TOWN OF PEARL RIVER, LOUISIANA

FINANCIAL STATEMENTS

DECEMBER 31, 2018

CRI CARR RIGGS & INGRAM
CPAs and Advisors
CRIcpa.com

Table of Contents

OTHER SUPPLEMENTARY INFORMATION

Report

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Pearl River, Louisiana (the "Town"), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town as of December 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 15 to the financial statements, the Town corrected errors that resulted in changes to the December 31, 2017 net position for governmental and business-type activities, as well as a change to the December 31, 2017 fund balance of the Sewer Fund. Our opinion is not modified with respect to those matters.

Other Matters

Required Supplementary Information

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

Management has omitted the management's discussion and analysis information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements and schedules that collectively comprise the Town's basic financial statements. The Schedule of Operating Expenses – Proprietary Funds, Schedule of Compensation Paid to the Members of the Board of Aldermen, and Schedule of Compensation, Benefits, and Other Payments to the Mayor are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Operating Expenses – Proprietary Funds, Schedule of Compensation Paid to the Members of the Board of Aldermen, and Schedule of Compensation, Benefits, and Other Payments to the Mayor are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Operating Expenses – Proprietary Funds, Schedule of Compensation Paid to the Members of the Board of Aldermen, and Schedule of Compensation, Benefits, and Other Payments to the Mayor are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 6, 2019, on our consideration of the Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Carr, Riggs & Ingram, L.L.C

August 6, 2019

Financial Statements

Statement of Net Position

December 31,			2018
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	$ 2,524,987	$ 670,892	**$ 3,195,879**
Restricted cash	-	76,840	**76,840**
Receivables			
Water and sewer, net	-	60,796	**60,796**
Ad valorem taxes, net	312,022	-	**312,022**
Sales taxes	237,327	26,556	**263,883**
Franchise taxes	52,762	-	**52,762**
Grant	43,521	-	**43,521**
Internal balances	(11,380)	11,380	**-**
Prepaid items	43,195	3,224	**46,419**
Capital assets, net	1,544,404	7,105,264	**8,649,668**
Total Assets	4,746,838	7,954,952	**12,701,790**
Liabilities			
Accounts payable	153,558	20,181	**173,739**
Accrued payroll	31,791	7,412	**39,203**
Accrued interest	1,832	14,007	**15,839**
Deferred revenue	3,819	-	**3,819**
Non-current liabilities			
Due within one year	30,783	194,000	**224,783**
Due in more than one year	-	2,094,497	**2,094,497**
Total Liabilities	221,783	2,330,097	**2,551,880**
Deferred Inflows of Resources			
Deferred inflows - pension	18,785	-	**18,785**
Total Deferred Inflows of Resources	18,785	-	**18,785**
Net Position			
Net investment in capital assets	1,513,621	4,816,767	**6,330,388**
Restricted			
Capital projects	682,293	-	**682,293**
Debt service	-	76,840	**76,840**
Maintenance and operations	469,057	-	**469,057**
Unrestricted	1,841,299	731,248	**2,572,547**
Total Net Position	$ 4,506,270	$ 5,624,855	**$ 10,131,125**

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 **2018**

Functions / Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Business-Type Activities	Total
Governmental activities							
General government	$ 803,681	$ -	$ -	$ -	$ (803,681)	$ -	**$ (803,681)**
Public safety	1,053,820	-	122,281	-	(931,539)	-	**(931,539)**
Public works	759,227	-	-	3,150	(756,077)	-	**(756,077)**
Recreation	6,637	-	-	-	(6,637)	-	**(6,637)**
Total governmental activities	2,623,365	-	122,281	3,150	(2,497,934)	-	**(2,497,934)**
Business-type activities							
Utilities	851,819	643,314	-	-	-	(208,505)	**(208,505)**
Interest on debt	31,935	-	-	-	-	(31,935)	**(31,935)**
Total business-type activities	883,754	643,314	-	-	-	(240,440)	**(240,440)**
Total	$ 3,507,119	$ 643,314	$ 122,281	$ 3,150	(2,497,934)	(240,440)	**(2,738,374)**

	Governmental Activities	Business-Type Activities	Total
General revenues			
Taxes			
Sales taxes	1,426,833	165,705	**1,592,538**
Ad valorem taxes	322,445	-	**322,445**
Franchise taxes	218,947	-	**218,947**
Licenses and permits	137,015	-	**137,015**
Fines and forfeitures	430,559	-	**430,559**
Insurance licenses	112,397	-	**112,397**
Other miscellaneous revenue	16,877	422	**17,299**
Investment earnings	4,180	550	**4,730**
Gain on sale of asset	3,500	-	**3,500**
Transfers	(807)	807	**-**
Total general revenues and transfers	2,671,946	167,484	**2,839,430**
Change in net position	174,012	(72,956)	**101,056**
Net position, beginning of year	4,168,747	5,797,492	**9,966,239**
Prior period adjustments (see note 16)	163,511	(99,681)	**63,830**
Net position, beginning of year (as restated)	4,332,258	5,697,811	**10,030,069**
Net position, end of year	$ 4,506,270	$ 5,624,855	**$ 10,131,125**

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

December 31,					**2018**
		Special Revenue Funds			**Total**
	General Fund	**Police Fund**	**Street Fund**	**Non-Major Fund**	**Governmental Funds**
Assets					
Cash and cash equivalents	$ 1,584,850	$ 321,956	$ 617,277	$ 904	**$ 2,524,987**
Receivables					
Ad valorem taxes, net	180,947	-	131,075	-	**312,022**
Sales taxes	-	106,223	131,104	-	**237,327**
Franchise taxes	52,762	-	-	-	**52,762**
Grant receivables	-	-	-	43,521	**43,521**
Due from other funds	-	109,430	4,242	-	**113,672**
Prepaid items	17,691	24,491	1,013	-	**43,195**
Total Assets	$ 1,836,250	$ 562,100	$ 884,711	$ 44,425	**$ 3,327,486**
Liabilities, Deferred Inflows of Resources, and Fund Balances					
Liabilities					
Accounts payable	$ 14,430	$ 44,618	$ 94,510	$ -	**$ 153,558**
Accrued payroll	5,007	20,115	6,669	-	**31,791**
Unearned revenue	-	3,819	-	-	**3,819**
Due to other funds	24,826	-	100,226	-	**125,052**
Total Liabilities	44,263	68,552	201,405	-	**314,220**
Deferred Inflows of Resources					
Unavailable FEMA revenue	-	-	-	43,521	**43,521**
Total Deferred Inflows of Resources	-	-	-	43,521	**43,521**
Fund Balances					
Nonspendable					
Prepaid items	17,691	24,491	1,013	-	**43,195**
Restricted					
Capital projects	-	-	682,293	-	**682,293**
Maintenance and operations	-	469,057	-	-	**469,057**
Unassigned	1,774,296	-	-	904	**1,775,200**
Total Fund Balances	1,791,987	493,548	683,306	904	**2,969,745**
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 1,836,250	$ 562,100	$ 884,711	$ 44,425	**$ 3,327,486**

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

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

December 31,		**2018**
Fund Balances - Total Governmental Funds		$ 2,969,745
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds		
Governmental capital assets	$ 3,215,489	
Less: accumulated depreciation	(1,671,085)	1,544,404
Unavailable revenues are reported in the funds, but are not reported under the measurement focus employed in the Statement of Net Position		43,521
Deferred inflows of resources related to net pension liability are not reported in the governmental funds		(18,785)
Long-term liabilities, including capital lease payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds		
Capital lease payable		(30,783)
Accrued interest payable		(1,832)
Net Position of Governmental Activities		**$ 4,506,270**

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

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds

For the year ended December 31,					**2018**
		Special Revenue Funds			**Total**
	General Fund	**Police Fund**	**Street Fund**	**Non-Major Fund**	**Governmental Funds**
Revenues					
Taxes					
Sales taxes	$ -	$ 643,993	$ 782,840	$ -	**$ 1,426,833**
Ad valorem taxes	187,651	-	134,794	-	**322,445**
Franchise taxes	218,947	-	-	-	**218,947**
Licenses and permits	137,015	-	-	-	**137,015**
Fines and forfeitures	430,559	-	-	-	**430,559**
Insurance licenses	112,397	-	-	-	**112,397**
Grants and reimbursements	-	122,281	3,150	-	**125,431**
Other revenues	11,941	4,920	16	-	**16,877**
Interest income	3,369	236	574	1	**4,180**
Total Revenues	1,101,879	771,430	921,374	1	**2,794,684**
Expenditures					
Current					
General government	657,127	-	-	-	**657,127**
Public safety	-	1,091,153	-	-	**1,091,153**
Public works	-	-	713,829	-	**713,829**
Recreation	4,344	-	-	-	**4,344**
Capital outlay	4,000	8,580	15,374	-	**27,954**
Total Expenditures	665,471	1,099,733	729,203	-	**2,494,407**
Excess (Deficiency) of Revenues					
Over (Under) Expenditures	436,408	(328,303)	192,171	1	**300,277**
Other Financing Sources (Uses)					
Transfers in	12,023	407,344	-	-	**419,367**
Transfers out	(405,586)	-	(14,588)	-	**(420,174)**
Proceeds from sale of equipment	-	-	3,500	-	**3,500**
Total Other Financing Sources (Uses)	(393,563)	407,344	(11,088)	-	**2,693**
Net Change in Fund Balances	42,845	79,041	181,083	1	**302,970**
Fund Balances, Beginning of Year	1,749,142	414,507	502,223	903	**2,666,775**
Fund Balances, End of Year	$ 1,791,987	$ 493,548	$ 683,306	$ 904	**$ 2,969,745**

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

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

For the Year Ended December 31,		**2018**
Changes in Fund Balances - Total Governmental Funds		$ 302,970
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures; however, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives through depreciation expense.		
Capital outlays	$ 27,954	
Depreciation expense	(167,643)	(139,689)
Changes in the deferred outflows and inflows of resources related to pension result in an increase or decrease to the pension expense reported in govermental funds.		32,241
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in governmental funds. Reduction in unavailable revenues previously recorded deemed to be uncollectible in the current year.		(54,124)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on the net position.		
Payments on capital lease		32,614
Changes in Net Position of Governmental Activities		$ 174,012

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

December 31,			**2018**
	Enterpirse Funds		**Total**
	Sewer Fund	**Water Fund**	**Proprietary Funds**
ASSETS			
Current assets			
Cash and cash equivalents	$ 621,065	$ 49,827	**$ 670,892**
Restricted cash	76,840	-	**76,840**
Receivables			
Water and sewer, net	60,796	-	**60,796**
Sales tax	26,556	-	**26,556**
Due from other funds	11,134	246	**11,380**
Prepaid items	1,612	1,612	**3,224**
Total current assets	798,003	51,685	**849,688**
Capital assets, net	7,095,651	9,613	**7,105,264**
Total Assets	$ 7,893,654	$ 61,298	**$ 7,954,952**
LIABILITIES			
Current liabilities			
Accounts payable	$ 16,761	$ 3,420	**$ 20,181**
Accrued payroll	6,459	953	**7,412**
Accrued interest payable	14,007	-	**14,007**
Revenue bonds	194,000	-	**194,000**
Total current liabilities	231,227	4,373	**235,600**
Long-term liabilities			
Sales tax bonds	2,094,497	-	**2,094,497**
Total Liabilities	$ 2,325,724	$ 4,373	**$ 2,330,097**
NET POSITION			
Net investment in capital assets	$ 4,807,154	$ 9,613	**$ 4,816,767**
Restricted for debt service	76,840	-	**76,840**
Unrestricted	683,936	47,312	**731,248**
Total Net Position	$ 5,567,930	$ 56,925	**$ 5,624,855**
Total Liabilities and Net Poition	$ 7,893,654	$ 61,298	**$ 7,954,952**

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

Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds

For the year ended December 31,			2018
	Enterpirse Funds		Total
	Sewer Fund	Water Fund	Proprietary Funds
Operating revenues			
Service fees	$ 366,165	$ 252,938	**$ 619,103**
Delinquent fees	-	5,322	**5,322**
Installation fees	6,400	3,114	**9,514**
Meter fees	825	2,925	**3,750**
Other	2,302	3,323	**5,625**
Total operating revenues	375,692	267,622	**643,314**
Operating expenses			
Depreciation	380,797	187	**380,984**
Sewer system	232,500	-	**232,500**
Water system	6,874	80,623	**87,497**
Administrative and general	89,693	61,145	**150,838**
Total operating expenses	709,864	141,955	**851,819**
Gain(loss) from operations	(334,172)	125,667	**(208,505)**
Nonoperating revenues (expenses)			
Sales tax revenue	160,998	4,707	**165,705**
Capital grants	-	422	**422**
Interest income	550	-	**550**
Interest expense	(14,547)	(17,388)	**(31,935)**
Total nonoperating revenues (expenses)	147,001	(12,259)	**134,742**
Net gain(loss) before transfers	(187,171)	113,408	**(73,763)**
Transfers in	57,290	560	**57,850**
Transfers out	-	(57,043)	**(57,043)**
Increase (decrease) in net position	(129,881)	56,925	**(72,956)**
Net position, beginning of year	5,797,492	-	**5,797,492**
Prior period adjustment (see note 16)	(99,681)	-	**(99,681)**
Net position, beginning of year (as restated)	5,697,811	-	**5,697,811**
Net Position, End of Year	$ 5,567,930	$ 56,925	**$ 5,624,855**

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,			**2018**
	Enterprise Funds		
	Sewer Fund	Water Fund	Total Proprietary Funds
Cash Flows from Operating Activities			
Receipts from customers and users	$ 363,159	$ 267,622	**$ 630,781**
Payments to suppliers	(185,213)	(73,702)	**(258,915)**
Payments to employees and for benefits	(135,174)	(65,305)	**(200,479)**
Net cash provided by operating activities	42,772	128,615	**171,387**
Cash Flows from Noncapital Financing Activities			
Cash received from sales tax	160,998	4,707	**165,705**
Interfund transfers and borrowing	58,487	(56,307)	**2,180**
Net cash provided by (used in) noncapital financing activities	219,485	(51,600)	**167,885**
Cash Flows from Capital and Related Financing Activities			
Proceeds from issuance of debt	1,280,497	-	**1,280,497**
Principal paid on capital debt	(55,000)	-	**(55,000)**
Purchase of capital assets	(1,223,312)	(9,800)	**(1,233,112)**
Interest paid	(14,547)	(17,388)	**(31,935)**
Net cash used in capital and related financing activities	(12,362)	(27,188)	**(39,550)**
Cash Flows from Investing Activities			
Interest received	550	-	**550**
Net cash provided by investing activities	550	-	**550**
Net Increase in Cash and Cash Equivalents	250,445	49,827	**300,272**
Cash and Cash Equivalents - Beginning of Year	447,460	-	**447,460**
Cash and Cash Equivalents - End of Year	$ 697,905	$ 49,827	**$ 747,732**
Reconciliation of Gain(Loss) from Operations to Net Cash Provided by Operating Activities			
Gain(loss) from operations	$ (334,172)	$ 125,667	**$ (208,505)**
Adjustments to reconcile gain(loss) from operations to net cash provided by operating activities:			
Depreciation	380,797	187	**380,984**
Changes in assets and liabilities:			
Receivables	(12,533)	-	**(12,533)**
Accounts payable	7,151	3,420	**10,571**
Accrued payroll	1,848	953	**2,801**
Prepaid items	(319)	(1,612)	**(1,931)**
Net cash provided by operating activities	$ 42,772	$ 128,615	**$ 171,387**

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

***Governmental Funds* -** The Town reports the following major governmental funds:

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

Police Fund – This Special Revenue Fund is used to account for all financial transactions related to the activities of its police department.

Street Fund – This Special Revenue Fund is used to account for all financial transactions related to the activities of its street department.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Town reports the following non-major governmental fund:

Storm Fund – This Special Revenue Fund is used to account for storm expenses which have been submitted for reimbursement by FEMA.

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

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

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

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

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

- Leases;
- Disclosures related to debt; and
- Accounting for interest costs incurred before the end of a construction period.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgets and Budgetary Accounting **-** Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all government funds. At the end of the fiscal year, unexpended appropriations of these funds automatically lapse. The Town does not utilize encumbrance accounting. All proposed budgets must be completed and submitted to the Town Council no later than fifteen days prior to the beginning of each fiscal year. The operating budget includes proposed expenditures and the means of financing them. The final budget must be adopted before the ensuing fiscal year begins.

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

(1) The Mayor, Board of Aldermen, Town Clerk, and other advisory personnel assemble the necessary financial information. The Mayor submits the information for review to the Board of Aldermen at least 45 days prior to January 1st of the upcoming year.

(2) A public hearing is conducted to obtain taxpayer comments.

(3) Prior to the beginning of the new fiscal year, the budget is legally enacted through passage of a resolution by the Board of Aldermen.

(4) The Mayor is authorized to transfer budgeted amounts among programs within a department, office, or agency; however, any revisions that alter the total revenues and/or expenditures budgeted for any department, office, agency, or fund must be approved by the Board of Aldermen.

Deposits and Investments **-** Cash includes amounts in demand deposits. Under state law, the Town may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana. The Town may invest in United States bonds, treasury notes, or certificates. These are classified as investments if their original maturities exceed 90 days; however, if the original maturities are 90 days or less, they are classified as cash equivalents. In accordance with state law, all uninsured deposits of municipal funds in financial institutions must be secured with acceptable collateral valued at the lower of market or par. The Town was in compliance with the deposit and investment laws and regulations at December 31, 2018.

Cash and cash equivalents consist of cash, as defined above, including restricted cash.

Short-term investment in a money market account is stated at amortized cost, and is reported as cash equivalents.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Uncollectible amounts due for customers’ utility receivables and ad valorem taxes are recognized as bad debts through the establishment of an allowance account at the time information becomes available which would indicate the uncollectability of the particular receivable. The allowance was $4,000 for utility receivables at December 31, 2018. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

Capital Assets **-** Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are capitalized at historical cost or estimated cost if historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The Town maintains a threshold level of $2,500 or more for capitalizing capital assets.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the assets’ lives are not capitalized.

Capital outlays are recorded as expenditures in the governmental fund financial statements, and they are recorded as assets in the government-wide financial statements to the extent the Town’s capitalization threshold is met. The Town has capitalized its water and sewer infrastructure. The Town capitalizes interest on construction in its proprietary fund. Capital outlays of the proprietary fund are recorded as capital assets and depreciated over their estimated useful lives on a straight-line basis.

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long-Term Obligations - In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest rate method. Bonds payable are reported net of the applicable bond premium or discount. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period.

Fund Equity

Government-Wide and Proprietary Fund Statements
Equity is classified as net position and displayed in three components:

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

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

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

1. Nonspendable - This component includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact.

2. Restricted – This component consists of amounts that have constraints placed on them either externally by third-parties (creditors, grantors, contributors, or laws or regulations of other governments) or by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the Town to assess, levy, charge or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement (compelled by external parties) that those resources be used only for the specific purposes stipulated in the legislation.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Committed - This component consists of amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town's highest level of decision making authority which include the ordinances of the Town's Board of Aldermen. Those committed amounts cannot be used for any other purpose unless the Town's Board of Aldermen removes or changes the specified use by taking the same type of action it employed previously to commit those amounts.

4. Assigned - This component consists of amounts that are constrained by the Town's Board of Aldermen with intent to be used for specific purposes, but are neither restricted nor committed. The authority for assigning fund balance is expressed by the Mayor or the Town's Board of Aldermen's designee established in the Town's Fund Balance Policy.

5. Unassigned – This classification represents amounts that have not been restricted, committed or assigned to specific purposes within the general fund. When both restricted and unrestricted resources are available for use, it is the Town's Board of Aldermen's policy to use restricted resources first, then unrestricted resources (committed, assigned and unassigned) as they are needed. When unrestricted resources (committed, assigned and unassigned) are available for use it is the Town's Board of Aldermen's policy to use committed resources first, then assigned, and then unassigned as they are needed.

Sales Tax Revenues

Sales tax revenues are derived from the following sales taxes:

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2018, property taxes levied were 5.82 mills for general purposes and 4.16 mills for street improvement.

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

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

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

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

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

NOTE 2 – CASH AND CASH EQUIVALENTS

At December 31, 2018, cash and cash equivalents consisted of the following:

	Carrying Amount	Bank Balance
Demand deposits	$ 2,216,759	$ 2,281,512
Money market	1,055,960	1,025,402
	$ 3,272,719	$ 3,306,914

Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be recovered. The Town does not have a deposit policy for custodial credit risk. As of December 31, 2018, the Town's bank balance was not exposed to custodial risk. $250,000 of the Town's bank balance was secured by federal deposit insurance, while the remaining $2,031,512 was secured by pledged securities owned by the fiscal agent bank.

Under state law, deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities, plus the federal deposit insurance, must at all times equal the amount on deposit with the fiscal agent. The custodial bank must advertise and sell the pledged securities within 10 days of being notified that the fiscal agent has failed to pay deposited funds upon demand.

NOTE 3 – ACCOUNTS RECEIVABLE

Net receivables of governmental funds at December 31, 2018, were as follows:

	General Fund	Police Fund	Street Fund	Storm Fund	Total
Ad valorem taxes	$ 185,986	$ -	$ 134,679	$ -	$ 320,665
Sales taxes	-	106,223	131,104	-	237,327
Franchise taxes	52,762	-	-	-	52,762
Grants	-	-	-	43,521	43,521
Gross receivables	238,748	106,223	265,783	43,521	654,275
Less allowances	5,039	-	3,604	-	8,643
Total	$ 233,709	$ 106,223	$ 262,179	$ 43,521	$ 645,632

NOTE 4 – CAPITAL ASSETS

The following is a summary of the changes in capital assets for the year ended December 31, 2018:

Governmental Activities	Balance December 31, 2017 (As Restated)	Additions	Deletions	Balance December 31, 2018
Capital Assets Not Depreciated:				
Land	$ 104,377	$ -	$ -	$ 104,377
Construction in process	-	-	-	-
Total Capital Assets Not Depreciated	104,377	-	-	104,377
Capital Assets Being Depreciated:				
Infrastructure	827,406	-	-	827,406
Buildings and equipment	365,411	-	-	365,411
Machinery and equipment	1,078,612	15,374	(7,343)	1,086,643
Furniture, fixtures and office equipment	46,534	-	-	46,534
Vehicles	772,538	12,580	-	785,118
Total Capital Assets Being Depreciated	3,090,501	27,954	(7,343)	3,111,112
Less Accumulated Depreciation for:				
Infrastructure	(267,302)	(30,318)	-	(297,620)
Buildings and improvements	(238,944)	(6,820)	-	(245,764)
Machinery and equipment	(531,396)	(31,986)	7,343	(556,039)
Furniture, fixtures and office equipment	(46,534)	-	-	(46,534)
Vehicles	(426,609)	(98,519)	-	(525,128)
Total Accumulated Depreciation	(1,510,785)	(167,643)	7,343	(1,671,085)
Total Capital Assets Being Depreciated, net	1,579,716	(139,689)	-	1,440,027
Total	$ 1,684,093	$(139,689)	$ -	$ 1,544,404

Depreciation was charged to governmental functions as follows:

General government	$ 103,657
Public works	40,232
Public safety	21,461
Recreation	2,293
Total	$ 167,643

NOTE 4 – CAPITAL ASSETS (Continued)

Business-Type Activities	Balance December 31, 2017 (As Restated)	Increases	Decreases	Balance December 31, 2018
Capital Assets Not Depreciated:				
Land	$ 68,609	$ -	$ -	$ 68,609
Construction in progress	72,329	1,183,782	-	1,256,111
Total Capital Assets Not Depreciated	140,938	-	-	1,324,720
Capital Assets Being Depreciated:				
Water system and equipment	7,563,559	9,798	-	7,573,357
Sewer system and equipment	4,715,095	-	-	4,715,095
Machinery and equipment	269,724	39,530	-	309,254
Total Capital Assets Being Depreciated	12,548,378	49,328	-	12,597,706
Less Accumulated Depreciation for:				
Water system and equipment	(2,310,495)	(209,328)	-	(2,519,824)
Sewer system and equipment	(3,898,160)	(158,279)	-	(4,056,439)
Machinery and equipment	(227,522)	(13,377)	-	(240,899)
Total Accumulated Depreciation	(6,436,178)	(380,984)	-	(6,817,162)
Total Capital Assets Being Depreciated, net	6,112,200	(331,656)	-	5,780,544
Total	$ 6,253,138	$ 852,126	$ -	$ 7,105,264

NOTE 5 – DEFERRED COMPENSATION

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

Employees may contribute to the Plan up to the maximum amount allowed by the Internal Revenue Code.

Plan expenses (including the Town's contributions) were $67,111 for the year ended December 31, 2018. 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.

NOTE 6 – LONG TERM LIABILITIES

The following is a summary of long-term debt transactions of the Town for the year ended December 31, 2018:

	Taxable Sales Tax Bonds, Series 2017	Sales Tax Bonds, Series 2012
Bonds and certificates		
at January 1, 2018 (as restated)	$ 97,840	$ 1,063,000
Loan draw downs	1,182,657	-
Bond and certificate payments	-	(55,000)
Bonds and certificates		
at December 31, 2018	1,280,497	1,008,000
Amount due within one year	$ 137,000	$ 57,000

During the year ended December 31, 2012, the Town issued $1,800,000 of Sales Tax Bonds. These bonds are a revolving loan fund payable to the Louisiana Department of Health and Hospitals with semi-annual principal payments, interest payable at 2.95%, and an administrative fee of .50% maturing on March 1, 2032, secured by the Town's one-quarter percent (1/4%) sales and use tax for the Sewer Fund.

During the year ended December 31, 2017, the Town issued $2,000,000 of Taxable Sales Tax Bonds. These bonds are a revolving loan fund payable to the Louisiana Department of Environmental Quality with semi-annual principal payments, interest payable at .45%, and an administrative fee of .50% maturing on March 1, 2038, 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 bond amount to $3,000,000.

The Town has pledged future water and sewer sales tax revenues to repay the $1.8 million and $3 million in water and sewer system revenue bonds issued in December 2012 and 2017, respectively. Proceeds from the bonds provided financing for the construction and extension to the water and sewer plant. The bonds are payable solely from water and sewer customer net sales tax revenues and are payable through 2032 and 2038, respectively. The total principal and interest remaining to be paid on the bonds is $1,008,000 and $1,280,497, respectively. Principal and interest paid for the current year and the total sales tax revenues were $86,935 and $165,705, respectively.

NOTE 6 – LONG TERM LIABILITIES (Continued)

The future debt service requirements are as follows:

	Taxable Sales Tax Bonds, Series 2017		Sales Tax Bonds, Series 2012	
For the Year Ending December 31	**Principal**	**Interest**	**Principal**	**Interest**
2019	$ 137,000	$ 5,454	$ 57,000	$ 28,895
2020	138,000	4,835	59,000	27,184
2021	140,000	4,210	61,000	25,414
2022	141,000	3,577	63,000	23,585
2023	142,000	2,941	66,000	21,683
2024 – 2028	582,497	5,268	364,000	77,438
2029 – 2032	-	-	338,000	20,385
Total	$ 1,280,497	$ 26,285	$ 1,008,000	$ 224,584

NOTE 7 – CAPITAL LEASE

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

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2018, were as follows:

For the Year Ending December 31	Governmental Activities
2019	$ 32,615
Total minimum lease payments	32,615
Less: Amount representing interest	(1,832)
Present value of minimum lease payments	$ 30,783

NOTE 8 – INTERFUND BALANCES

Due to/from other funds at December 31, 2018, was as follows:

Fund	Interfund Receivables	Interfund Payables
General fund	$ -	$ 24,826
Special revenue funds		
Police	109,430	-
Street	4,242	100,226
Storm	-	-
Proprietary funds		
Sewer	11,134	-
Water	246	-
Total	$ 125,052	$ 125,052

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

NOTE 9 – INTERFUND TRANSFERS

Operating transfers between funds occur in the normal course of business and were as follows, during the year ended December 31, 2018:

	Transfer In:				
	General Fund	Police Fund	Water Fund	Sewer Fund	Total
Transfer Out:					
General Fund	$ -	$ 404,779	$ 560	$ 247	$ 405,586
Police Fund	-	-	-	-	-
Street Fund	12,023	2,565	-	-	14,588
Storm Fund	-	-	-	-	-
Sewer Fund	-	-	-	-	-
Water Fund	-	-	-	57,043	57,043
Total	$ 12,023	$ 407,344	$ 560	$ 57,290	

NOTE 10 – RETIREMENT PLAN

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

<u>General Information about the Pension Plan</u>

Plan Descriptions/Benefits Provided

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

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

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

NOTE 10 – RETIREMENT PLAN (Continued)

Survivor Benefits

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

Deferred Retirement Option Plan benefits (DROP)

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

NOTE 10 – RETIREMENT PLAN (Continued)

percentage return of the system's investment portfolio. For those eligible to enter DROP subsequent to January 1, 2004, an irrevocable election is made to earn interest based on the system's investment portfolio return or a money market investment return, which could result in a negative earnings rate being applied to the account.

Initial Benefit Option Plan

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

NOTE 10 – RETIREMENT PLAN (Continued)

Cost of Living Adjustments

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

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

At December 31, 2018, the Town does not have a liability for its proportionate share of the Net Pension Liability (NPL) of the Police System as there are no active participants.

For the year ended December 31, 2018, the Town recognized a total pension benefit of $32,241. The amount is made up of the following:

Components of Pension Expense (Benefit)	
Town's pension benefit per the pension plan	$ (39,686)
Town's amortization of actual contributions over its proportionate share of contributions	7,445
Total pension expense (benefit) recognized by Town	$ (32,241)

At December 31, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion to NPL	$ -	$ 18,784
Total	$ -	$ 18,784

NOTE 10 – RETIREMENT PLAN (Continued)

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

For the Year Ending December 31,	Amount of Amortization
2019	$ (18,784)

Pension Plan Fiduciary Net Position

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

NOTE 11 – RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended December 31, 2018, the Town carried insurance through various commercial carriers to cover all risks of loss, except for the risk of loss of assets relating to certain vehicles and equipment. The Town has no settled claims resulting from these risks that exceeded its commercial coverage in any of the past three fiscal years.

NOTE 12 – COMMITMENTS AND CONTINGENCIES

At December 31, 2018, the Town was a defendant in various lawsuits principally arising from the normal course of operations. In the opinion of management after consultation with legal counsel, the ultimate effect of these legal matters will not have a material adverse effect on the Town's financial position. One of the potential claims against the Town has a reasonable possibility of an unfavorable outcome, with a potential loss estimated between $0 and $500,000. Management believes that this claim, if asserted, would be settled within the limits of insurance coverage.

NOTE 13 – TAX ABATEMENTS

St. Tammany Parish (the Parish) negotiates property tax abatement agreements on the Town's behalf on an individual basis. Each agreement was negotiated for a variety of economic development purposes, including business relocation, retention, and expansion. The Town has tax abatement agreements with the following entities as of December 31, 2018:

- A wholesale grocer distribution center, through a PILOT agreement negotiated with the St. Tammany Parish Development District, has property assessed at $20,611,055 with exempt taxes of $490,627. The abatement expires on February 1, 2032. The PILOT program abates up to twenty years, local property taxes on the wholesale grocer distribution center's new investment and annual capitalized additions related to the development of the distribution facility.

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

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

NOTE 14 – SUBSEQUENT EVENTS

Subsequent events and transactions have been evaluated for potential recognition or disclosure through August 6, 2019, the date the financial statements were available to be issued, and determined that no events occurred that required disclosure.

NOTE 15 – PRIOR PERIOD ADJUSTMENT

During the year ended December 31, 2018, the Town corrected errors related to recording of capital assets and related depreciation expense and unrecorded sales tax bonds issued in prior year. These errors consisted of the following:

	Governmental Activities	Business-Type Activities (Sewer Fund)
Prior period adjustment – Capital assets, net:		
Capital Assets	$ (19,235)	$ 43,988
Accumulated depreciation	182,746	(117,319)
Effect on Net Position	163,511	(73,331)
Prior period adjustment – Sales tax bonds and related issuance costs:		
Sales tax bonds		(97,840)
Cash		71,490
Bond issuance costs		26,350
Effect on Net Position		(26,350)
Total prior period adjustments	$ 163,511	$ (99,681)

The correction of the errors had the following impact on the governmental activities and business-type activities ending net position at December 31, 2017:

	Governmental Activities	Business-Type Activities
Net position – December 31, 2017	$ 4,168,747	$ 5,797,492
Prior period adjustment:		
Capital Assets, net	163,511	(73,331)
Sales tax bonds and related issuance costs	-	(26,350)
Total prior period adjustments	163,511	(99,681)
Net position – December 31, 2017, as restated	$ 4,332,258	$ 5,697,811

NOTE 15 – PRIOR PERIOD ADJUSTMENT (Continued)

The correction of errors had the following impact on the Sewer Fund's net position at December 31, 2017:

		Sewer Fund
Net Position – December 31, 2017	$	5,797,492
Prior period adjustment:		
Capital Assets, net		(77,731)
Sales tax bonds and related issuance costs		(26,350)
Total prior period adjustment		(99,681)
Net position – December 31, 2017, as restated	$	5,697,811

Required Supplementary Information

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual
General Fund

For the year ended December 31,				**2018**
	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
Revenues				
Taxes				
Ad valorem tax	$ 170,000	$ 187,651	$ 187,651	$ -
Franchise	175,000	166,185	218,947	52,762
Fines and forefitures	400,000	441,497	430,559	(10,938)
Licenses and permits	121,127	134,320	137,015	2,695
Insurance licenses	110,000	108,997	112,397	3,400
Other revenues	12,422	11,936	11,941	5
Interest income	3,167	3,329	3,369	40
Total Revenues	991,716	1,053,915	1,101,879	47,964
Expenditures				
General government	724,777	640,767	657,127	(16,360)
Recreation	10,000	4,344	4,344	-
Capital outlay	7,500	4,000	4,000	-
Total Expenditures	742,277	649,111	665,471	(16,360)
Other Financing Sources (Uses)				
Transfers in	170,561	12,023	12,023	-
Transfers out	(420,000)	(416,827)	(405,586)	11,241
Total Other Financing Sources	(249,439)	(404,804)	(393,563)	11,241
Net Change in Fund Balance	-	-	42,845	42,845
Fund balance, beginning of year	1,746,626	1,746,626	1,749,142	2,516
Fund balance, end of year	$ 1,746,626	$ 1,746,626	$ 1,791,987	$ 45,361

See independent auditors' report.

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual
Police Fund

For the year ended December 31,				**2018**
	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
Revenues				
Sales taxes	$ 610,000	$ 647,896	$ 643,993	$ (3,903)
Grants and reimbursements	104,869	126,100	122,281	(3,819)
Other revenues	4,500	4,920	4,920	-
Interest income	-	236	236	-
Total Revenues	719,369	779,152	771,430	(7,722)
Expenditures				
Public safety	1,130,869	1,093,235	1,091,153	2,082
Capital outlay	8,500	8,580	8,580	-
Total Expenditures	1,139,369	1,101,815	1,099,733	2,082
Other Financing Sources				
Transfers In	420,000	407,343	407,344	1
Transfers out	-	(84,680)	-	84,680
Total Other Financing Sources	420,000	322,663	407,344	84,681
Net Change in Fund Balance	-	-	79,041	79,041
Fund balance, beginning of year	414,507	414,507	414,507	-
Fund balance, end of year	$ 414,507	$ 414,507	$ 493,548	$ 79,041

See independent auditors' report.

For the year ended December 31,				**2018**
	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
Revenues				
Sales taxes	$ 740,000	$ 807,263	$ 782,840	$ (24,423)
Property taxes	125,000	134,794	134,794	-
Grants	3,150	3,150	3,150	-
Other revenue	-	16	16	-
Interest income	500	574	574	-
Total Revenues	868,650	945,797	921,374	(24,423)
Expenditures				
Public works	858,650	702,326	713,829	(11,503)
Capital outlay	10,000	8,764	15,374	(6,610)
Total Expenditures	868,650	711,090	729,203	(18,113)
Other Financing Sources (Uses)				
Transfers out	-	(99,913)	(14,588)	85,325
Proceeds from sale of equipment	-	-	3,500	3,500
Total Other Financing Sources (Uses)	-	(99,913)	(11,088)	85,325
Net Change in Fund Balance	-	134,794	181,083	42,789
Fund balance, beginning of year	502,223	502,223	502,223	-
Fund balance, end of year	$ 502,223	$ 637,017	$ 683,306	$ 42,789

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

The Police System	**2018**	**2017**	**2016**	**2015**
Town of Pearl River's proportion of the net pension liability (%)	0.000000%	0.000000%	0.000000%	0.010094%
Town of Pearl River's proportion of the net pension liability ($)	$ -	$ -	$ -	$ 79,076
Town of Pearl River's covered payroll ($)	$ -	$ -	$ -	$ -
Town of Pearl River's proportionate share of the net pension liability as a percentage of its covered payroll	0.00%	0.00%	0.00%	133.05%
Plan fiduciary net position as a percentage of the total pension liability	71.89%	70.08%	66.00%	70.73%

* The amounts presented for each year were determined as of June 30.

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

Schedule of Employer Contributions to Pension System

Last Four Years

The Police System	2018	2017	2016	2015
Contractually required contribution	$ -	$ -	$ -	$ 38,892
Contributions in relation to the contractually required contribution	-	-	-	38,892
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered payroll	$ -	$ -	$ -	$ -
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%

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

hŰKŜǊ Supplementary Information

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

For the year ended December 31,			**2018**
	Enterpirse Funds		**Total**
	Sewer Fund	**Water Fund**	**Proprietary Funds**
Administrative and General Expenses			
Salaries	$ 26,272	$ 15,903	**$ 42,175**
Office expense	14,268.00	9,029	**23,297**
Insurance	15,015	8,952	**23,967**
Workmen's compensation	8,566	3,395	**11,961**
Payroll taxes	4,354	2,980	**7,334**
Retirement	5,954	2,106	**8,060**
Education and training	1,424	168	**1,592**
Bank and NSF charges	642	907	**1,549**
Other	13,198	17,705	**30,903**
Total Administrative and General Expenses	$ 89,693	$ 61,145	**$ 150,838**
Sewer System Expenses			
Utilities	92,000	-	**92,000**
Salaries	76,861	-	**76,861**
Repairs and maintenance	44,659	-	**44,659**
Lab testing	3,700	-	**3,700**
Other	15,280	-	**15,280**
Total Sewer System Expenses	$ 232,500	$ -	**$ 232,500**
Water System Expenses			
Utilities	1,114	9,882	**10,996**
Salaries	-	32,922	**32,922**
Repairs and maintenance	2,061	24,507	**26,568**
Other	3,699	13,312	**17,011**
Total Water System Expenses	$ 6,874	$ 80,623	**$ 87,497**

Town of Pearl River, Louisiana
Schedule of Compensation Paid to the Members of the Board of Aldermen
For the Year Ended December 31, 2018

Board of Aldermen	Term of Office	Compensation
Bridgett Bennett 39267 Oak St. Pearl River, LA 70452 (985) 863-3602	December 31, 2019	$ 10,800
Lora Cutrer 39236 Oak St. Pearl River, LA 70452 (985) 290-6509	December 31, 2019	$ 10,800
David McGregor 65076 Hwy 41 Spur Pearl River, LA 70452 (985) 290-1910	December 31, 2019	$ 10,800
Virgil Phillips 39110 Craddock Ln. Pearl River, LA 70452 (985) 863-9495	December 31, 2019	$ 10,800
Kathryn Walsh 39208 Gum Street Pearl River, LA 70452 (985) 863-2254	December 31, 2019	$ 10,800

Schedule of Compensation, Benefits, and Other Payments to the Mayor
For the Year Ended December 31, 2018

Agency Head Name: David McQueen, Mayor

Purpose		**Amount**
Salary	$	53,146
Benefits - insurance		-
Benefits - retirement		5,314
Benefits - other		-
Car allowance		1,963
Vehicle provided by government		-
Per diem		-
Reimbursements		-
Travel		-
Registration fees		-
Conference travel		-
Continuing professional education fees		-
Housing		-
Unvouchered expenses		-
Special meals		-
Total	**$**	**60,423**

Reports Required By *Government Auditing Standards*

Carr, Riggs & Ingram, LLC
111 Veterans Memorial Blvd.
Suite 350
Metairie, Louisiana 70005

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Pearl River, Louisiana (the "Town"), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated August 6, 2019.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items **2018-001**, **2018-002**, and **2018-003** that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 **2018-004** and **2018-005**.

Town of Pearl River's Responses to Findings

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

Purpose of this Report

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

Carr, Riggs & Ingram, L.L.C

August 6, 2019

SECTION I - FINDINGS RELATED TO THE FINANCIAL STATEMENTS

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

Criteria: The Town should have systems of internal accounting controls which ensure the basic financial statements are presented in accordance with U.S. generally accepted accounting principles.

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

Cause: The Town changed town clerks during the year ended December 31, 2018. This turnover created a lack of communication between the Town and the contracted external accountant who assists in the preparation of the Town's financial statements. Additionally, proper and sufficient supporting documentation is not maintained for all transactions.

Effect: Financial statements required material adjustments and prior period adjustments identified in the audit process to ensure the financial statements were presented in accordance with U.S. generally accepted accounting principles.

Recommendation: Currently, the Town's bookkeeping is performed by a contracted external accountant. We recommend that the Town work with the contracted external accountant in ensuring effective communication so that financial statements will be materially correct.

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

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

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

SECTION I - FINDINGS RELATED TO THE FINANCIAL STATEMENTS (Continued)

Cause: Per observation and discussion with the contracted external accountant during the course of our audit, there is a review of monthly deposit reports for accuracy of data entry, but any unexplained variances on these reports are posted to fund balance. Additionally, there is no annual reconciliation of accounts receivable or revenues performed to ensure the accuracy, completeness, and classification of the balances. Without proper policies, procedures, and related internal controls in place, the Town's financial information may contain material misstatements.

Effect: Financial statements required material adjustments to accounts receivable and revenue accounts identified in the audit process to ensure the financial statements were presented in accordance with U.S. generally accepted accounting principles.

Recommendation: The Town should implement written policies for license and permit revenue and ticket revenue. This policy should detail who can accept payments, deposit funds, and who is responsible for reconciling revenue to cash received as well as tracking receivable balances.

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

2018-003 Material Weakness – Lack of Segregation of Duties

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

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

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

Effect: There is a lack of segregation of duties as no one at the Town reviews or verifies the work of the contracted accountant, which resulted in material adjustments identified during the course of the 2018 audit.

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

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

SECTION I - FINDINGS RELATED TO THE FINANCIAL STATEMENTS (Continued)

2018-004 Timely Submission to the Louisiana Legislative Auditor

Criteria:	Louisiana Revised Statute 24:513, requires local auditees to submit audit reports to the Louisiana Legislative Auditor (LLA) no later than six months after the local auditee's fiscal year end.
Condition:	Governmental agencies must follow Louisiana Revised Statutes.
Cause:	The Town did not submit their audit report to the LLA within six months of their year-end.
Effect:	The Town is not in compliance with Louisiana Revised Statutes 24:513.
Recommendation:	The Town should submit audit reports to the Louisiana Legislative Auditor no later than six months after the fiscal year end.
Response:	See Management's Corrective Action Plan for their response.

2018-005 Non-compliance with Public Bid Law

Criteria:	Per Louisiana Statute R.S. 38.2211, contracts by local governmental entities for purchases of materials and supplies with a value of more than $30,000, must be advertised and let for contract with the lowest responsible bidder.
Condition:	The Town purchased more than $30,000 of fuel during the year, and did not advertise or publicly bid the fuel purchases.
Cause:	The Town does not have adequate policies, procedures, and controls in place over the public bid law.
Effect:	The Town did not comply with the Louisiana Revised Statute R.S. 38.2211.
Recommendation:	The Town should adhere to Louisiana Public Bid Law for all applicable purchases.
Response:	See Management's Corrective Action Plan for their response.

SECTION II – MANAGEMENT LETTER

Not applicable.

SECTION III – OTHER MATTERS

The Louisiana Legislative Auditor presented a report dated August 7, 2019, on Act 774, Agreed-upon Procedures. There were multiple exceptions in the draft report. The Town is currently addressing these exceptions.

2017-001 Financial Statement Preparation

Condition: For the year ended December 31, 2017, material adjusting audit entries were necessary to correct account balances at year end.

Status: *Not Resolved – See current year finding 2018-001*

2017-002 Lack of Internal Controls Over Revenue

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

Status: *Partially Resolved – See current year finding 2018-002.*

2017-003 Failure to Adopt a Budget

Condition: For the year ended December 31, 2017, the City did not adopt a budget for one of the special revenue funds, the Storm Fund.

Status: *Resolved*

TOWN OF PEARL RIVER

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townhall@townofpearlriver.net

CLARENCE D. McQUEEN
MAYOR

Cheryl Schultheis
Town Clerk

TIMOTHY MATHISON
Town Attorney

MATHIEU E. DAIGLE
Town Magistrate
Assistant Town Attorney

BRENDA WICHTERICH
Deputy Clerk/Court Clerk

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

August 6, 2019

Via Certified Mail #70151660000065430822
and email

RE: Town Of Pearl River Response to CRI Audit

To Whom It May Concern,

The following represents the response of the Town of Pearl River to the independent auditors' report performed by CRI.

2018-001 – Financial Reporting

Corrective Action Plan: The Town will discuss this matter with its external CPA and make changes to ensure that financial statements are materially correct.

2018-002 – Lack of Internal Controls Over Revenue

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

2018-003 – Segregation of Duties

To the extent staff limitations allow, the Town shall implement proper policies to ensure that there is sufficient segregation of duties.

TOWN OF PEARL RIVER

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CLARENCE D. McQUEEN
MAYOR

Cheryl Schultheis
Town Clerk

TIMOTHY MATHISON
Town Attorney

MATHIEU E. DAIGLE
Town Magistrate
Assistant Town Attorney

BRENDA WICHTERICH
Deputy Clerk/Court Clerk

2018-004 – Timely Submission to the Louisiana Legislative Auditor

The Town will submit its audited report to the Louisiana Legislative Auditor as soon as possible. To the extent submission is within its control, the Town will submit its audited report within six months of the fiscal year end.

2018-005 – Compliance with Public Bid Law

The Town will adhere to the Louisiana Public Bid Law for all applicable purchases, including fuel.

Sincerely,

David McQueen

David McQueen, Mayor