

**TOWN OF PEARL RIVER,
LOUISIANA**

FINANCIAL STATEMENTS

DECEMBER 31, 2017



CRI CARR
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INGRAM

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Town of Pearl River, Louisiana
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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 and each major fund of the Town of Pearl River, Louisiana (the "Town"), as of and for the year ended December 31, 2017, 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 the 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 auditor considers 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, and each major fund of the Town as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information, the Schedule of Proportionate Share of Net Pension Liability, and the Schedule of Employer Contributions to the Pension System on pages 34-39 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 the 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 Governmental Accounting Standards Board 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 Fund, Schedule of Compensation Paid to the Members of the Board of Aldermen, and Schedule of Compensation, Benefits, and Other Payments to Agency Head are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Operating Expenses – Proprietary Fund, Schedule of Compensation Paid to the Members of the Board of Aldermen, and Schedule of Compensation, Benefits, and Other Payments to Agency Head 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 Fund, Schedule of Compensation Paid to the Members of the Board of Aldermen, and Schedule of Compensation, Benefits, and Other Payments to Agency Head 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 29, 2018, 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.

Caru, Riggs & Ingram, L.L.C.

June 29, 2018



Financial Statements

Town of Pearl River, Louisiana
Statement of Net Position

December 31,

2017

| | Governmental Activities | Business-Type Activities | Total |
|---|----------------------------|-----------------------------|---------------------|
| Assets | | | |
| Cash and cash equivalents | \$ 2,281,775 | \$ 397,004 | \$ 2,678,779 |
| Restricted cash | - | 76,806 | 76,806 |
| Receivables | | | |
| Water and sewer, net | - | 48,263 | 48,263 |
| Ad valorem taxes, net | 302,698 | - | 302,698 |
| Sales taxes | 232,734 | 29,092 | 261,826 |
| Grant | 97,645 | - | 97,645 |
| Other | 57,636 | - | 57,636 |
| Internal balances | (9,795) | 9,795 | - |
| Prepaid items | 58,411 | 1,293 | 59,704 |
| Capital assets, net | 1,520,582 | 6,326,467 | 7,847,049 |
| Total Assets | 4,541,686 | 6,888,720 | 11,430,406 |
| Deferred Outflows of Resources | | | |
| Deferred outflows - pension | 7,445 | - | 7,445 |
| Total Deferred Outflows of Resources | 7,445 | - | 7,445 |
| Liabilities | | | |
| Accounts payable | 221,311 | 9,610 | 230,921 |
| Accrued payroll | 35,373 | 4,611 | 39,984 |
| Accrued interest | 5,392 | 14,007 | 19,399 |
| Non-current liabilities | | | |
| Due within one year | 29,086 | 55,000 | 84,086 |
| Due in more than one year | 30,751 | 1,008,000 | 1,038,751 |
| Total Liabilities | 321,913 | 1,091,228 | 1,413,141 |
| Deferred Inflows of Resources | | | |
| Deferred inflows - pension | 58,471 | - | 58,471 |
| Total Deferred Inflows of Resources | 58,471 | - | 58,471 |
| Net Position | | | |
| Net investment in capital assets | 1,460,745 | 5,263,467 | 6,724,212 |
| Restricted | | | |
| Capital projects | 502,223 | - | 502,223 |
| Debt service | - | 76,806 | 76,806 |
| Maintenance and operations | 414,507 | - | 414,507 |
| Unrestricted | 1,791,272 | 457,219 | 2,248,491 |
| Total Net Position | \$ 4,168,747 | \$ 5,797,492 | \$ 9,966,239 |

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

2017

| Functions / Programs | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | Total |
|--------------------------------------|---------------------|-------------------------|--|--|--|-----------------------------|--------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-Type Activities | |
| Governmental activities | | | | | | | |
| General government | \$ 1,152,714 | \$ - | \$ - | \$ - | \$ (1,152,714) | \$ - | \$ (1,152,714) |
| Public safety | 1,162,914 | - | 59,853 | - | (1,103,061) | - | (1,103,061) |
| Public works | 903,211 | - | - | 3,150 | (900,061) | - | (900,061) |
| Recreation | 18,535 | - | - | - | (18,535) | - | (18,535) |
| Total governmental activities | 3,237,374 | - | 59,853 | 3,150 | (3,174,371) | - | (3,174,371) |
| Business-type activities | | | | | | | |
| Utilities | 921,380 | 494,903 | - | 261 | - | (426,216) | (426,216) |
| Interest on debt | 34,963 | - | - | - | - | (34,963) | (34,963) |
| Total business-type activities | 956,343 | 494,903 | - | 261 | - | (461,179) | (461,179) |
| Total | \$ 4,193,717 | \$ 494,903 | \$ 59,853 | \$ 3,411 | (3,174,371) | (461,179) | (3,635,550) |
| General revenues | | | | | | | |
| Taxes | | | | | | | |
| Sales taxes | | | | | 1,373,658 | 171,707 | 1,545,365 |
| Ad valorem taxes | | | | | 323,912 | - | 323,912 |
| Franchise taxes | | | | | 207,559 | - | 207,559 |
| Licenses and permits | | | | | 123,995 | - | 123,995 |
| Fines and forfeitures | | | | | 680,022 | - | 680,022 |
| Insurance licenses | | | | | 115,360 | - | 115,360 |
| Other miscellaneous revenue | | | | | 38,366 | - | 38,366 |
| Investment earnings | | | | | 7,161 | 244 | 7,405 |
| Transfers | | | | | (57,817) | 57,817 | - |
| Total general revenues and transfers | | | | | 2,812,216 | 229,768 | 3,041,984 |
| Change in net position | | | | | (362,155) | (231,411) | (593,566) |
| Net position, beginning of year | | | | | 4,530,902 | 6,028,903 | 10,559,805 |
| Net position, end of year | | | | | \$ 4,168,747 | \$ 5,797,492 | \$ 9,966,239 |

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

Town of Pearl River, Louisiana
Balance Sheet
Governmental Funds

December 31,

2017

| | General Fund | Special Revenue Funds | | | Total Governmental Funds |
|--|---------------------|-----------------------|-------------------|------------------|--------------------------------|
| | | Police Fund | Street Fund | Storm Fund | |
| Assets | | | | | |
| Cash and cash equivalents | \$ 1,748,034 | \$ 97,660 | \$ 435,178 | \$ 903 | \$ 2,281,775 |
| Receivables | | | | | |
| Ad valorem taxes, net | 174,906 | - | 127,792 | - | 302,698 |
| Sales taxes | - | 116,367 | 116,367 | - | 232,734 |
| Grant receivables | - | - | - | 97,645 | 97,645 |
| Other receivables | 57,636 | - | - | - | 57,636 |
| Due from other funds | - | 288,021 | 4,242 | - | 292,263 |
| Prepaid items | 24,635 | 27,817 | 5,959 | - | 58,411 |
| Total Assets | \$ 2,005,211 | \$ 529,865 | \$ 689,538 | \$ 98,548 | \$ 3,323,162 |
| Liabilities, Deferred Inflows of Resources, and Fund Balances | | | | | |
| Liabilities | | | | | |
| Accounts payable | \$ 29,883 | \$ 93,660 | \$ 97,768 | \$ - | \$ 221,311 |
| Accrued payroll | 4,658 | 21,698 | 9,017 | - | 35,373 |
| Due to other funds | 221,528 | - | 80,530 | - | 302,058 |
| Total Liabilities | 256,069 | 115,358 | 187,315 | - | 558,742 |
| Deferred Inflows of Resources | | | | | |
| Unavailable FEMA revenue | - | - | - | 97,645 | 97,645 |
| Total Deferred Inflows of Resources | - | - | - | 97,645 | 97,645 |
| Fund Balances | | | | | |
| Restricted | | | | | |
| Capital projects | - | - | 502,223 | - | 502,223 |
| Maintenance and operations | - | 414,507 | - | - | 414,507 |
| Unassigned | 1,749,142 | - | - | 903 | 1,750,045 |
| Total Fund Balances | 1,749,142 | 414,507 | 502,223 | 903 | 2,666,775 |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | \$ 2,005,211 | \$ 529,865 | \$ 689,538 | \$ 98,548 | \$ 3,323,162 |

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

Town of Pearl River, Louisiana
Reconciliation of the Governmental Funds
Balance Sheet to the Statement of Net Position

December 31,

2017

| | | |
|--|--------------------|--------------|
| Fund Balances - Total Governmental Funds | | \$ 2,666,775 |
| <p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p> <p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds</p> | | |
| Governmental capital assets | \$ 3,214,113 | |
| Less: accumulated depreciation | <u>(1,693,531)</u> | 1,520,582 |
| Deferred inflows of resources related to unavailable FEMA revenues | | 97,645 |
| Deferred outflows of resources related to the net pension liability | | 7,445 |
| Deferred inflows of resources related to the net pension liability | | (58,471) |
| <p>Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds</p> | | |
| Capital lease payable | | (59,837) |
| Accrued interest payable | | (5,392) |
| Net Position of Governmental Activities | | \$ 4,168,747 |

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

Town of Pearl River, Louisiana
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

For the year ended December 31,

2017

| | General Fund | Special Revenue Funds | | | Total Governmental Funds |
|--|---------------------|-----------------------|-------------------|----------------|--------------------------|
| | | Police Fund | Street Fund | Storm Fund | |
| Revenues | | | | | |
| Taxes | | | | | |
| Sales taxes | \$ - | \$ 686,829 | \$ 686,829 | \$ - | \$ 1,373,658 |
| Ad valorem taxes | 184,776 | - | 139,136 | - | 323,912 |
| Franchise taxes | 207,559 | - | - | - | 207,559 |
| Licenses and permits | 123,995 | - | - | - | 123,995 |
| Fines and forfeitures | 680,022 | - | - | - | 680,022 |
| Insurance licenses | 115,360 | - | - | - | 115,360 |
| Grants and reimbursements | - | 59,853 | 3,150 | - | 63,003 |
| Other revenues | 25,063 | 2,465 | 10,838 | - | 38,366 |
| Interest income | 6,750 | 96 | 315 | - | 7,161 |
| Total Revenues | 1,343,525 | 749,243 | 840,268 | - | 2,933,036 |
| Expenditures | | | | | |
| Current | | | | | |
| General government | 576,367 | - | - | 154,369 | 730,736 |
| Public safety | - | 1,082,434 | - | - | 1,082,434 |
| Public works | - | - | 824,568 | - | 824,568 |
| Recreation | 14,491 | - | - | - | 14,491 |
| Capital outlay | 38,308 | 224,226 | 76,698 | - | 339,232 |
| Debt service | | | | | |
| Principal | - | 27,422 | - | - | 27,422 |
| Total Expenditures | 629,166 | 1,334,082 | 901,266 | 154,369 | 3,018,883 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 714,359 | (584,839) | (60,998) | (154,369) | (85,847) |
| Other Financing Sources (Uses) | | | | | |
| Transfers in | 3,479 | 750,574 | - | 198,978 | 953,031 |
| Transfers out | (946,810) | - | (64,038) | - | (1,010,848) |
| Total Other Financing Sources (Uses) | (943,331) | 750,574 | (64,038) | 198,978 | (57,817) |
| Net Change in Fund Balances | (228,972) | 165,735 | (125,036) | 44,609 | (143,664) |
| Fund Balances, Beginning of Year | 1,978,114 | 248,772 | 627,259 | (43,706) | 2,810,439 |
| Fund Balances, End of Year | \$ 1,749,142 | \$ 414,507 | \$ 502,223 | \$ 903 | \$ 2,666,775 |

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

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

| <u>For the Year Ended December 31,</u> | <u>2017</u> |
|---|--------------------------|
| Changes in Fund Balances - Total Governmental Funds | \$ (143,664) |
| 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 asset | \$ 339,232 |
| Depreciation expense | <u>(165,099)</u> 174,133 |
| Decrease in net pension expense | 31,442 |
| Reduction in unavailable revenues previously recorded deemed to be uncollectible in the current year. | (417,010) |
| 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 | (7,056) |
| <u>Changes in Net Position of Governmental Activities</u> | <u>\$ (362,155)</u> |

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

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

| <i>December 31,</i> | 2017 |
|---|---------------------|
| ASSETS | |
| Current assets | |
| Cash and cash equivalents | \$ 397,004 |
| Certificates of Deposit | 76,806 |
| Receivables | |
| Water and sewer, net | 48,263 |
| Sales tax | 29,092 |
| Due from other funds | 9,795 |
| Prepaid items | 1,293 |
| Total current assets | 562,253 |
| Capital assets, net | 6,326,467 |
| Total Assets | \$ 6,888,720 |
| LIABILITIES | |
| Current liabilities | |
| Accounts payable | \$ 9,610 |
| Accrued payroll | 4,611 |
| Accrued interest payable | 14,007 |
| Revenue bonds | 55,000 |
| Total current liabilities | 83,228 |
| Long-term liabilities | |
| Sales tax bonds | 1,008,000 |
| Total Liabilities | \$ 1,091,228 |
| NET POSITION | |
| Net investment in capital assets | \$ 5,263,467 |
| Restricted for debt service | 76,806 |
| Unrestricted | 457,219 |
| Total Net Position | \$ 5,797,492 |
| Total Liabilities and Net Position | \$ 6,888,720 |

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 Fund

| <i>For the year ended December 31,</i> | 2017 |
|---|---------------------|
| Operating revenues | |
| Service fees | \$ 476,949 |
| Delinquent fees | 6,312 |
| Installation fees | 5,558 |
| Meter fees | 3,878 |
| Other | 2,206 |
| Total operating revenues | 494,903 |
| Operating expenses | |
| Depreciation | 381,681 |
| Sewer system | 296,603 |
| Water system | 123,812 |
| Administrative and general | 119,284 |
| Total operating expenses | 921,380 |
| Loss from operations | (426,477) |
| Nonoperating revenues (expenses) | |
| Sales tax revenue | 171,707 |
| Capital grants | 261 |
| Interest income | 244 |
| Interest expense | (34,963) |
| Total nonoperating revenues (expenses) | 137,249 |
| Net loss before transfers | (289,228) |
| Transfers in | 57,817 |
| Transfers out | - |
| Decrease in net position | (231,411) |
| Net position, beginning of year | 6,028,903 |
| Net Position, End of Year | \$ 5,797,492 |

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

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

| <i>For the year ended December 31,</i> | 2017 |
|--|--------------------|
| Cash Flows from Operating Activities | |
| Receipts from customers and users | \$ 491,796 |
| Payments to suppliers | (347,646) |
| Payments to employees and for benefits | (192,510) |
| Net cash used in operating activities | (48,360) |
| Cash Flows from Noncapital Financing Activities | |
| Cash received from sales tax | 172,736 |
| Interfund transfers and borrowing | 45,571 |
| Net cash provided by noncapital financing activities | 218,307 |
| Cash Flows from Capital and Related Financing Activities | |
| Principal paid on capital debt | (53,000) |
| Purchase of capital assets | (9,798) |
| Interest paid | (34,963) |
| Net cash used in capital and related financing activities | (97,761) |
| Cash Flows from Investing Activities | |
| Interest received | 244 |
| Net cash provided by investing activities | 244 |
| Net Increase in Cash and Cash Equivalents | 72,430 |
| Cash and Cash Equivalents - Beginning of Year | 401,380 |
| Cash and Cash Equivalents - End of Year | \$ 473,810 |
| Reconciliation of Loss from Operations to Net Cash Provided by (Used in) Operating Activities | |
| Loss from operations | \$ (426,477) |
| Adjustments to reconcile loss from operations to net cash provided by operations | |
| Depreciation | 381,681 |
| Changes in assets and liabilities: | |
| Accounts receivable | (3,107) |
| Accounts payable | 508 |
| Accrued payroll | (1,682) |
| Prepaid items | 717 |
| Net cash used in operating activities | \$ (48,360) |

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. 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)

Revenues for the police and street funds 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 Utility Fund where sewer operations are accounted for.

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

Proprietary Fund - The Town also reports a proprietary fund which is used to account for the water and 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements - The following Accounting Standards Update (ASU) recently issued and adopted by the GASB impacted the Town's financial statements:

In January 2017, the GASB issued Statement No. 84 – Fiduciary Activities. The requirements of this Statement will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. Greater consistency and comparability enhances the value provided by the information reported in financial statements for assessing government accountability and stewardship. This Statement is effective for financial statements for periods beginning after December 15, 2018. The Town is currently assessing the impact this Statement will have on its financial statements.

In June 2017, the GASB issued Statement No. 87 - Leases. This Statement will increase the usefulness of governments' financial statements by requiring reporting of certain lease liabilities that currently are not reported. It will enhance comparability of financial statements among governments by requiring lessees and lessors to report leases under a single model. This Statement also will enhance the decision-usefulness of the information provided to financial statement users by requiring notes to financial statements related to the timing, significance, and purpose of a government's leasing arrangements. This Statement is effective for financial statements for periods beginning after December 15, 2019. The Town is currently assessing the impact this Statement will have on its financial statements.

In April 2018, the GASB issued Statement No. 88 - Certain Disclosures Related to Debt. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. This Statement is effective for financial statements for periods beginning after June 15, 2018. The Town is currently assessing the impact this Statement 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. All annual appropriations lapse at fiscal year-end. 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. At the end of the fiscal year, unexpended appropriations of these funds automatically lapse. 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, 2017.

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

Short-term investments are stated at amortized cost, which approximates market. Certain investments, as required by GASB Statement No. 31, are reported at fair value, which is determined using published market prices.

Town of Pearl River, Louisiana
Notes to Financial Statements

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, 2017. 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. In accordance with GASB Statement No. 34, the Town is a Phase III government and, as such, is not required to capitalize its infrastructure retroactively. The Town has elected to record its infrastructure on a prospective basis. 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, 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 ordinance 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.

Deferred Outflows and Inflows of Resources and Pensions - In addition to assets, the statement of financial 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 has one item that meets this criterion – pension related deferrals.

In addition to liabilities, the statement of financial 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.

Town of Pearl River, Louisiana
Notes to Financial Statements

NOTE 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 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, 2017, cash and cash equivalents consisted of the following:

| | Carrying Amount | Bank Balance |
|-----------------|---------------------|---------------------|
| Demand deposits | \$ 1,732,819 | \$ 1,938,212 |
| Money market | 1,022,766 | 1,022,766 |
| | \$ 2,755,585 | \$ 2,960,978 |

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, 2017, 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 \$1,688,212 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, 2017, were as follows:

| | General Fund | Police Fund | Street Fund | Storm Fund | Total |
|-------------------|-------------------|-------------------|-------------------|------------------|-------------------|
| Ad valorem taxes | \$ 179,945 | \$ - | \$ 131,396 | \$ - | \$ 311,341 |
| Sales taxes | - | 116,367 | 116,367 | - | 232,734 |
| Grants | - | - | - | 97,645 | 97,645 |
| Other receivables | 57,636 | - | - | - | 57,636 |
| Gross receivables | 237,581 | 116,367 | 247,763 | 97,645 | 699,356 |
| Less allowances | 5,039 | - | 3,604 | - | 8,643 |
| Total | \$ 232,542 | \$ 116,367 | \$ 244,159 | \$ 97,645 | \$ 690,713 |

Town of Pearl River, Louisiana
Notes to Financial Statements

NOTE 4 – AD VALOREM

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, 2017, property taxes levied were 5.79 mills for general purposes and 4.19 mills for street improvement.

NOTE 5 – CAPITAL ASSETS

The following is a summary of the changes in capital assets for the year ended December 31, 2017:

| Governmental Activities | Balance December 31, 2016 | Additions | Deletions | Balance December 31, 2017 |
|--|--|-------------------|------------------|--|
| 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 | 950,893 | - | - | 950,893 |
| Buildings and equipment | 365,415 | - | - | 365,415 |
| Machinery and equipment | 799,254 | 76,698 | - | 875,952 |
| Furniture, fixtures and office equipment | 48,836 | 2,876 | - | 51,712 |
| Vehicles | 606,106 | 259,658 | - | 865,764 |
| Total Capital Assets Being Depreciated | 2,770,504 | 339,232 | - | 3,109,736 |
| Less Accumulated Depreciation for: | | | | |
| Infrastructure | (244,843) | (30,318) | - | (275,161) |
| Buildings and improvements | (237,641) | (6,820) | - | (244,461) |
| Machinery and equipment | (658,805) | (33,671) | - | (692,476) |
| Furniture, fixtures and office equipment | (48,863) | - | - | (48,863) |
| Vehicles | (338,280) | (94,290) | - | (432,570) |
| Total Accumulated Depreciation | (1,528,432) | (165,099) | - | (1,693,531) |
| Total Capital Assets Being Depreciated, net | 1,242,072 | 174,133 | - | 1,416,205 |
| Total | \$ 1,346,449 | \$ 174,133 | \$ - | \$ 1,520,582 |

Town of Pearl River, Louisiana
Notes to Financial Statements

NOTE 5 – CAPITAL ASSETS (Continued)

Depreciation was charged to governmental functions as follows:

| | |
|--------------------|-------------------|
| General government | \$ 91,464 |
| Public works | 38,844 |
| Public safety | 30,747 |
| Recreation | 4,044 |
| Total | \$ 165,099 |

| Business-Type Activities | Balance December 31, 2016 | Increases | Decreases | Balance December 31, 2017 |
|--|--|------------------|------------------|--|
| Capital Assets Not Depreciated: | | | | |
| Land | \$ 68,609 | \$ - | \$ - | \$ 68,609 |
| Construction in progress | 72,329 | - | - | 72,329 |
| Total Capital Assets Not Depreciated | 140,938 | - | - | 140,938 |
| Capital Assets Being Depreciated: | | | | |
| Water system and equipment | 7,455,341 | - | - | 7,455,341 |
| Sewer system and equipment | 4,797,497 | - | - | 4,797,497 |
| Machinery and equipment | 241,752 | 9,800 | - | 251,552 |
| Total Capital Assets Being Depreciated | 12,494,590 | 9,800 | - | 12,504,390 |
| Less Accumulated Depreciation for: | | | | |
| Water system and equipment | (1,929,377) | (210,129) | - | (2,139,506) |
| Sewer system and equipment | (3,796,205) | (158,279) | - | (3,954,484) |
| Machinery and equipment | (211,596) | (13,275) | - | (224,871) |
| Total Accumulated Depreciation | (5,937,178) | (381,683) | - | (6,318,861) |
| Total Capital Assets Being Depreciated, net | 6,557,412 | (371,883) | - | 6,185,529 |
| Total | \$ 6,698,350 | (371,883) | - | \$ 6,326,467 |

NOTE 6 – 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 5% of the non-police employee's contributions and

Town of Pearl River, Louisiana
Notes to Financial Statements

NOTE 6 – DEFERRED COMPENSATION (Continued)

up to 10% of police 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 \$31,442 for the year ended December 31, 2017. 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 7 – LONG TERM LIABILITIES

The following is a summary of long-term debt transactions of the Town for the year ended December 31, 2017:

| | Sales Tax Bonds |
|--|------------------------|
| Bonds and certificates at January 1, 2017 | \$ 1,116,000 |
| Bond and certificate payments | (53,000) |
| Bonds and certificates at December 31, 2017 | 1,063,000 |
| Amount due within one year | \$ 55,000 |

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 Environmental Protection Agency with semi-annual principal payments, interest payable at 2.95%, and an administrative fee of .50% maturing on March 1, 2032, secured by the revenues of the proprietary fund.

The future debt service requirements are as follows:

| | Sales Tax Bonds | |
|--|------------------------|-------------------|
| For the Year Ending December 31 | Principal | Interest |
| 2018 | \$ 55,000 | \$ 30,547 |
| 2019 | 57,000 | 28,895 |
| 2020 | 59,000 | 27,184 |
| 2021 | 61,000 | 25,414 |
| 2022 | 63,000 | 23,585 |
| 2023 – 2027 | 352,000 | 87,999 |
| 2028 – 2032 | 416,000 | 31,506 |
| Total | \$ 1,063,000 | \$ 255,131 |

Town of Pearl River, Louisiana
Notes to Financial Statements

NOTE 8 – 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, 2017, were as follows:

| For the Year Ending December 31 | Governmental Activities |
|--|------------------------------------|
| 2018 | \$ 32,614 |
| 2019 | 32,615 |
| Total minimum lease payments | 65,229 |
| Less: Amount representing interest | (5,392) |
| Present value of minimum lease payments | \$ 59,837 |

NOTE 9 – INTERFUND BALANCES

Due to/from other funds at December 31, 2017, was as follows:

| Fund | Interfund Receivables | Interfund Payables |
|-----------------------|----------------------------------|-------------------------------|
| General fund | \$ - | \$ 221,528 |
| Special revenue funds | | |
| Police | 288,021 | - |
| Street | 4,242 | 80,530 |
| Storm | - | - |
| Water and Sewer fund | 9,795 | - |
| Total | \$ 302,058 | \$ 302,058 |

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

Town of Pearl River, Louisiana
Notes to Financial Statements

NOTE 10 – INTERFUND TRANSFERS

Operating transfers between funds occur in the normal course of business and were as follows, during the year ended December 31, 2017:

| | Transfer In: | | | | | Total |
|----------------------|-----------------|-------------------|-------------|-------------------|------------------|------------|
| | General Fund | Police Fund | Street Fund | Storm Fund | Proprietary Fund | |
| Transfer Out: | | | | | | |
| General Fund | \$ - | \$ 702,127 | \$ - | \$ 198,978 | \$ 45,705 | \$ 946,810 |
| Police Fund | - | - | - | - | - | - |
| Street Fund | 3,479 | 48,447 | - | - | 12,112 | 64,038 |
| Storm Fund | - | - | - | - | - | - |
| Proprietary Fund | - | - | - | - | - | - |
| Total | \$ 3,479 | \$ 750,574 | \$ - | \$ 198,978 | \$ 57,817 | |

NOTE 11 – 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.

Pertinent information relative to the plan follows:

General Information about the Pension Plan

Plan Descriptions/Benefits Provided

The Police System administers a plan to provide retirement benefits to employees of all full-time police officers employed by a municipality in the State of Louisiana and engaged in law enforcement, empowered to make arrests, providing he or she does not have to pay social security and providing he 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

NOTE 11 – RETIREMENT PLAN (Continued)

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.

Survivor Benefits

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

Deferred Retirement Option Plan benefits (DROP)

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

NOTE 11 – RETIREMENT PLAN (Continued)

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.

Cost of Living Adjustments

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

Contributions

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 year ended June 30, 2016, the total actual employer and employee contribution rate was 39.5%. For employees hired prior to January 1, 2013 and for Hazardous Duty members hired after January 1, 2013, the rates were 29.5% for the employer and 10.00% for the employee. For all Non-Hazardous Duty members hired subsequent to January 1, 2013, the rates were 31.5% for the employer and 8.0% for the employee.

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 32.0% and 7.5%, respectively.

In accordance with state statutes, the Police 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

NOTE 11 – RETIREMENT PLAN (Continued)

entities, but are not considered special funding situations. Non-employer contributions are recognized as revenue by the Police System and are excluded from pension expense for the year. Contributions to the pension plan from the Town were \$18,722 for the year ended December 31, 2016.

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

At December 31, 2017, the Town does not have a liability for its proportionate share of the Net Pension Liability (NPL) of the Police System. The NPL for the system was measured as of June 30, 2017, and the total pension liability used to calculate the NPL was determined based on an actuarial valuation as of that date. 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. As of June 30, 2017, the most recent measurement date, the Town’s proportionate share for the system was:

| | |
|-------------------------------------|-------|
| Town’s proportionate share | 0.00% |
| Increase (decrease) from prior year | 0.00% |

For the year ended December 31, 2017, the Town recognized a total pension benefit of \$31,442. The amount is made up of the following:

Components of Pension Expense (Benefit)

| | |
|---|--------------------|
| Town’s pension benefit per the pension plan | \$ (38,887) |
| Town’s amortization of its change in proportionate share | (7,445) |
| Town’s amortization of actual contributions over its proportionate share of contributions | 14,890 |
| Total pension expense (benefit) recognized by Town | \$ (31,442) |

At December 31, 2017, 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 | \$ 7,445 | \$ 58,471 |
| Total | \$ 7,445 | \$ 58,471 |

There were no contributions subsequent to the measurement date (June 30, 2017); therefore, there are no related deferred outflows of resources.

Town of Pearl River, Louisiana
Notes to Financial Statements

NOTE 11 – 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 |
|-------------------------------------|------------------------|
| 2018 | \$ (32,242) |
| 2019 | (18,784) |

Actuarial Assumptions

A summary of the actuarial methods and assumptions used in determining the total pension liability as of June 30, 2017 are as follows:

| | |
|----------------------------------|---|
| Valuation date | June 30, 2017 |
| Actuarial cost method | Entry age normal cost |
| Expected remaining service lives | 4 years |
| Investment rate of return | 7.325% net of investment expense |
| Inflation rate | 2.875% per annum |
| Salary increases | Vary from 9.75% in the first two years of service, to 4.75% for years 3-23, to 4.25% after 23 years |
| Cost of Living adjustments | Only those previously granted |

The mortality rate assumption used was set based upon an experience study performed by the prior actuary on plan data for the period July 1, 2009 through June 30, 2014 and review of similar law enforcement mortality. The data was then assigned credibility weighting and combined with a standard table to produce current levels of mortality. This mortality was then projected forward to a period equivalent to the estimated duration of the Police System's liabilities. Annuity values calculated based on this mortality were compared to those produced by using a set-back of standard tables. The result of the procedure indicated that the tables used would produce liability values approximating the appropriate generational mortality tables.

NOTE 11 – RETIREMENT PLAN (Continued)

The estimated 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 the target asset allocation percentage and by adding expected inflation. The long term expected nominal rate of return was 8.19% as of June 30, 2017.

Best estimates of real rates of return for each major asset class included in the Police System's target asset allocation as of June 30, 2017 are summarized in the following table:

| Asset Class | Target Asset Allocation | Long-Term Expected Portfolio Real Rate of Return |
|------------------------------------|-------------------------|--|
| Equity | 53% | 3.66% |
| Fixed income | 21% | 0.52% |
| Alternatives | 20% | 1.10% |
| Other | 6% | 0.16% |
| Totals | 100% | 5.44% |
| Inflation | | 2.75% |
| Expected Arithmetic Nominal Return | | 8.19% |

Discount Rate

The discount rate used to measure the total pension liability for the Police System was 7.325%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made at the actuarially determined rates approved by PRSAC taking into consideration the recommendation of each of the Police System's actuaries. Based on those assumptions, the Police System'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.

NOTE 11 – RETIREMENT PLAN (Continued)

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, 2017, the Town did not have any revenue as a result of support received from non-employer contributing entities.

Pension Plan Fiduciary Net Position

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

NOTE 12 – 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, 2017, 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 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, 2017:

- 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.

NOTE 13 – TAX ABATEMENTS (Continued)

- 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 \$211,951. 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 June 29, 2018, the date the financial statements were available to be issued, and determined that no events occurred that required disclosure.



**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,

2017

| | Original Budget | Final Budget | Actual Amounts | Variance with Final Budget Favorable (Unfavorable) |
|---------------------------------------|--------------------|------------------|-------------------|---|
| Revenues | | | | |
| Taxes | | | | |
| Ad valorem tax | \$ 159,500 | \$ 159,500 | \$ 184,776 | \$ 25,276 |
| Franchise | 175,000 | 175,000 | 207,559 | 32,559 |
| Fines and forfeitures | 625,000 | 625,000 | 666,607 | 41,607 |
| Licenses and permits | 134,050 | 117,850 | 137,410 | 19,560 |
| Insurance licenses | 114,904 | 116,000 | 115,360 | (640) |
| Other revenues | 23,975 | 24,475 | 25,063 | 588 |
| Interest income | 13,000 | 13,200 | 6,750 | (6,450) |
| Total Revenues | 1,245,429 | 1,231,025 | 1,343,525 | 112,500 |
| Expenditures | | | | |
| General government | 739,724 | 760,030 | 576,367 | 183,663 |
| Recreation | 25,000 | 25,000 | 14,491 | 10,509 |
| Capital outlay | 25,000 | 25,000 | 38,308 | (13,308) |
| Total Expenditures | 789,724 | 810,030 | 629,166 | 180,864 |
| Other Financing Sources (Uses) | | | | |
| Transfers in | 650,000 | 650,000 | 3,479 | (646,521) |
| Transfers out | (1,105,705) | (1,070,995) | (946,810) | 124,185 |
| Total Other Financing Sources | (455,705) | (420,995) | (943,331) | (522,336) |
| Net Change in Fund Balance | - | - | (228,972) | (228,972) |
| Fund balance, beginning of year | 1,978,114 | 1,978,114 | 1,978,114 | - |
| Fund balance, end of year | \$ 1,978,114 | \$ 1,978,114 | \$ 1,749,142 | \$ (228,972) |

See independent auditors' 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,

2017

| | Original Budget | Final Budget | Actual Amounts | Variance with Final Budget Favorable (Unfavorable) |
|--------------------------------------|--------------------|-------------------|-------------------|---|
| Revenues | | | | |
| Sales taxes | \$ 534,132 | \$ 534,132 | \$ 686,829 | \$ 152,697 |
| Grants and reimbursements | 75,000 | 75,000 | 59,853 | (15,147) |
| Other revenues | 10,000 | 10,000 | 2,465 | (7,535) |
| Interest income | - | - | 96 | 96 |
| Total Revenues | 619,132 | 619,132 | 749,243 | 130,111 |
| Expenditures | | | | |
| Public safety | 1,160,900 | 1,156,200 | 1,109,856 | 46,344 |
| Capital outlay | 163,732 | 168,432 | 224,226 | (55,794) |
| Total Expenditures | 1,324,632 | 1,324,632 | 1,334,082 | (9,450) |
| Other Financing Sources | | | | |
| Transfers In | 705,500 | 705,500 | 750,574 | 45,074 |
| Total Other Financing Sources | 705,500 | 705,500 | 750,574 | 45,074 |
| Net Change in Fund Balance | - | - | 165,735 | 165,735 |
| Fund balance, beginning of year | 248,772 | 248,772 | 248,772 | - |
| Fund balance, end of year | \$ 248,772 | \$ 248,772 | \$ 414,507 | \$ 165,735 |

See independent auditors' 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,

2017

| | Original Budget | Final Budget | Actual Amounts | Variance with Final Budget Favorable (Unfavorable) |
|---|--------------------|-------------------|-------------------|---|
| Revenues | | | | |
| Sales taxes | \$ 587,520 | \$ 609,600 | \$ 686,829 | \$ 77,229 |
| Property taxes | 115,500 | 115,500 | 139,136 | 23,636 |
| Grants | 3,000 | 3,150 | 3,150 | - |
| Other revenue | 13,500 | 13,500 | 10,838 | (2,662) |
| Interest income | - | - | 315 | 315 |
| Total Revenues | 719,520 | 741,750 | 840,268 | 98,518 |
| Expenditures | | | | |
| Public works | 897,638 | 852,364 | 824,568 | 27,796 |
| Capital outlay | 118,882 | 118,882 | 76,698 | 42,184 |
| Total Expenditures | 1,016,520 | 971,246 | 901,266 | 69,980 |
| Other Financing Sources (Uses) | | | | |
| Transfers In | 297,000 | 229,495 | - | (229,495) |
| Transfers out | - | - | (64,038) | (64,038) |
| Total Other Financing Sources (Uses) | 297,000 | 229,495 | (64,038) | (293,533) |
| Net Change in Fund Balance | - | (1) | (125,036) | (125,035) |
| Fund balance, beginning of year | 627,259 | 627,259 | 627,259 | - |
| Fund balance, end of year | \$ 627,259 | \$ 627,258 | \$ 502,223 | \$ (125,035) |

See independent auditors' report.

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

For the year ended December 31,

2017

| | Original Budget | Final Budget | Actual Amounts | Variance with Final Budget Favorable (Unfavorable) |
|---------------------------------------|--------------------|-----------------|-------------------|---|
| Expenditures | | | | |
| General fund storm expenses | - | - | 154,369 | (154,369) |
| Total Expenditures | - | - | 154,369 | (154,369) |
| Other Financing Sources (Uses) | | | | |
| Transfers in | - | - | 198,978 | 198,978 |
| Total Other Financing Sources | - | - | 198,978 | 198,978 |
| Net Change in Fund Balance | - | - | 44,609 | 44,609 |
| Fund balance, beginning of year | - | - | (43,706) | (43,706) |
| Fund balance, end of year | \$ - | \$ - | \$ 903 | \$ 903 |

See independent auditors' report.

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

| | 2017 | 2016 | 2015 | 2014 |
|---|-----------|-----------|-----------|------------|
| The Police System | | | | |
| Town of Pearl River's proportion of the net pension liability (%) | 0.000000% | 0.000000% | 0.010094% | 0.020835% |
| Town of Pearl River's proportion of the net pension liability (\$) | \$ - | \$ - | \$ 79,076 | \$ 130,345 |
| Town of Pearl River's covered payroll (\$) | \$ - | \$ - | \$ 59,435 | \$ 125,458 |
| Town of Pearl River's proportionate share of the net pension liability as a percentage of its covered payroll | 0.00% | 0.00% | 133.05% | 103.90% |
| Plan fiduciary net position as a percentage of the total pension liability | 70.08% | 66.00% | 70.73% | 75.10% |

* 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.

Town of Pearl River, Louisiana
Schedule of Employer Contributions to Pension System
Last Four Years

| | 2017 | 2016 | 2015 | 2014 |
|--|-------|-------|-----------|------------|
| The Police System | | | | |
| Contractually required contribution | \$ - | \$ - | \$ 18,722 | \$ 38,892 |
| Contributions in relation to the contractually required contribution | - | - | 18,722 | 38,892 |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - |
| Covered payroll | \$ - | \$ - | \$ 59,435 | \$ 125,458 |
| Contributions as a percentage of covered payroll | 0.00% | 0.00% | 31.50% | 31.00% |

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



**Other Supplementary
Information**

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

| <i>For the year ended December 31,</i> | 2017 |
|--|-------------------|
| Administrative and General Expenses | |
| Salaries | \$ 39,473 |
| Office expense | 27,065 |
| Health insurance | 19,663 |
| Workmen's compensation | 9,709 |
| Payroll taxes | 10,570 |
| Retirement | 6,746 |
| Education and training | 3,922 |
| Bank and NSF charges | 161 |
| Other | 1,975 |
| <hr/> | |
| Total Administrative and General Expenses | \$ 119,284 |
| <hr/> | |
| Sewer System Expenses | |
| Utilities | 236,432 |
| Other | 54,807 |
| Lab testing | 5,364 |
| <hr/> | |
| Total Sewer System Expenses | \$ 296,603 |
| <hr/> | |
| Water System Expenses | |
| Salaries | \$ 104,667 |
| Repair and maintenance | 19,145 |
| <hr/> | |
| Total Water System Expenses | \$ 123,812 |
| <hr/> | |

**Town of Pearl River, Louisiana
Schedule of Compensation Paid to the
Members of the Board of Aldermen
For the Year Ended December 31, 2017**

| 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 |

Town of Pearl River, Louisiana
Schedule of Compensation, Benefits, and Other
Payments to Agency Head
For the Year Ended December 31, 2017

Agency Head Name: David McQueen, Mayor

| Purpose | Amount |
|--|------------------|
| Salary | 53,146 |
| Benefits - insurance | - |
| Benefits - retirement | 5,417 |
| Benefits - other | - |
| Car allowance | 2,789 |
| Vehicle provided by government | - |
| Per diem | - |
| Reimbursements | - |
| Travel | - |
| Registration fees | - |
| Conference travel | - |
| Continuing professional education fees | - |
| Housing | - |
| Unvouchered expenses | - |
| Special meals | - |
| Total | \$ 61,352 |



**Reports Required By
*Government Auditing
Standards***



Carr, Riggs & Ingram, LLC
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Metairie, Louisiana 70005

(504) 833-2436
(504) 484-0807 (fax)
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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, 2017, 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 29, 2017.

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 entity'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 were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2017-001 and 2017-002 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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of current year findings as item 2017-003.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Carly Riggs & Ingram, L.L.C.

June 29, 2017

Town of Pearl River, Louisiana
Schedule of Current Year Findings

SECTION I - FINDINGS RELATED TO THE FINANCIAL STATEMENTS

2017-001 Financial Statement Preparation

| | |
|------------------------|--|
| <i>Criteria:</i> | The Town should have systems of internal accounting controls which ensure the basic financial statements are presented in accordance with U.S. generally accepted accounting principles. |
| <i>Condition:</i> | For the year ended December 31, 2017, material adjusting audit entries were necessary to correct account balances at year end. |
| <i>Cause:</i> | The Town changed town clerks during the year ended December 31, 2017. This turnover created a lack of communication between the Town and the local CPA firm who assists in the preparation of the Town's financial statements. |
| <i>Effect:</i> | Financial statements required material adjustments identified in the audit process to ensure the financial statements were presented in accordance with U.S. generally accepted accounting principles. |
| <i>Recommendation:</i> | Currently, the Town's bookkeeping is performed by a local CPA firm. We recommend that the Town work with that firm in ensuring effective communication so that financial statements will be materially correct. |

2017-002 Lack of Internal Controls Over Revenue

| | |
|-------------------|--|
| <i>Criteria:</i> | The Town should have a system of internal accounting controls which ensure the proper recording of its revenues (i.e. license and permit revenue, ticket revenue, and utility revenue) and the related receivables. |
| <i>Condition:</i> | The Town does not have adequate policies, procedures, and related internal controls in regard to the recording of license and permit revenue, ticket revenue, and 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. |

Town of Pearl River, Louisiana
Schedule of Current Year Findings

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

- Cause:* Per observation and discussion with the external accountant during the course of our audit, there is a review of monthly deposit reports for accuracy of data entry, but any variances on these reports are posted to accounts receivable. 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:* This condition represents a material weakness in internal controls.
- Recommendation:* The Town should implement written policies for license and permit, ticket, and utility 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.

2017-003 Failure to Adopt a Budget

- Criteria:* Louisiana Revised Statute 39.1305 requires governments to adopt a budget for each fiscal year for the general fund and each special revenue fund.
- 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.
- Cause:* The Town did not appropriately adopt the budget of the Storm Fund.
- Effect:* The Town is not in compliance with LA Revised Statute 39:1305 for the year ended December 31, 2017.
- Recommendation:* The Town should adopt a budget each fiscal year for the general fund and each special revenue fund.

SECTION II – MANAGEMENT LETTER

Not applicable.



Town of Pearl River, Louisiana Schedule of Current Year Findings

SECTION III – OTHER MATTERS

The Louisiana Legislative Auditor presented a draft report dated June 26, 2018, on Act 774, Agreed-upon Procedures. There were multiple exceptions in the draft report. The Town is currently addressing these exceptions.



**Town of Pearl River, Louisiana
Summary Schedule of Prior Audit Findings**

SECTION I - FINDINGS RELATED TO THE FINANCIAL STATEMENTS

There were no prior year findings related to the financial statements.

FINDINGS RELATED TO THE FINANCIAL STATEMENTS

2017-001 Financial Statement Preparation

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

2017-002 Lack of Internal Controls Over Revenue

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

2017-003 Failure to Amend Budget

Corrective Action Plan: The Town passed an Ordinance to appropriate an amount of funds for expenses related to the storm reimbursement work, but did not formally adopt a budget. In the future, the Town will adopt all required budgets as necessary to comply with state law.