interest payable at 0.45% and an administrative fee of 0.50% maturing on March 1, 2038. The balance on these bonds is \$2,019,444 at December 31, 2025.

On March 1, 2012, the Town entered into an agreement with the Louisiana Department of Health and Hospitals (LDHH) related to the issuance of, not to exceed, \$2,000,000 of Sales Tax Bonds, Series 2012 secured by the Town's one-quarter percent (1/4%) sales and use tax for the Sewer Fund. The Drinking Water State Revolving Loan is payable to the State with semi-annual principal payments, interest payable at 2.95% and administrative fee of 0.50% maturing on March 1, 2032. The balance on these bonds is \$564,000 at December 31, 2025.

TOWN OF PEARL RIVER, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025

6. Long Term Obligation (continued)

Business-type activities (continued)

The future debt service requirements for the Louisiana Department of Environmental Quality (Sewer fund) are as follows:

<u>Year Ending December 31,</u>	<u>LDEQ Clean Water State Revolving Loan</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Admin Fee</u>
2026	\$ 147,000	\$ 8,757	\$ 9,730
2027	148,000	8,093	8,992
2028	149,000	7,425	8,250
2029	151,000	6,750	7,500
2030	152,000	6,068	6,742
2031- 2035	784,000	19,878	22,086
2036 - 2038	488,444	3,266	3,628
Total	<u>\$ 2,019,444</u>	<u>\$ 60,237</u>	<u>\$ 66,928</u>

The future debt service requirements for the Louisiana Department of Health and Hospitals (Water fund) are as follows:

<u>Year Ending December 31,</u>	<u>LDHH Drinking Water State Revolving Loan</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Admin Fee</u>
2026	\$ 73,000	\$ 15,561	\$ 2,638
2027	75,000	13,378	2,268
2028	78,000	11,122	1,885
2029	80,000	8,791	1,490
2030	83,000	6,387	1,083
2031- 2032	175,000	5,207	881
Total	<u>\$ 564,000</u>	<u>\$ 60,446</u>	<u>\$ 10,245</u>

TOWN OF PEARL RIVER, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025

6. Long Term Obligation (continued)

A summary of changes in long-term obligations are as follows for the year ended December 31, 2025:

<u>Governmental Activities</u>					
	<u>Compensated absences</u>	<u>Net Pension Liability</u>	<u>Note Payable - Police Vehicles</u>	<u>Claim Payable</u>	<u>Total</u>
January 1	\$ 86,250	\$ 747,791	\$ 114,650	\$ -	\$ 948,691
Additions	99,541	696,605	272,072	400,000	1,468,218
Reductions	(55,111)	-	(67,784)	-	(122,895)
December 31	<u>\$ 130,680</u>	<u>\$ 1,444,396</u>	<u>\$ 318,938</u>	<u>\$ 400,000</u>	<u>\$ 2,294,014</u>
Due within one year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 119,701</u>	<u>\$ 100,000</u>	

<u>Business Type Activities</u>				
	<u>LDHH Loan</u>	<u>LDEQ Loan</u>	<u>Compensated absences</u>	<u>Total</u>
January 1	\$ 634,000	\$ 2,164,444	\$ 1,623	\$ 2,800,067
Additions	-	-	9,258	9,258
Reductions	(70,000)	(145,000)	(9,448)	(224,448)
December 31	<u>\$ 564,000</u>	<u>\$ 2,019,444</u>	<u>\$ 1,433</u>	<u>\$ 2,584,877</u>
Due within one year	<u>\$ 73,000</u>	<u>\$ 147,000</u>	<u>\$ -</u>	<u>\$ -</u>

TOWN OF PEARL RIVER, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025

7. Pension Plan

The Town is a participating employer in one State-wide cost-sharing multiple employer defined benefit pension plans that include the Municipal Police Employees' Retirement System (MPERS). Article X, Section 29(F) of the Louisiana Constitution of 1974 assigns the authority to establish and amend benefit provisions of the Statewide plans to the State Legislature. Each system is administered by a separate board of trustees.

General Information about the Pension Plans

Plan Description – Municipal Police Employees' Retirement System (MPERS)

The Municipal Police Employees' Retirement System (MPERS) is the administrator of a cost-sharing multiple-employer plan. Membership in the System is mandatory for any full-time police officer employed by a municipality of 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. The System provides retirement benefits for municipal police officers. The projections of benefit payments in the calculation of the total pension liability includes all benefits to be provided to current active and inactive employees through the System in accordance with benefit terms and any additional legal agreements to provide benefits that are in force at the measurement date. Benefit provisions are authorized within Act 189 of 1973 and amended by LRS 11:2211- 11:2233.

Benefits Provided - Municipal Police Employees' Retirement System (MPERS)

Membership Prior to January 1, 2013: A member is eligible for regular retirement after he has been a member of the System and has 25 years of creditable service at any age or has 20 years of creditable service and is age 50 or has 12 years creditable service and is age 55. A member is eligible for early retirement after he has been a member of the System for 20 years of creditable service at any age with an actuarially reduced benefit.

Benefit rates are three and one-third percent of average final compensation (average monthly earnings during the highest 36 consecutive months or joined months if service was interrupted) per number of years of creditable service not to exceed 100% of final salary.

Upon the death of an active contributing member, or disability retiree, the plan provides for surviving spouses and minor children.

Under certain conditions outlined in the statutes, the benefits range from forty to sixty percent of the member's average final compensation for the surviving spouse. In addition, each child under age eighteen receives benefits equal to ten percent of the member's average final compensation or \$200 per month, whichever is greater.

TOWN OF PEARL RIVER, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025

7. Pension Plan (continued)

General Information about the Pension Plans (continued)

Benefits Provided — MPERS (continued)

Under certain conditions outlined in the statutes, the benefits range from forty to sixty percent of the member's average final compensation for the surviving spouse. In addition, each child under age eighteen receives benefits equal to ten percent of the member's average final compensation or \$200 per month, whichever is greater.

Membership Commencing January 1, 2013: Member eligibility for regular retirement, early retirement, disability, and survivor benefits are based on Hazardous Duty and Non-Hazardous Duty sub plans. Under the Hazardous Duty sub plan, a member is eligible for regular retirement after he has been a member of the System and has 25 years of creditable service at any age or has 12 years of creditable service at age 55. Under the Non-Hazardous Duty sub plan, a member is eligible for regular retirement after he has been a member of the System and has 30 years of creditable service at any age, 25 years of creditable service at age 55, or 10 years of creditable service at age 60. Under both sub plans, a member is eligible for early retirement after he has been a member of the System for 20 years of creditable service at any age, with an actuarially reduced benefit from age 55.

Under the Hazardous and Non-Hazardous Duty sub plans, the benefit rates are three percent and two and a half percent, respectively, of average final compensation (average monthly earnings during the highest 60 consecutive months or joined months if service was interrupted) per number of years of creditable service not to exceed 100% of final salary. Upon death of an active contributing member, or disability retiree, the plan provides for surviving spouses and minor children.

Under certain conditions outlined in the statutes, the benefits range from twenty-five to fifty-five percent of the member's average final compensation for the surviving spouse. In addition, each child under age eighteen receives ten percent of average final compensation or \$200 per month whichever is greater. If deceased member had less than ten years of service, beneficiary will receive a refund of employee contributions only.

Deferred Retirement Option Plan benefits (DROP) - MPERS

Deferred Retirement Option Plan: A member is eligible to elect to enter the deferred retirement option plan (DROP) when he is eligible for regular retirement based on the members' sub plan participation. Upon filing the application for the program, the employee's active membership in the System is terminated. At the entry date into the DROP, the employee and employer contributions cease. The amount to be deposited into the DROP account is equal to the benefit computed under the retirement plan elected by the participant at date of application. The duration of participation in the DROP is thirty-six months or less. If employment is terminated after the three-year period, the participant may receive his benefits by lump sum payment or a true annuity. If employment is not terminated, active contributing membership into the System shall resume and upon later termination, he shall receive additional retirement benefit based on the additional service.

TOWN OF PEARL RIVER, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025

7. Pension Plan (continued)

General Information about the Pension Plans (continued)

Deferred Retirement Option Plan benefits (DROP) – MPERS (continued)

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 rate of return of the System's investment portfolio as certified by the actuary on an annual basis but will never lose money. 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. This could result in a negative earnings rate being applied to the account. If the member elects a money market investment return, the funds are transferred to a government money market account.

After completing 20 years of creditable service and age 50 or 25 years at any age, a member may elect to participate in the deferred retirement option plan for up to 36 months. Upon commencement of participation in the deferred retirement option plan, employer, and employee contributions to the System cease. The monthly retirement benefit that would have been payable is paid into the deferred retirement option plan account. Upon termination of employment, a participant in the program shall receive, at his option, a lump-sum payment from the account of an annuity based on the deferred retirement option plan account balance in addition to his regular monthly benefit. If employment is not terminated at the end of the 36 months, the participant resumes regular contributions to the System. No payments may be made from the deferred retirement option plan account until the participant retires.

Initial Benefit Option Plan - MPERS

In 1999, the State Legislature authorized the System to establish an Initial Benefit Option program. Initial Benefit Option is available to members who are eligible for regular retirement and have not participated in DROP. The Initial Benefit Option program provides both 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 same criteria as DROP.

Contributions - MPERS

Contributions for all members are actuarially determined as required by state statutes but cannot be less than 9.0% of the employee's earnable compensation excluding overtime but including state supplemental pay. For the fiscal years ending June 30, 2025 and 2024, the actuarially determined contribution rates were 35.60% and 33.93% of member's compensation.

For the fiscal years ended June 30, 2025 and 2024, the Town's total actual employer and employee contribution rate was 34.63% and 33.93%, respectively. For employees hired prior to January 1, 2013 and for Hazardous Duty members hired after January 1, 2013, the rates were 35.60% and 33.93%, respectively, for the employer, and 10.00% for the employee. For all Non-Hazardous Duty members hired subsequent to January 1, 2013, the rates were 35.60% and 33.93%, respectively, for the employer and 8.0% for the employee.

TOWN OF PEARL RIVER, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025

7. Pension Plan (continued)

Contributions - MPERS (continued)

The employer and employee contribution rates for all members whose earnable compensation is less than or equal to the poverty guidelines issued by the United States Department of Health and Human Services were 38.10% and 36.43%, respectively, for employers and 7.50% for the employee.

In accordance with state statutes, the system also receives insurance premium taxes as additional employer contributions. The tax is considered support from a non-contributing entity and appropriated by the legislature each year based on an actuarial study. The additional sources are used as employer contributions and are considered support from non-employer contributing entities but are not considered special funding situations. Non-employer contributions are recognized as revenue by the system and are excluded from pension expense for the year. Contributions to the pension plan from the Town were \$279,124 and 98,708 for the year ended December 31, 2025 and 2024, respectively.

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

As of December 31, 2025, the Town reported liability of \$1,444,396 for its proportionate share of the Net Pension liabilities (NPL). The NPL for MPERS was measured as of June 30, 2025 and the total pension liability used to calculate the NPL was determined based on an actuarial valuation as of those dates. The Town's proportion of the NPL was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contribution of all participating employers, actuarially determined.

The following table reflects the Town's proportionate share of the Net Pension Liability for each of the pension plans, the proportion at June 30, 2025 and the change compared to the June 30, 2024 proportion.

	Net Pension Liability at June 30, 2025	Proportionate Rate at June 30, 2025	Increase (Decrease) on June 30, 2024 Rate
Municipal Police Employees' Retirement System	\$ 1,444,396	0.209148%	0.126610%

The following table reflects the Town's recognized pension expense plus the Town's amortization of change in proportionate share and difference between employer contributions and proportionate share of contributions for each of the pension plans for the year ended December 31, 2025.

	Pension Expense
Municipal Police Employees' Retirement System	\$ 584,915

TOWN OF PEARL RIVER, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025

7. Pension Plan (continued)

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

At December 31, 2025, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from MPERS:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 70,034	\$ 38,214
Changes of assumptions	-	66,339
Net difference between projected and actual earnings on pension plan investments	-	113,776
Changes in proportion and differences between Employer contributions and proportionate share of contributions:		
Change in proportion	1,166,969	-
Difference in contributions	42,250	-
Employer contributions subsequent to the measurement date	<u>119,576</u>	<u>-</u>
Total	<u>\$ 1,398,829</u>	<u>\$ 218,329</u>

Deferred outflows of resources related to pensions resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of net pension liability in the year ended December 31, 2026. The following table lists the pension contributions made subsequent to the measurement period for each pension plan.

	<u>Subsequent Contributions</u>
Municipal Police Employees' Retirement System	\$ 119,576

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year</u>	<u>MPERS</u>
2026	\$ 580,706
2027	330,962
2028	186,360
2029	<u>(37,104)</u>
	<u>\$ 1,060,924</u>

TOWN OF PEARL RIVER, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025

7. Pension Plan (continued)

Actuarial Assumptions

	<u>MPERS</u>	
Valuation Date	June 30, 2025	
Actuarial Cost Method	Entry Age Normal Cost	
Actuarial Assumptions:		
Expected Remaining		
Service Lives	4 years	
Investment Rate of Return	6.75% net of investment expenses	
 Inflation Rate	 2.50% per annum	
Mortality	For active members, the Pub-2016 Public Retirement Plans Mortality Table for Safety Below-Median Employees was used multiplied by 125% for males and 125% for females, each with full generational projection using the MP2021 scale.	
	For annuitants and beneficiaries, the Pub-2016 Public Retirement Plans Mortality Table for Safety Below-Median Healthy Retirees was used multiplied by 125% for males and 125% for females, each with full generational projection using the MP2021 scale.	
	For disabled retirees, the Pub-2016 Public Retirement Plans Mortality Table Total Dataset for Safety Disabled Retirees was used multiplied by 125% for males and 125% for females, each with full generational projection using the MP2021 scale.	
Salary Increases	Years of	
	<u>Service</u>	<u>Salary Growth Rate</u>
	1 - 2	13.00%
	Above 2	4.75%
Cost of Living Adjustments	The present value of future retirement benefits is based on benefits currently being paid by the System and includes previously granted cost-of-living increases. The present values do not include provisions for potential future increases not yet authorized by the Board of Trustees.	

TOWN OF PEARL RIVER, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025

7. Pension Plan (continued)

Actuarial Assumptions (continued)

The following table lists the methods used by each of the pension plans in determining the long-term rate of return on pension plan investments.

MPERS

The forecasted long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by target asset allocation percentage and by adding expected inflation and an adjustment for the effect of rebalancing/diversification. The resulting forecasted long-term rate of return is 8.12% for the year ended June 30, 2025.

Best estimates of the arithmetic real rates of return for each major asset class included in the MPERS' target asset allocations as of June 30, 2025 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Portfolio Real Rate of Return
Equity	51.00%	3.20%
Fixed Income	35.00%	1.21%
Alternatives	14.00%	1.04%
Total	100.00%	5.45%
Inflation		2.67%
Expected Arithmetic Nominal Return		8.12%

Discount Rate

The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, each of the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate used to measure the total pension liability for MPERS was 6.75% for the fiscal year ended June 30, 2025.

TOWN OF PEARL RIVER, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025

7. Pension Plan (continued)

Sensitivity of the Proportionate Share of the NPL to changes in the Discount Rate

The following presents the Town's proportionate share of the Net Pension Liability using the discount rate, as well as what the Town's proportionate share of the Net Pension Liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate.

	<u>1.0% Decrease</u>	<u>Current Discount Rate</u>	<u>1.0% Increase</u>
Municipal Police Employees' Retirement System			
Rates	5.75%	6.75%	7.75%
Town's proportionate share of NPL	\$ 2,369,301	\$ 1,444,396	\$ 669,824

Support of Non-employer Contributing Entities

Contributions received by a pension plan from non-employer contributing entities that are not in a special funding situation are recorded as revenue by the respective pension plan. The Town recognizes revenue in an amount equal to their proportionate share of the total contributions to the pension plan from these non-employer contributing entities. During the year ended December 31, 2025, the Town recognized revenue as a result of support received from non-employer contributing entities for the following amounts for each pension plan:

	<u>Non-employer Contributing Entity</u>
Municipal Police Employees' Retirement System	\$ 62,031

Pension Plan Fiduciary Net Position

MPERS issue publicly available financial reports that include financial statements and required supplementary information for the systems. Detailed information about each system's fiduciary net position is available in these separately issued financial reports. These reports may be obtained by visiting the Louisiana Legislative Auditor's website at www.la.la.gov and searching under the Reports section.

TOWN OF PEARL RIVER, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025

7. Pension Plan (continued)

Payables to the Pension Plans

The Town recorded accrued liabilities to each of the Retirement Systems for the year ended December 31, 2025 mainly due to the accrual for payroll at the end of each of the fiscal years. The amounts due are included in liabilities under the amounts reported as accrued payroll on the statement of net position. The balance due for MPERS at December 31, 2025 is as follows:

	<u>Payables to Pension Plan</u>
Municipal Police Employees' Retirement System	\$ 21,695

8. Interfund balances

Due to / from other funds at December 31, 2025, are as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Governmental funds:		
General Fund	\$ 5,789	\$ 140,399
Police Fund	164,360	-
Street Fund	4,242	115,829
Storm Fund	43,518	-
	<u>217,909</u>	<u>256,228</u>
Proprietary funds:		
Sewer fund	38,976	101,977
Water fund	101,320	-
	<u>140,296</u>	<u>101,977</u>
Total	<u><u>\$ 358,205</u></u>	<u><u>\$ 358,205</u></u>

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

TOWN OF PEARL RIVER, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025

9. Interfund balances (continued)

Operating transfers between funds occur in the normal course of business and were as follows, during the year ended December 31, 2025:

	<u>Transfers in</u>	<u>Transfers out</u>
Governmental funds:		
General Fund	\$ 60,000	\$ (830,000)
Police Fund	600,000	-
Street Fund	-	(40,000)
	<u>660,000</u>	<u>(870,000)</u>
Proprietary funds:		
Sewer fund	230,000	-
Water Fund	-	(20,000)
	<u>230,000</u>	<u>(20,000)</u>
Total	<u>\$ 890,000</u>	<u>\$ (890,000)</u>

10. Commitments and Contingencies

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, 2025, 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.

Litigation

The Town is a defendant in several lawsuits. Damages are generally covered by insurance less the deductible for risks retained by the Town. The Town and its attorneys have reviewed these claims and lawsuits in order to evaluate the likelihood of an unfavorable outcome to the Town and to arrive at an estimate, if possible, of the amount or range of potential loss to the Town. As a result of such a review, loss contingencies which could be reasonably estimated, have been categorized as "probable", "reasonably possible", and "remote", as defined in Governmental Accounting Standards Board Codification Section C50- *Claims and Judgements*.

As of December 31, 2025, the Town has identified a probable loss related to the Municipal Police Retirement System (MPERS), relating to unpaid employer contributions not remitted beginning in fiscal year 2023 and prior years. As of December 31, 2025, the amount and timing of any required payment remain uncertain. The liability has not matured, and no definite payment date or required payment amount has been established.

TOWN OF PEARL RIVER, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025

10. Commitments and Contingencies (continued)

Litigation (continued)

As of December 31, 2025, the Town accrued a liability of \$100,000 in the police governmental fund for claims involving the police department. The liability relates to claims that were incurred and existed as of December 31, 2025, for which settlement payments were made in 2026.

As of December 31, 2025, the Town accrued a liability of \$300,000 in the governmental-wide financial statements for claims involving the police department. The liability relates to claims that were incurred and existed as of December 31, 2025, for which settlement payments have not been made in 2026.

Grant funding

The Town participates in a number of federal, state, and local programs which are governed by various rules and regulations. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the Town has not complied with the rules and regulations governing the grants, refunds of any money received and the collectability of any related receivable as of December 31, 2025, might be impaired. In the Town's opinion, there are no significant contingent liabilities relating to compliance with the rules and regulations governing federal, state, and local grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies. Audits of prior years have not resulted in any significant disallowed costs or refunds. Any costs that would be disallowed would be recognized in the period agreed upon by the grantor agency and the Town.

11. Tax Abatements

St. Tammany Parish (the Parish) negotiates property tax abatement agreements on the Town's behalf on an individual basis. Each agreement was negotiated for a variety of economic development purposes, including business relocation, retention, and expansion. The Town has tax abatement agreements with the following entities as of December 31, 2025:

A wholesale grocer distribution center, through a Payment in Lieu of Taxes (PILOT) agreement negotiated with the St. Tammany Parish Development District, has property assessed at \$27,515,258 with exempt taxes of \$531,457. The abatement expires on December 31, 2031. 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.

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.

TOWN OF PEARL RIVER, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025

12. Agreement with the State of Louisiana

In September 29, 2025, the Town entered into an agreement with the State of Louisiana Office of Facility Planning and Control for total funding of \$620,000 with a 25% match from the Town of \$206,666 for a total project cost of \$826,666. The project is funding the related sewer collection and treatment system improvements and water drainage improvements. For the year ended, December 31, 2025, the Town recorded revenues in the amount of \$31,818 related to capital grant revenue for capital expenditures in the Sewer Fund.

13. Restricted Fund Balance and Net Position

Restricted fund balance of government funds and restricted net position of government type activities consisted of the following as of December 31, 2025:

Governmental Funds:

Police	\$ 311,005
Street	<u>2,780,261</u>
Total	<u><u>\$ 3,091,266</u></u>

Restricted net position of business type activities and proprietary funds consisted of the following as of December 31, 2025:

Proprietary fund:

Debt service	<u>\$ 76,840</u>
Total	<u><u>\$ 76,840</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF PEARL RIVER, LOUISIANA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2025

	Budget		Actual	Variance Favorable (Unfavorable)
	Original	Final		
<u>REVENUES</u>				
Taxes				
Ad valorem	\$ 250,000	\$ 265,000	\$ 278,180	\$ 13,180
Franchise taxes	230,000	230,000	277,070	47,070
Fines and forfeitures	550,000	832,000	876,246	44,246
Licenses and permits	167,000	190,085	211,734	21,649
Insurance licenses	135,000	148,000	148,054	54
Grants and reimbursements	-	-	-	-
Other revenues	46,000	69,265	54,331	(14,934)
Service fees	-	-	-	-
Interest income	6,000	6,000	9,364	3,364
Total revenues	<u>1,384,000</u>	<u>1,740,350</u>	<u>1,854,979</u>	<u>114,629</u>
<u>EXPENDITURES</u>				
General government	1,044,000	1,112,350	1,103,214	9,136
Public works	5,000	2,000	-	2,000
Recreation	220,000	406,000	19,917	386,083
Capital outlay	20,000	50,000	51,415	(1,415)
Total expenditures	<u>1,289,000</u>	<u>1,570,350</u>	<u>1,174,546</u>	<u>395,804</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers from other funds	535,000	660,000	60,000	(600,000)
Transfers to other funds	(630,000)	(830,000)	(830,000)	-
Total other financing sources (uses)	<u>(95,000)</u>	<u>(170,000)</u>	<u>(770,000)</u>	<u>(600,000)</u>
<u>NET CHANGE IN FUND BALANCE</u>	-	-	(89,567)	(89,567)
<u>FUND BALANCE, BEGINNING OF YEAR</u>	<u>2,816,558</u>	<u>2,816,558</u>	<u>2,816,558</u>	-
<u>FUND BALANCE, END OF YEAR</u>	<u>\$ 2,816,558</u>	<u>\$ 2,816,558</u>	<u>\$ 2,726,991</u>	<u>\$ (89,567)</u>

See Independent Auditor's Report.

TOWN OF PEARL RIVER, LOUISIANA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL - POLICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2025

	Budget		Actual	Variance
	Original	Final		Favorable (Unfavorable)
<u>REVENUES</u>				
Sales taxes	\$ 1,050,000	\$ 1,150,000	\$ 1,223,740	\$ 73,740
Grants and reimbursements	323,199	313,857	323,042	9,185
Other revenues	6,150	38,738	25,476	(13,262)
Fines and forfeitures	-	-	19,326	19,326
Interest income	250	250	439	189
Total revenues	1,379,599	1,502,845	1,592,023	89,178
<u>EXPENDITURES</u>				
Public safety	1,642,759	1,973,005	2,037,954	(64,949)
Debt service:				
Principal	67,784	67,784	67,784	-
Interest and fiscal charges	14,056	14,056	14,056	-
Capital outlay	55,000	48,000	250,413	(202,413)
Total expenditures	1,779,599	2,102,845	2,370,207	(267,362)
<u>OTHER FINANCING SOURCES (USES)</u>				
Proceeds from finance lease	-	-	242,072	242,072
Proceeds from sale of fixed assets	-	-	22,375	22,375
Transfers from other funds	400,000	600,000	600,000	-
Transfers to other funds	-	-	-	-
Total other financing sources (uses)	400,000	600,000	864,447	264,447
<u>NET CHANGE IN FUND BALANCE</u>	-	-	86,263	86,263
<u>FUND BALANCE, BEGINNING OF YEAR</u>	269,121	269,121	269,121	-
<u>FUND BALANCE, END OF YEAR</u>	\$ 269,121	\$ 269,121	\$ 355,384	\$ 86,263

See Independent Auditor's Report.

TOWN OF PEARL RIVER, LOUISIANA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL - STREET FUND
FOR THE YEAR ENDED DECEMBER 31, 2025

	Budget		Actual	Variance Favorable (Unfavorable)
	Original	Final		
<u>REVENUES</u>				
Sales taxes	\$ 1,050,000	\$ 1,233,000	\$ 1,300,872	\$ 67,872
Ad valorem	-	-	-	-
Grants and reimbursements	5,000	160,000	6,300	(153,700)
Other revenues	99,300	30,642	24,693	(5,949)
Interest income	5,800	2,800	8,488	5,688
Total revenues	<u>1,160,100</u>	<u>1,426,442</u>	<u>1,340,353</u>	<u>(86,089)</u>
<u>EXPENDITURES</u>				
Public works	2,146,300	2,383,142	859,692	1,523,450
Capital outlay	50,500	80,000	502,445	(422,445)
Total expenditures	<u>2,196,800</u>	<u>2,463,142</u>	<u>1,362,137</u>	<u>1,101,005</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Proceeds from sale of fixed assets	-	-	5,145	5,145
Transfers in	1,076,700	1,076,700	-	(1,076,700)
Transfers out	(40,000)	(40,000)	(40,000)	-
Total other financing sources (uses)	<u>1,036,700</u>	<u>1,036,700</u>	<u>(34,855)</u>	<u>(1,071,555)</u>
<u>NET CHANGE IN FUND BALANCE</u>	-	-	(56,639)	(56,639)
<u>FUND BALANCE, BEGINNING OF YEAR</u>	<u>2,850,219</u>	<u>2,850,219</u>	<u>2,850,219</u>	-
<u>FUND BALANCE, END OF YEAR</u>	<u>\$ 2,850,219</u>	<u>\$ 2,850,219</u>	<u>\$ 2,793,580</u>	<u>\$ (56,639)</u>

See Independent Auditor's Report.

TOWN OF PEARL RIVER, LOUISIANA
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
COST SHARING PLANS ONLY
FOR THE YEAR ENDED DECEMBER 31, 2025 (*)

<u>Year ended June 30</u>	<u>Employer's proportion of the net pension liability (asset)</u>	<u>Employer's proportionate share of the net pension liability (asset)</u>	<u>Employer's covered payroll</u>	<u>Employer's proportionate share of the net pension liability (asset) as a percentage of its covered payroll</u>	<u>Plan fiduciary net position as a percentage of the total pension liability</u>
<u>Municipal Police Employees' Retirement System</u>					
2025	0.2091%	\$ 1,444,396	\$ 358,155	403.2880%	81.9406%
2024	0.0825%	\$ 747,791	\$ 319,668	233.9274%	75.8402%

Schedule is intended to show information for 10 years.

(*) The amounts presented were determined as of the measurement date (year ended June 30)

TOWN OF PEARL RIVER, LOUISIANA
SCHEDULE OF EMPLOYER CONTRIBUTIONS TO EACH RETIREMENT SYSTEM
COST SHARING PLANS ONLY
FOR THE YEAR ENDED DECEMBER 31, 2025 (*)

<u>Year ended June 30</u>	<u>Contractually required contribution (1)</u>	<u>Contributions in relation to the contractually required contribution (2)</u>	<u>Contribution deficiency (excess)</u>	<u>Employers covered payroll (3)</u>	<u>Contributions as a percentage of covered payroll</u>
<u>Municipal Police Employees' Retirement System</u>					
2025	\$ 279,124	\$ 279,124	\$ -	\$ 806,018	34.63%
2024	\$ 98,708	\$ 98,708	\$ -	\$ 290,917	33.93%

Schedule is intended to show information for 10 years.

(*) The amounts presented were determined as of the measurement date (year ended June 30)

- (1) Employer contribution rate multiplied by employer's covered employee payroll
- (2) Actual employer contributions remitted to Retirement systems
- (3) Employers covered payroll amount for the year ended December 31 of each year

TOWN OF PEARL RIVER, LOUISIANA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

DECEMBER 31, 2025

Changes in Benefit Terms

There were no changes of benefits terms for the year ended December 31, 2025.

Changes in Benefit Assumptions

There were no changes of benefits assumptions for the year ended December 31, 2025.

ADDITIONAL SUPPLEMENTARY INFORMATION

TOWN OF PEARL RIVER, LOUISIANA
SCHEDULE OF OPERATING EXPENSES - PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2025

	Enterprise Funds		
	Sewer Fund	Water Fund	Total Proprietary Funds
<u>SEWER SYSTEM EXPENSES</u>			
Repairs and maintenance	\$ 267,809	\$ -	\$ 267,809
Utilities	174,886	-	174,886
Salaries	74,668	-	74,668
Supplies	35,203	-	35,203
Other	193	-	193
Total sewer system expenses	<u>552,759</u>	<u>-</u>	<u>552,759</u>
<u>WATER SYSTEM EXPENSES</u>			
Salaries	-	107,783	107,783
Water fees	-	63,522	63,522
Repairs and maintenance	-	84,336	84,336
Supplies	-	21,272	21,272
Utilities	-	14,845	14,845
Other	-	171	171
Total water system expenses	<u>-</u>	<u>291,929</u>	<u>291,929</u>
<u>ADMINISTRATIVE AND GENERAL EXPENSES</u>			
Fees and licenses	10,460	15,179	25,639
Office expense	15,380	9,529	24,909
Credit card fees	5,784	-	5,784
Insurance	3,487	2,428	5,915
Education and training	3,324	1,657	4,981
Other	3,735	-	3,735
Total administrative and general expenses	<u>\$ 42,170</u>	<u>\$ 28,793</u>	<u>\$ 70,963</u>

See Independent Auditor's Report.

TOWN OF PEARL RIVER, LOUISIANA
SCHEDULE OF COMPENSATION, BENEFITS AND OTHER
PAYMENTS TO THE MEMBERS OF THE BOARD OF ALDERMEN
FOR THE YEAR ENDED DECEMBER 31, 2025

<u>Board of Alderman</u>	<u>End of Term</u>	<u>Compensation</u>
Virgil Phillips	December 31, 2026	\$ 10,800
Angela Galloway	December 31, 2026	\$ 10,800
Kristy Franatovich	December 31, 2026	\$ 10,800
Timothy Moray	December 31, 2026	\$ 10,800
Cheryl Schultheis	December 31, 2026	\$ 10,800

See Independent Auditor's Report.

TOWN OF PEARL RIVER, LOUISIANA
SCHEDULE OF COMPENSATION, BENEFITS AND OTHER
PAYMENTS TO THE AGENCY HEAD
FOR THE YEAR ENDED DECEMBER 31, 2025

AGENCY HEAD: Joe Lee, Mayor

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 53,000
Benefits - insurance	116
Benefits - retirement	7,950
Benefits- other	-
Car allowance	336
Vehicle provided by government	-
Per diem	816
Reimbursements	25
Travel	-
Registration fees	-
Conference travel	-
Continuing professional education fees	-
Housing	-
Unvouchered expenses	-
Special meals	-
	<u>\$ 62,243</u>

See Independent Auditor's Report.

Justice System Funding Schedule - Collecting/Disbursing Entity

As Required by Act 87 of the 2020 Regular Legislative Session

Identifying Information		
Entity Name	Town of Pearl River	
LLA Entity ID # (This is the ID number assigned to the entity by the Legislative Auditor for identification purposes.)	2305	
Date that reporting period ended (12/31/2024)	12/31/2025	

Cash Basis Presentation

First Six Month Period Ended 06/30/25	Second Six Month Period Ended 12/31/25
---	--

1. Beginning Balance of Amounts Collected (i.e. cash on hand)

-	-
---	---

2. Add: Collections

a Civil Fees (including refundable amounts such as garnishments or advance deposits)	-	-
b Bond Fees	-	-
c Asset Forfeiture/Sale	-	-
d Pre-Trial Diversion Program Fees	-	-
e Criminal Court Costs/Fees	38,378	17,481
f Criminal Fines - Contempt	-	-
g Criminal Fines - Other	582,676	228,137
h Restitution	-	-
i Probation/Parole/Supervision Fees	-	-
j Service/Collection Fees (e.g. credit card fees, report fees, 3rd party service fees)	2,725	1,807
k Interest Earnings on Collected Balances	-	-
l Other (do not include collections that fit into more specific categories above)	-	-
m Subtotal Collections	623,779	247,425

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

Louisiana Dept of Health - Traumatic Head & Spinal Cord	10,017	3,950
Louisiana Supreme Court - LA Judicial College	1,303	530
Louisiana Commission on Law Enforcement - POST Law Enforcement	5,371	2,088
Treasurer State of Louisiana - CMIS	8,010	3,657
Crime Stoppers	4,814	2,077
Florida Parish Juvenile Justice Commission	8,863	5,179
Agency name/collection type	-	-

4. Less: Amounts Retained by Collecting Agency

a	Collection Fee for Collecting/Disbursing to Others Based on Percentage of Collection	-	-
b	Collection Fee for Collecting/Disbursing to Others Based on Fixed Amount	-	-
c	Amounts "Self-Disbursed" to Collecting Agency (<i>must include a separate line for each collection type, as applicable</i>) - Example: Criminal Fines - Other (<i>Additional rows may be added as necessary</i>)	-	-
	Town of Pearl River - Criminal Fines - Other	582,676	228,137

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

a	Civil Fee Refunds	-	-
b	Bond Fee Refunds	-	-
c	Restitution Payments to Individuals (additional detail is not required)	-	-
d	Other Disbursements to Individuals (additional detail is not required)	-	-
e	Payments to 3rd Party Collection/Processing Agencies	2,725	1,807

6. Subtotal Disbursements/Retainage

623,779	247,425
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7. Total: Ending Balance of Amounts Collected but not Disbursed/Retained (i.e. cash on hand)

-	-
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Ending Balance of "Partial Payments" Collected but not Disbursed (*only applies if collecting agency does not disburse partial payments until fully collected*) - This balance is included in the Ending Balance of Amounts Collected but not Disbursed/Retained above.

-	-
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9. Other Information:

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

REPORTS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT
AUDITING STANDARDS***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Pearl River, Louisiana (the Town), as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated June 26, 2026.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2025-001.

The Town's Response to Findings

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

Purpose of this Report

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

Richard CPAS

Metairie, Louisiana
June 26, 2026

TOWN OF PEARL RIVER, LOUISIANA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2025

1. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified.

Internal control over financial reporting:

- Material weakness(es) identified: None reported.
- Significant deficiency(ies) identified that are not considered to be material weakness None reported.

Noncompliance material to the financial statements: Yes.

Other matter: No.

TOWN OF PEARL RIVER, LOUISIANA

SCHEDULE OF FINDINGS AND RESPONSES

FOR THE YEAR ENDED DECEMBER 31, 2025

2. Findings related to the basis financial statements reported in accordance with *Government Auditing Standards*

#2025-001 Compliance with Municipal Employer Retirement System

Criteria: The Town of Pearl River (the Town) is required under Louisiana law to make employee and employer contributions to the Municipal Police Employees' Retirement System (MPERS) on behalf of all eligible employees. The required contribution rate is established annually through the MPERS actuarial valuation process and is binding on all participating employers.

Condition: In June 2025, MPERS certified certain delinquent contributions and related dollar amounts and notified the Town and the State Treasurer of the State of Louisiana regarding the noncompliance in the Town remitting contributions to MPERS for 8 employees for a time period prior to January 1, 2024. The Town has been properly enrolling eligible participants and making timely contributions to MPERS since January 1, 2024. The Town was not in compliance with the required employer contribution provisions applicable to MPERS prior to January 1, 2024. Specifically, employer contributions attributable to fiscal year 2023 and certain prior periods were not remitted or were otherwise not made in accordance with the applicable actuarially determined contribution rates for all covered employees during the affected periods.

Cause: The Town's eligible employees were not enrolled timely into MPERS. Specifically, the Town had not established, documented, or consistently applied adequate internal procedures to ensure that required employer contributions for all covered employees were properly identified, calculated, approved, and remitted in a timely manner for all applicable periods. As a result, contributions owed for certain covered employees during 2023, and earlier periods were not made in full or in accordance with the applicable contribution rates.

Effect: The failure to remit required employer contributions constitutes noncompliance with applicable Louisiana public retirement law and the governing requirements of MPERS. As a result, the Town may be subject to additional amounts due, interest, late fees, or other corrective actions as determined by MPERS or other applicable oversight authorities.

TOWN OF PEARL RIVER, LOUISIANA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2025

2. **Findings related to the basis financial statements reported in accordance with *Government Auditing Standards***

#2025-001 Compliance with Municipal Employer Retirement System (continued)

Recommendation: The Town should work proactively with MPERS to finalize the determination of any amounts owed to MPERS for prior periods and establish a repayment arrangement as required. Going forward, the Town should implement formal written procedures to ensure that all eligible employees are properly enrolled in MPERS, that required employer contribution rates are applied correctly to all covered compensation each payroll period, and that contributions are remitted to MPERS on a timely basis in accordance with applicable law. The Town should also consider periodic reconciliation of payroll records to MPERS reporting to detect and correct discrepancies on a timely basis.

Management's Response: Soon after Mayor Lee was notified of the noncompliance, the Town enrolled the existing eligible Town employees effective January 1, 2024. The Town is working with MPERS and the Town's legal counsel on a resolution on this matter. Starting January 1, 2024, the Town has made all required contributions for enrolling and eligible employees.



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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate fund information of the Town of Pearl River (the Town) as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements.

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 Town's internal control.

Subsequent to the issuance of our audit we noted certain matters involving internal control and other operational matters that are presented for your consideration. These observations and recommendations have been discussed with the appropriate members of management and are intended to improve internal control or result in other operating efficiencies and are summarized as follows.

2025-001 Reconciliation of fines and forfeitures amounts

Observation: The City Hall staff provided the auditors with a system generated report of a list of ticket numbers where a break in the number sequence identifies a ticket number that is not input into the Town's Court system. There may be explanations for the break-in the numeric sequence such as an unused ticket book that remains in the inventory of the police department or a ticket that is not forwarded to the Town's Court but to a different jurisdiction. The City Hall staff and the Police department do not have a process in place to document the reason for the break-in sequence of the tickets provided by the Police department to City Hall.

Recommendation: The Town should implement policies and procedures to more formally reconcile the break-in-number sequence report from City Hall with documentation maintained by the police department in order to account for differences. The reconciliation and / or related documents should be provided to the Mayor and to the Police Chief on a regular basis throughout the year.

Management response: The Town concurs with the recommendation and will attempt to work with the Police department to identify reasons for the break in the ticket number sequence.

Our audit procedures are designed primarily to enable us to form an opinion on the basic financial statements and therefore may not bring to light all weaknesses in policies or procedures that may exist. We aim, however, to use our knowledge of the Town gained during our work to make comments and suggestions that we hope will be useful to you.

We would be pleased to discuss these comments and recommendations with you at any time.

The Town's written response to our comments and recommendations has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Aldermen and management and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Richard CPAS

Metairie, Louisiana
June 26, 2026

TOWN OF PEARL RIVER, LOUISIANA
LOUISIANA LEGISLATIVE AUDITOR – STATEWIDE
AGREED-UPON PROCEDURES REPORT
DECEMBER 31, 2025



TOWN OF PEARL RIVER, LOUISIANA

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

DECEMBER 31, 2025

Town of Pearl River
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INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES

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

We have performed the procedures enumerated below on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's (LLA's) Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2025 through December 31, 2025. The Town of Pearl River, Louisiana's management is responsible for those C/C areas identified in the SAUPs.

The Town of Pearl River, Louisiana (the Town) has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the C/C areas identified in LLA's SAUPs for the fiscal period January 1, 2025 through December 31, 2025. Additionally, LLA has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

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

We were engaged by the Town of Pearl River, Louisiana to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards* issued by the Comptroller General of the United States. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs of the Town for the fiscal period January 1, 2025 through December 31, 2025. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

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

Richard CPAS

Metairie, Louisiana
June 26, 2026

TOWN OF PEARL RIVER, LOUISIANA

AGREED-UPON PROCEDURES PERFORMED AND ASSOCIATED FINDINGS

FOR THE YEAR ENDED DECEMBER 31, 2025

PROCEDURES (SCHEDULE A)

The procedures performed and the results thereof are set forth below. The procedure is stated first, followed by the results of the procedure presented in italics. If the item being subjected to the procedures is positively identified or present, then the results will read “*no exception noted*” or for step 25 “*we performed the procedure and discussed the results with management*”. If not, then a description of the exception ensues.

1) Written Policies and Procedures

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

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

No exceptions were found as a result of this procedure.

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

No exceptions were found as a result of this procedure.

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

No exceptions were found as a result of this procedure.

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

No exceptions were found as a result of this procedure.

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

No exceptions were found as a result of this procedure.

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

No exceptions were found as a result of this procedure.

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

No exceptions were found as a result of this procedure.

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

No exceptions were found as a result of this procedure.

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

No exceptions were found as a result of this procedure.

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

No exceptions were found as a result of this procedure.

- xi. ***Information Technology Disaster Recovery/Business Continuity***, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel,

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processes, and tools needed to recover operations after a critical event.

No exceptions were found as a result of this procedure.

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

No exceptions were found as a result of this procedure.

2) Board or Finance Committee

- A. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and

- i. Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.

No exceptions were found as a result of this procedure.

- ii. For those entities reporting on the governmental accounting model, observe whether the minutes referenced or included monthly budget-to-actual comparisons on the general fund, quarterly budget-to-actual, at a minimum, on proprietary funds, and semi-annual budget-to-actual, at a minimum, on all special revenue funds. *Alternately, for those entities reporting on the not-for-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*

No exceptions were found as a result of this procedure.

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

N/A – the Town does not have negative unassigned fund balance in the general fund.

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

N/A – the Town does not have any audit findings in prior year.

3) Bank Reconciliations

- A. Obtain a listing of entity bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected account, and observe that:

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

No exceptions were found as a result of this procedure.

- ii. Bank reconciliations include written evidence that a member of management or a board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation within 1 month of the date the reconciliation was prepared (e.g., initialed and dated, electronically logged); and

No exceptions were found as a result of this procedure.

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

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

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AGREED-UPON PROCEDURES PERFORMED AND ASSOCIATED FINDINGS

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4) Collections (excluding electronic funds transfers)

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

No exceptions were found as a result of this procedure.

- B. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e., 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if there are no written policies or procedures, then inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that
- i. Employees responsible for cash collections do not share cash drawers/registers;

No exceptions were found as a result of this procedure.

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

Exception noted. RICHARD CPAs observed that the employees responsible for collecting cash are also responsible for preparing/making the deposits.

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

No exceptions were found as a result of this procedure.

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

No exceptions were found as a result of this procedure.

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

No exceptions were found as a result of this procedure.

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

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

Exception noted. RICHARD CPAS observed there were no prenumbered receipts related to water and sewer receipts.

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

Exception noted. RICHARD CPAS observed there were no prenumbered receipts related to water and sewer receipts.

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

No exceptions were found as a result of this procedure.

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

No exceptions were found as a result of this procedure.

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

No exceptions were found as a result of this procedure.

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AGREED-UPON PROCEDURES PERFORMED AND ASSOCIATED FINDINGS

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

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

No exceptions were found as a result of this procedure.

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

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

No exceptions were found as a result of this procedure.

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

No exceptions were found as a result of this procedure.

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

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

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

No exceptions were found as a result of this procedure.

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

N/A – the Town does not have any electronic disbursement of funds.

TOWN OF PEARL RIVER, LOUISIANA

AGREED-UPON PROCEDURES PERFORMED AND ASSOCIATED FINDINGS

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

- i. Observe whether the disbursement, whether by paper or electronic means, matched the related original itemized invoice and supporting documentation indicates deliverables included on the invoice were received by the entity, and

No exceptions were found as a result of this procedure.

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

No exceptions were found as a result of this procedure.

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

N/A – the Town does not have any electronic disbursement of funds.

6) Credit Cards/Debit Cards/Fuel Cards/Purchase Cards (Cards)

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

No exceptions were found as a result of this procedure.

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

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AGREED-UPON PROCEDURES PERFORMED AND ASSOCIATED FINDINGS

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

No exceptions were found as a result of this procedure.

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

No exceptions were found as a result of this procedure.

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

No exceptions were found as a result of this procedure.

- D. Using the list of terminated employees obtained in Payroll and Personnel procedure #9C identify those individuals who had access to cards and randomly select 5 terminated employees (or all terminated employees with card access if less than 5) from this population. Observe evidence that the cards have been deactivated for these terminated employees. In cases where a card is shared by multiple users, obtain evidence that the terminated employees’ authorization has been removed.

N/A – the Town does not have terminated employees that had access to credit card.

TOWN OF PEARL RIVER, LOUISIANA

AGREED-UPON PROCEDURES PERFORMED AND ASSOCIATED FINDINGS

FOR THE YEAR ENDED DECEMBER 31, 2025

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

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

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

No exceptions were found as a result of this procedure.

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

No exceptions were found as a result of this procedure.

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

No exceptions were found as a result of this procedure.

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

No exceptions were found as a result of this procedure.

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AGREED-UPON PROCEDURES PERFORMED AND ASSOCIATED FINDINGS

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8) Contracts

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

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

No exceptions were found as a result of this procedure.

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

No exceptions were found as a result of this procedure.

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

No exceptions were found as a result of this procedure.

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

No exceptions were found as a result of this procedure.

9) Payroll and Personnel

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

No exceptions were found as a result of this procedure.

TOWN OF PEARL RIVER, LOUISIANA

AGREED-UPON PROCEDURES PERFORMED AND ASSOCIATED FINDINGS

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

- i. Observe all selected employees or officials documented their daily attendance and leave (e.g., vacation, sick, compensatory);

No exceptions were found as a result of this procedure.

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

No exceptions were found as a result of this procedure.

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

No exceptions were found as a result of this procedure.

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

No exceptions were found as a result of this procedure.

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

No exceptions were found as a result of this procedure.

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

No exceptions were found as a result of this procedure.

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AGREED-UPON PROCEDURES PERFORMED AND ASSOCIATED FINDINGS

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10) Ethics

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

- i. Observe whether the documentation demonstrates that each employee/official completed one hour of ethics training during the calendar year as required by R.S. 42:1170; and

No exceptions were found as a result of this procedure.

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

No exceptions were found as a result of this procedure.

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

No exceptions were found as a result of this procedure.

11) Debt Service

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

No exceptions were found as a result of this procedure.

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

No exceptions were found as a result of this procedure.

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AGREED-UPON PROCEDURES PERFORMED AND ASSOCIATED FINDINGS

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12) Fraud Notice

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

No exceptions were found as a result of this procedure.

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

No exceptions were found as a result of this procedure.

13) Information Technology Disaster Recovery/Business Continuity

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

- i. Obtain and inspect the entity's most recent documentation that it has backed up its critical data (if there is no written documentation, then inquire of personnel responsible for backing up critical data) and observe that such backup (a) occurred within the past week, (b) was not stored on the government's local server or network, and (c) was encrypted.

We performed the procedure and discussed the results with management.

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

We performed the procedure and discussed the results with management.

TOWN OF PEARL RIVER, LOUISIANA

AGREED-UPON PROCEDURES PERFORMED AND ASSOCIATED FINDINGS

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

We performed the procedure and discussed the results with management.

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

We performed the procedure and discussed the results with management.

- C. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #9A, obtain cybersecurity training documentation from management, and observe that the documentation demonstrates that the following employees/officials with access to the agency's information technology assets have completed cybersecurity training as required by R.S. 42:1267²⁵. The requirements are as follows:
- Hired before June 9, 2020 – completed the training; and
 - Hired on or after June 9, 2020 – completed the training within 30 days of initial service or employment.

We performed the procedure and discussed the results with management.

14) Prevention of Sexual Harassment

- A. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #9A, obtain sexual harassment training documentation from management, and observe the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year as required by R.S. 42:343.

Exception noted. The Town does not have formal training documentation of three employees completing at least one hour of sexual harassment training during the calendar year.

TOWN OF PEARL RIVER, LOUISIANA

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

No exceptions were found as a result of this procedure.

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

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

Exception noted. The Town did not date the sexual harassment report on or before February 1.

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

Exception noted. The Town did not date the sexual harassment report on or before February 1.

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

Exception noted. The Town did not date the sexual harassment report on or before February 1.

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

Exception noted. The Town did not date the sexual harassment report on or before February 1.

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

Exception noted. The Town did not date the sexual harassment report on or before February 1.



TOWN OF PEARL RIVER

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ANGELA GALLOWAY

VIRGIL PHILLIPS

CHERYL SCHULTHEIS

Aldermen

JOE D. LEE

Mayor

TIM MORAY

Mayor Pro Tempore

MAUDE F. GRIFFIS

Town Clerk

TIMOTHY MATHISON

Town Attorney

JEFFREY KEATING

Town Magistrate

Town of Pearl River

Management Responses

2025 Audited AUPs

3(A)(iii) The Mayor will note that reconciling items have been researched to the best of our ability

4(B)(ii) The Town's workforce is too small to segregate all these duties.

4(D)(i) Munibilling system does not allow for the prenumbering of Water/Sewer receipts.

4(D)(ii) Munibilling system does not allow for the prenumbering of Water/Sewer receipts.

5(B)(iii) Quickbooks system does not prevent the employee who processes payments from entering/modifying vendor files.

14(A) The sexual harassment training will be followed by a certificate being issued for all employees/officials.

14(C)(i) Even though the report was compiled before February 1st, the Mayor will ensure that the report will be signed prior to that date.

14(C)(ii) Even though the report was compiled before February 1st, the Mayor will ensure that the report will be signed prior to that date.

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14(C)(iii) Even though the report was compiled before February 1st, the Mayor will ensure that the report will be signed prior to that date.

14(C)(iv) Even though the report was compiled before February 1st, the Mayor will ensure that the report will be signed prior to that date.

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A handwritten signature in blue ink, appearing to read "Joe D. Lee", is positioned above the printed name.

Joe D. Lee

Mayor