

TOWN OF PEARL RIVER, LOUISIANA

Audit of Financial Statements

December 31, 2007

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 4/2/08

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Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Town of Pearl River, Louisiana (the Town), as of and for the year ended December 31, 2007, which collectively comprise the Town's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of Town of Pearl River, Louisiana's management. Our responsibility is to express an opinion on these basic 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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 Town of Pearl River, Louisiana, as of December 31, 2007, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis beginning on page 4 and the budgetary comparison schedules on pages 35 through 37 are not required parts of the basic financial statements but are supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

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A PROFESSIONAL ACCOUNTING CORPORATION

RSM McGladrey Network

An Indemnity Owned Member

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Town of Pearl River, Louisiana's basic financial statements. The accompanying other supplemental information listed in the table of contents identified as Schedule 1 and Schedule 2, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all materials respects, in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 5, 2008, on our consideration of Town of Pearl River, Louisiana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.



A Professional Accounting Corporation

March 5, 2008

REQUIRED SUPPLEMENTAL INFORMATION (PART I)
MANAGEMENT'S DISCUSSION AND ANALYSIS

TOWN OF PEARL RIVER, LOUISIANA

Management's Discussion and Analysis December 31, 2007

As management of Town of Pearl River, Louisiana (the Town), we offer this narrative overview and financial analysis of the financial activities of the Town as of December 31, 2007, and for the year then ended.

Overview of Financial Statements

The Town adopted GASB Statement No. 34 on January 1, 2004. Under this new pronouncement, the Town's basic financial statements include government-wide financial statements and fund financial statements. These two types of financial statements present the Town's financial position and the results of its operations from differing perspectives which are described as follows:

Government-Wide Financial Statements

The government-wide financial statements report information about the Town as a whole using an accounting method similar to that used by private-sector companies. The basis of accounting used is accrual accounting. The government-wide statements reflect all of the Town's assets (including capital assets) and all of the Town's liabilities. The two government-wide financial statements are as follows:

- **Statement of Net Assets:** This statement presents information on all of the Town's assets and liabilities with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.
- **Statement of Activities:** This statement presents information showing how the government's net assets changed during the most recent year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future periods.

Fund Financial Statements

A fund is defined as a separate fiscal and accounting entity with a self-balancing set of accounts. The Town uses funds to ensure and demonstrate compliance with finance-related laws and regulations. The Town has two types of funds:

1. **Governmental Funds** - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. The Town's major governmental funds are the General Fund, and the Police and Street Special Revenue Funds.

TOWN OF PEARL RIVER, LOUISIANA

Management's Discussion and Analysis December 31, 2007

Fund Financial Statements (Continued)

2. *Proprietary Funds* - These funds are used to account for activities that function in a manner similar to commercial enterprises. Proprietary fund financial statements typically provide a more detailed presentation of the information reported in the business-type activities portion of the government-wide financial statements. The Town's proprietary fund accounts for water and sewer services provided to the residents of Pearl River, Louisiana.

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin on page 21 of this report.

Financial Highlights

At December 31, 2007, the Town's assets exceeded its liabilities by \$5,526,374 (*net assets*). Of this amount, \$1,151,377 (*unrestricted net assets*) may be used to meet the Town's ongoing obligations to its citizens and creditors. The Town's total net assets increased by \$447,270 for the year ended December 31, 2007.

At December 31, 2007, the Town's governmental funds reported combined ending fund balances of \$995,180. Combined governmental fund balance decreased by \$45,231 for the year ended December 31, 2007.

Financial Analysis of the Town as a Whole

A condensed version of the government-wide Statement of Net Assets is presented as follows:

	Governmental Activities	Business-Type Activities	Total
Assets			
Current Assets	\$ 1,060,946	\$ 182,512	\$ 1,243,458
Restricted Assets	-	395,898	395,898
Other Assets	-	12,898	12,898
Capital Assets	1,023,944	3,732,650	4,756,594
Total Assets	2,084,890	4,323,958	6,408,848
Liabilities			
Current and Other Liabilities	65,766	39,213	104,979
Current Liabilities Payable from Restricted Assets	-	123,988	123,988
Long-Term Liabilities	-	653,507	653,507
Total Liabilities	65,766	816,708	882,474
Net Assets			
Invested in Capital Assets, Net of Related Debt	1,023,944	3,079,143	4,103,087
Restricted	-	271,910	271,910
Unrestricted	995,180	156,197	1,151,377
Total Net Assets	\$ 2,019,124	\$ 3,507,250	\$ 5,526,374

TOWN OF PEARL RIVER, LOUISIANA

**Management's Discussion and Analysis
December 31, 2007**

Financial Analysis of the Town as a Whole (Continued)

The amount invested in capital assets, net of related debt, represents 73% of total net assets. Net assets invested in capital assets consist of land, buildings, and equipment less any outstanding debt used to acquire those assets. The Town has elected not to retroactively record, as capital assets, its infrastructure that existed prior to adopting GASB 34.

A condensed version of the government-wide Statement of Activities is presented as follows:

	Governmental Activities	Business-Type Activities	Total
Revenues			
Program Revenues			
Charges for Services	\$ -	\$ 469,920	\$ 469,920
Operating Grants and Contributions	7,552	20,436	27,988
Capital Grants and Contributions	200,000	-	200,000
General Revenues:			
Taxes	1,243,157	119,795	1,362,952
Licenses and Permits	245,111	-	245,111
Fines and Forfeitures	311,431	-	311,431
Investment Earnings	35,179	19,058	54,237
Other	76,508	-	76,508
Total Revenues	2,118,938	629,209	2,748,147
Expenses			
General Government	509,295	-	509,295
Public Safety	702,084	-	702,084
Public Works	474,010	-	474,010
Interest on Debt	-	33,313	33,313
Utilities	-	582,175	582,175
Total Expenses	1,685,389	615,488	2,300,877
Change in Net Assets Before Transfers	433,549	13,721	447,270
Transfers	(107,245)	107,245	-
Change in Net Assets	326,304	120,966	447,270
Net Assets, Beginning of Year	1,692,820	3,386,284	5,079,104
Net Assets, End of Year	\$ 2,019,124	\$ 3,507,250	\$ 5,526,374

TOWN OF PEARL RIVER, LOUISIANA

Management's Discussion and Analysis December 31, 2007

Financial Analysis of the Funds

The Town's General Fund had a increase in fund balance of \$19,740 for the year ended December 31, 2007. The Town's Police and Street Special Revenue Funds had increases (decreases) in fund balances of \$18,485 and \$(83,456), respectively. Total governmental fund amounts are different from governmental activities due to capital assets and depreciation of capital assets.

Amounts reported for business-type activities in the Town's individual funds are identical to business-type activities reported in the government-wide presentation.

Budget Highlights

As required by law, the Town adopts a budget for its General Fund and its Special Revenue Funds. For the year ended December 31, 2007, the Town's budgeted amounts were within 5% of its expenditures for each fund. However, the actual revenues of the Police Fund and the Street Funds fell short of budgeted revenues by more than 5%. The Town amended its budget during the year ended December 31, 2007.

Capital Assets Administration

Capital assets, net of accumulated depreciation, increased by \$266,694 during the year ended December 31, 2007.

Debt Administration

The Town paid principal payments on its Revenue Bonds and Certificates of Indebtedness in the amount of \$104,869.

Requests for Information

This financial report is designed to provide a general overview of the Town's finances. Questions concerning this report or the need of additional information should be directed to Elizabeth Allen, Municipal Clerk, P.O. Box 1270, Pearl River, Louisiana 70452.

BASIC FINANCIAL STATEMENTS
GOVERNMENT-WIDE FINANCIAL STATEMENTS

TOWN OF PEARL RIVER, LOUISIANA
Statement of Net Assets
December 31, 2007

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and Cash Equivalents	\$ 253,180	\$ 183,456	\$ 436,636
Certificates of Deposit	532,876	-	532,876
Receivables			
Water and Sewer, Net	-	30,113	30,113
Ad Valorem Taxes	107,845	-	107,845
Sales Taxes	88,888	11,111	99,999
Grants	-	31,252	31,252
Other	4,737	-	4,737
Internal Balances	73,420	(73,420)	-
Restricted			
Cash and Cash Equivalents	-	275,444	275,444
Certificates of Deposit	-	120,454	120,454
Bond Issuance Cost, Net of Amortization	-	12,898	12,898
Capital Assets, Net	1,023,944	3,732,650	4,756,594
Total Assets	2,084,890	4,323,958	6,408,848
Liabilities			
Accounts Payable	65,766	6,826	72,592
Deferred Revenue	-	32,387	32,387
Payable from Restricted Assets			
Accrued Interest Payable	-	14,823	14,823
Revenue Bonds and Certificates - Due Within One Year	-	109,165	109,165
Revenue Bonds and Certificates Payable - Due in More than One Year	-	653,507	653,507
Total Liabilities	65,766	816,708	882,474
Net Assets			
Invested in Capital Assets, Net of Related Debt	1,023,944	3,079,143	4,103,087
Restricted for Bonds and Certificates of Indebtedness	-	271,910	271,910
Unrestricted	995,180	156,197	1,151,377
Total Net Assets	\$ 2,019,124	\$ 3,507,250	\$ 5,526,374

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, 2007

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
Governmental Activities							
General Government	\$ 509,295	\$ -	\$ -	\$ -	\$ (509,295)	\$ -	\$ (509,295)
Public Safety	702,084	-	-	-	(494,532)	-	(494,532)
Public Works	474,010	-	7,552	200,000	(474,010)	-	(474,010)
Total Governmental Activities	1,685,389	-	7,552	200,000	(1,477,837)	-	(1,477,837)
Business-Type Activities							
Utilities	582,175	469,920	20,436	-	-	(91,819)	(91,819)
Interest on Debt	33,313	-	-	-	-	(33,313)	(33,313)
Total Business-Type Activities	615,488	469,920	20,436	-	-	(125,132)	(125,132)
Total	\$2,300,877	\$ 469,920	\$ 27,988	\$ 200,000	(1,477,837)	(125,132)	(1,602,969)
General Revenues							
Taxes							
Ad Valorem					118,566	-	118,566
Sales Tax					958,376	119,795	1,078,171
Franchise					166,215	-	166,215
Licenses and Permits					119,575	-	119,575
Insurance License					125,536	-	125,536
Fines and Forfeitures					311,431	-	311,431
Investment Earnings					35,179	19,058	54,237
Other General Revenues					76,508	-	76,508
Transfers					(107,245)	107,245	-
Total General Revenues and Transfers					1,804,141	246,098	2,050,239
Changes in Net Assets					326,304	120,966	447,270
Net Assets, Beginning of Year					1,692,820	3,386,284	5,079,104
Net Assets, End of Year					\$ 2,019,124	\$ 3,507,250	\$ 5,526,374

BASIC FINANCIAL STATEMENTS
FUND FINANCIAL STATEMENTS

TOWN OF PEARL RIVER, LOUISIANA
Balance Sheet
Governmental Funds
December 31, 2007

	General Fund	Special Revenue Funds		Total Governmental Funds
		Police	Street	
Assets				
Cash and Cash Equivalents	\$ 149,415	\$ 38,013	\$ 65,752	\$ 253,180
Certificates of Deposit	199,288	-	333,588	532,876
Receivables, Net				
Ad Valorem Taxes	64,823	-	43,022	107,845
Sales Taxes	-	44,444	44,444	88,888
Other Receivables	4,737	-	-	4,737
Due from Other Funds	73,291	4,145	-	77,436
Total Assets	\$ 491,554	\$ 86,602	\$ 486,806	\$ 1,064,962
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	\$ 53,308	\$ 2,256	\$ 10,202	\$ 65,766
Due to Other Funds	2,865	-	1,151	4,016
Total Liabilities	56,173	2,256	11,353	69,782
Fund Balances				
Unreserved, Reported in:				
General Fund	435,381	-	-	435,381
Special Revenue Fund	-	84,346	475,453	559,799
Total Fund Balances	435,381	84,346	475,453	995,180
Total Liabilities and Fund Balances	\$ 491,554	\$ 86,602	\$ 486,806	\$ 1,064,962

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
Government-Wide Financial Statement of Net Assets
For the Year Ended December 31, 2007

Amounts reported for governmental activities in the Statement of Net Assets
are different because:

Fund Balances - Total Governmental Funds	\$ 995,180
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Capital assets used in governmental activities are not financial resources and,
therefore, are not reported in the governmental funds.

Governmental Capital Assets	1,828,515
Less: Accumulated Depreciation	<u>(804,571)</u>

Net Assets of Governmental Activities	<u>\$ 2,019,124</u>
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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, 2007

	General Fund	Special Revenue Funds		Total Governmental Funds
		Police	Street	
Revenues				
Taxes				
Ad Valorem Taxes	\$ 69,232	\$ -	\$ 49,334	\$ 118,566
Sales Taxes	-	479,165	479,211	958,376
Franchise	129,133	37,082	-	166,215
Grants and Reimbursement	-	-	207,552	207,552
Licenses and Permits	119,575	-	-	119,575
Insurance Licenses	125,536	-	-	125,536
Fines and Forfeitures	311,431	-	-	311,431
Interest Income	20,329	2,444	12,406	35,179
Other Revenues	52,591	-	23,917	76,508
Total Revenues	827,827	518,691	772,420	2,118,938
Expenditures				
Current				
General Government	630,806	-	-	630,806
Public Safety	-	692,883	-	692,883
Public Works	-	-	733,235	733,235
Total Expenditures	630,806	692,883	733,235	2,056,924
Excess (Deficiency) of Revenues Over Expenditures	197,021	(174,192)	39,185	62,014
Other Financing Sources (Uses)				
Transfers In	122,641	192,677	-	315,318
Transfers Out	(299,922)	-	(122,641)	(422,563)
Total Other Financing Sources (Uses)	(177,281)	192,677	(122,641)	(107,245)
Net Change in Fund Balances	19,740	18,485	(83,456)	(45,231)
Fund Balances, Beginning of Year	415,641	65,861	558,909	1,040,411
Fund Balances, End of Year	\$ 435,381	\$ 84,346	\$ 475,453	\$ 995,180

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
For the Year Ended December 31, 2007

Amounts reported for governmental activities in the Statement of Activities
are different because:

Net Change in Fund Balances - Total Governmental Funds	\$ (45,231)
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. This is the amount by which capital outlay exceeded depreciation charged in the current period.	<u>371,535</u>
Change in Net Assets of Governmental Activities	<u>\$ 326,304</u>

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

TOWN OF PEARL RIVER, LOUISIANA
Statement of Net Assets
Proprietary Fund
December 31, 2007

Assets
Current Assets

Cash and Cash Equivalents	\$ 183,456
Receivables	
Water and Sewer, Net of Allowance of \$4,000	30,113
Grants	31,252
Sales Tax	<u>11,111</u>
Total Current Assets	<u>255,932</u>

Restricted Assets

Restricted	
Cash	275,444
Certificates of Deposit	<u>120,454</u>
Total Restricted Assets	<u>395,898</u>

Capital Assets (Net of Accumulated Depreciation)

3,732,650

Other Assets

Bond Issuance Cost, Net of Amortization	<u>12,898</u>
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Total Assets**4,397,378****Liabilities****Current Liabilities**

Accounts Payable	6,826
Due to Other Funds	73,420
Deferred Revenue	32,387
Payable from Restricted Assets	
Accrued Interest Payable	14,823
Revenue Bonds and Certificates of Indebtedness	<u>109,165</u>
Total Current Liabilities	236,621

Non-Current Liabilities

Revenue Bonds and Certificates of Indebtedness Payable	<u>653,507</u>
Total Liabilities	<u>890,128</u>

Net Assets

Invested in Capital Assets, Net of Related Debt	3,079,143
Restricted for Bonds and Certificates of Indebtedness	271,910
Unrestricted Net Assets	<u>156,197</u>
Total Net Assets	<u>\$ 3,507,250</u>

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

TOWN OF PEARL RIVER, LOUISIANA
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Fund
For the Year Ended December 31, 2007

Operating Revenues	
Service Fees	\$ 367,503
Grants	20,436
Other	45,389
Impact Fees	25,781
Meter Fees	10,689
Installation Fees	10,339
Delinquent Fees	<u>10,219</u>
Total Operating Revenues	<u>490,356</u>
Operating Expenses	
Sewer System	214,832
Depreciation	258,045
Administrative and General	56,220
Water System	51,432
Amortization of Bond Issuance Cost	<u>1,646</u>
Total Operating Expenses	<u>582,175</u>
Operating Loss	<u>(91,819)</u>
Non-Operating Revenues (Expenses)	
Sales Tax Revenue	119,795
Interest Income	19,058
Interest on Debt	<u>(33,313)</u>
Total Non-Operating Revenues (Expenses)	<u>105,540</u>
Net Income Before Transfers	13,721
Operating Transfers	<u>107,245</u>
Change in Net Assets	120,966
Net Assets, Beginning of Year	<u>3,386,284</u>
Net Assets, End of Year	<u>\$ 3,507,250</u>

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

TOWN OF PEARL RIVER, LOUISIANA
Statement of Cash Flows
Proprietary Fund
For the Year Ended December 31, 2007

Cash Flows from Operating Activities	
Receipts from Customers and Users	\$ 473,818
Payments to Suppliers	(270,070)
Operating Grant and Reimbursements	37,386
Payments to Employees and for Benefits	<u>(59,497)</u>
Net Cash Provided by Operating Activities	<u>181,637</u>
Cash Flows from Noncapital Financing Activities	
Interfund Transfers and Borrowing	<u>107,572</u>
Net Cash Provided by Noncapital Financing Activities	<u>107,572</u>
Cash Flows from Capital and Related Financing Activities	
Purchase of Capital Assets	(153,205)
Sales Tax Receipts	108,684
Principal Paid on Capital Debt	(104,869)
Interest Paid on Capital Debt	<u>(33,571)</u>
Net Cash Used in Capital and Related Financing Activities	<u>(182,961)</u>
Cash Flows from Investing Activities	
Interest Received	19,058
Net Purchase of Certificates of Deposit	<u>(5,583)</u>
Net Cash Provided By in Investing Activities	<u>13,475</u>
Net Increase in Cash and Cash Equivalents	119,723
Cash and Cash Equivalents, Beginning of Year	<u>339,177</u>
Cash and Cash Equivalents, End of Year	<u>\$ 458,900</u>
Cash and Cash Equivalents Reconciliation	
Unrestricted Cash and Cash Equivalents	\$ 183,456
Restricted Cash and Cash Equivalents	<u>275,444</u>
Cash and Cash Equivalents, End of Year	<u>\$ 458,900</u>

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

TOWN OF PEARL RIVER, LOUISIANA
Statement of Cash Flows (Continued)
Proprietary Fund
For the Year Ended December 31, 2007

Reconciliation of Operating Loss to Net Cash	
Provided by Operating Activities	
Operating Loss	\$ (91,819)
Adjustments to Reconcile Operating Loss to Net Cash	
Provided by Operating Activities	
Depreciation	258,045
Amortization of Bond Issuance Cost	1,646
Changes in Assets and Liabilities	
Decrease in Accounts Receivable	3,898
Increase in Grants Receivable	(1,578)
Decrease in Other Receivables	18,528
Decrease in Accounts Payable	<u>(7,083)</u>
 Net Cash Provided by Operating Activities	 <u>\$ 181,637</u>

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

NOTES TO FINANCIAL STATEMENTS

TOWN OF PEARL RIVER, LOUISIANA

Notes to Financial Statements

Introduction

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 Louisiana Revised Statutes 24:517 and to the guides set forth in the *Louisiana Government Audit Guide*, and to the industry audit guide, *Audits of State and Local Governmental Units*.

Note 1. Summary of Significant Accounting Policies

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 conformance 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 Assets and the Statement of Changes in Net Assets) 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 are 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.

TOWN OF PEARL RIVER, LOUISIANA

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Government-Wide and Fund Financial Statements (Continued)

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary 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. All other revenue items are considered to be measurable and available only when cash is received by the Town.

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 of transfers from the special revenue fund, licenses and permits, local taxes, fines and forfeitures, charges for service, and interest income.

TOWN OF PEARL RIVER, LOUISIANA

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Special Revenue Funds - The Special revenue funds are used to account for the proceeds of specific revenue sources (other than capital projects) that are legally restricted to expenditures for specific purposes. The Town's two special revenue funds account for the activities of its police and street departments. Revenues for these funds derive from the following sales taxes:

1% of Levy dedicated for construction, resurfacing, 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 police department salaries and expenses. This portion is transferred to the Police Fund where police department expenditures are budgeted.

1/4% 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.

The Street Fund is also funded by an Ad Valorem tax passed on July 21, 2002, for ten years at 4.17 mills dedicated to improving and maintaining streets.

The Town has one proprietary fund to account for the water and sewer services it provides to the residents and businesses of the Town.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Town has elected not to follow subsequent private-sector guidance.

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 government's enterprise operations. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

TOWN OF PEARL RIVER, LOUISIANA

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

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

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

Budgets and Budgetary 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 generally accepted accounting principles 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 1 of the following 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.

TOWN OF PEARL RIVER, LOUISIANA

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Deposits and Investments

Cash includes amounts in demand deposits. Investments include certificates of deposit with original maturities of 90 days or more.

Under state law, the municipality 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 municipality 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.

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

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 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 at December 31, 2007.

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 costs are 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 assets' lives are not capitalized.

Capital outlays are recorded as expenditures in the 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 decided 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 Funds. Capital outlays of the Proprietary Funds are recorded as fixed assets and depreciated over their estimated useful lives on a straight-line basis on both the funds basis and the government-wide basis.

TOWN OF PEARL RIVER, LOUISIANA

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Capital Assets (Continued)

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 Building Improvements	15 - 40 Years
Water and Sewer System	30 Years
Furniture and Fixtures	7 Years
Vehicles	5 Years
Equipment	5 - 15 Years

Long-Term Obligations

In the government-wide financial statements, debt principal payments of both government and business-type activities are reported as decreases in the balance of the liability on the Statement of Net Assets. In the fund financial statements, however, debt principal payments of governmental funds are recognized as expenditures when paid.

Fund Equity

Government-Wide Statements

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

1. Invested in capital assets, net of related debt - 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 assets - Net assets with constraints placed on the 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 assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as unreserved.

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 reporting entity are 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.

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year-end. The Town does not utilize encumbrance accounting.

Deposits and Investment Laws and Regulations

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 deposits and investment laws and regulations.

Compliance with Debt Covenants

As of December 31, 2007, the Town was in compliance with all Sewer Revenue Bond and Certificates of Indebtedness Covenants.

TOWN OF PEARL RIVER, LOUISIANA

Notes to Financial Statements

Note 2. Cash and Cash Equivalents

Cash includes amounts in demand deposits, interest bearing demand deposits, and money market accounts. 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.

	Carrying Amount	Bank Balance
Category 1		
Demand Deposits	\$ 712,080	\$ 746,429
Certificates of Deposit	<u>653,330</u>	<u>653,330</u>
Total	<u>\$ 1,365,410</u>	<u>\$ 1,399,759</u>

Under state law, the bank balances of these 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 or exceed the amount on deposit with the fiscal agent bank. At December 31, 2007, deposits were entirely insured or collateralized with securities held by a mutually acceptable third party financial institution in the Town's name, which is considered a Category 1 investment credit risk as defined by the Governmental Accounting Standards Board.

The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Note 3. Ad Valorem Taxes

Property taxes are normally levied and billed in December of each year and are delinquent on January 1 of the following year. Revenues are recognized when levied to the extent they are determined to be currently collectible. The Town bills and collects its own property taxes using the assessed values determined by the tax assessor of St. Tammany Parish. For the year ended December 31, 2007, property taxes levied were 5.83 mills for general purposes and 4.17 mills for street improvement.

TOWN OF PEARL RIVER, LOUISIANA

Notes to Financial Statements

Note 4. Capital Assets

The following is a summary of the changes in capital assets for the year ended December 31, 2007:

	Balance January 1, 2007	Increases	Decreases	Balance December 31, 2007
Governmental				
Capital Assets Not Being Depreciated				
Land	\$ 73,652	\$ -	\$ -	\$ 73,652
Capital Assets Being Depreciated				
Infrastructure	161,967	252,145	-	414,112
Buildings and Improvements	254,432	98,218	-	352,650
Machinery and Equipment	570,386	104,970	-	675,356
Furniture, Fixtures and Office Equipment	40,588	6,148	-	46,736
Vehicles	245,209	20,800	-	266,009
Total Capital Assets Being Depreciated	1,272,582	482,281	-	1,754,863
Less Accumulated Depreciation for:				
Infrastructure	(9,073)	(8,347)	-	(17,420)
Buildings and Improvements	(162,552)	(6,908)	-	(169,460)
Machinery and Equipment	(374,798)	(52,281)	-	(427,079)
Furniture, Fixtures and Office Equipment	(39,882)	(812)	-	(40,694)
Vehicles	(107,519)	(42,399)	-	(149,918)
Total Accumulated Depreciation	(693,824)	(110,747)	-	(804,571)
Total Capital Assets Being Depreciated, Net	578,758	371,534	-	950,292
Capital Assets, Net	\$ 652,410	\$ 371,534	\$ -	\$ 1,023,944
Business-Type				
Capital Assets Not Being Depreciated				
Land	\$ 68,609	\$ -	\$ -	\$ 68,609
Capital Assets Being Depreciated				
Water System	2,227,281	153,205	-	2,380,486
Sewer System	4,308,704	-	-	4,308,704
Machinery and Equipment	179,650	-	-	179,650
Total Capital Assets Being Depreciated	6,715,635	153,205	-	6,868,840
Less Accumulated Depreciation for:				
Water System and Equipment	(605,857)	(101,122)	-	(706,979)
Sewer System and Equipment	(2,213,746)	(145,753)	-	(2,359,499)
Machinery and Equipment	(127,151)	(11,170)	-	(138,321)
Total Accumulated Depreciation	(2,946,754)	(258,045)	-	(3,204,799)
Total Capital Assets Being Depreciated, Net	3,768,881	(104,840)	-	3,664,041
Capital Assets, Net	\$ 3,837,490	\$ (104,840)	\$ -	\$ 3,732,650

TOWN OF PEARL RIVER, LOUISIANA

Notes to Financial Statements

Note 4. Capital Assets (Continued)

Depreciation was charged to governmental functions as follows:

General Government	\$	46,838
Public Works		33,908
Public Safety		<u>30,001</u>
Total	\$	<u>110,747</u>

Note 5. Restricted Assets

On October 1, 1998, the Town issued \$1,050,000 of Utility Revenue and Refunding Bonds, which were used to refund the remaining balance payable of the 1989 Utility Revenue Bonds, as well as provide funds for additional improvements to the water system. The restrictions related to the 1989 Bonds have been replaced with the following requirements providing for certain restrictions of assets of the Enterprise Fund:

1. Revenue Bond Sinking Fund
The requirement calls for the establishment and maintenance of a Sewer Utility Revenue Bond and Sinking Fund sufficient to pay promptly and in full the principal of and the interest on bonds authorized as they become due and payable. This requirement has been met at December 31, 2007.
2. Revenue Bond Reserve Fund
On October 1, 1998, the Town deposited the "Reserve Requirement" into the Reserve Fund. The sole purpose of this fund is to pay the principal of and the interest on the bonds payable from the Revenue Bond Reserve Fund as to which these would otherwise be in default. This requirement has been met as of December 31, 2007.
3. Depreciation and Contingency Fund
The resolution called for the establishment and maintenance of a Depreciation and Contingency Fund to care for depreciation, extensions, additions, improvements and replacements necessary to properly operate the system. Regular deposits of \$400 per month are to be deposited with the regularly designated fiscal agent of the Town. This requirement has been met at December 31, 2007.

TOWN OF PEARL RIVER, LOUISIANA

Notes to Financial Statements

Note 6. Deferred Compensation

Certain employees of the Town participate in the Louisiana Public Employees Deferred Compensation Plan adopted under the provisions of the Internal Revenue Code Section 457. 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, 2007:

	<u>Revenue</u>		<u>Total</u>
	<u>Utility Bonds</u>	<u>Certificates of Indebtedness</u>	
Bonds, Leases and Certificates at January 1, 2007	\$ 577,407	\$ 290,134	\$ 867,541
Capital Lease Proceeds	-	-	-
Bonds, Leases and Certificate Payments	(73,201)	(31,668)	(104,869)
Bonds, Leases and Certificates at December 31, 2007	<u>\$ 504,206</u>	<u>\$ 258,466</u>	<u>\$ 762,672</u>

The following is a summary of long-term liabilities of the Town for the year ended December 31, 2007:

	<u>Revenue</u>
\$1,050,000 Utility Bonds dated January 1, 1998, due in annual installments of \$95,633 with interest of 3.84% per annum through October 1, 2013, secured by the revenues of the Proprietary Fund	\$ 504,206
\$350,000 Certificates of Indebtedness dated March 1, 2004 due in annual installments, with semi-annual interest payments at 3.84% per annum through March 1, 2014, secured by the of the Proprietary Fund	<u>258,466</u>
Total	<u>\$ 762,672</u>

TOWN OF PEARL RIVER, LOUISIANA

Notes to Financial Statements

Note 7. Long-Term Liabilities (Continued)

The future debt service requirements of the revenue bonds are as follows:

	Revenue Bond		Revenue Certificate		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$ 76,282	\$ 19,351	\$ 32,883	\$ 9,925	\$ 109,165	\$ 29,276
2009	79,211	16,422	34,146	8,662	113,357	25,084
2010	82,252	13,380	35,458	7,351	117,710	20,731
2011	85,411	10,222	36,819	5,990	122,230	16,212
2012-2014	181,050	10,478	119,160	9,266	300,210	19,744
Total	\$ 504,206	\$ 69,853	\$ 258,466	\$ 41,194	\$ 762,672	\$ 111,047

Note 8. Interfund Receivables/Payables

The primary purpose of interfund receivables/payables is to loan monies from the General Fund to individual funds to cover current expenditures. Individual fund balances due from/to other funds at December 31, 2007, are as follows:

Fund	Interfund Receivables	Interfund Payables
General Fund	\$ 73,291	\$ 2,865
Special Revenue Fund		
Police	4,145	-
Street	-	1,151
Proprietary Fund	-	73,420
Total	\$ 77,436	\$ 77,436

TOWN OF PEARL RIVER, LOUISIANA

Notes to Financial Statements

Note 9. Interfund Transfers

Operating transfers between funds occur in the normal course of business and are as follows:

	Interfund Transfers in	Interfund Transfers Out
General Fund		
Police Fund	\$ -	\$ 192,677
Street Fund	122,641	-
Proprietary Fund	-	107,245
	122,641	299,922
Special Revenue Funds		
Street Fund		
General Fund	-	122,641
Enterprise	-	-
Police	-	-
Police Fund		
General Fund	192,677	-
Street Fund	-	-
	192,677	122,641
Enterprise Fund		
General Fund	107,245	-
Street Fund	-	-
	107,245	-
Total Transfers	\$ 422,563	\$ 422,563

Note 10. Cash Flows Disclosure

During the year ended December 31, 2007, the Town's Enterprise Fund paid interest of \$33,313.

Note 11. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended December 31, 2007, the Town carried insurance through various commercial carriers to cover all risks of losses, 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.

REQUIRED SUPPLEMENTAL INFORMATION (PART II)
BUDGETARY COMPARISON SCHEDULES

TOWN OF PEARL RIVER, LOUISIANA
Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2007

	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget Favorable/ (Unfavorable)
Revenues				
Taxes				
Ad Valorem Taxes	\$ 80,000	80,000	\$ 69,232	\$ (10,768)
Franchise	120,000	120,000	129,133	9,133
Licenses and Permits	160,850	160,850	119,575	(41,275)
Insurance Licenses	105,000	105,000	125,536	20,536
Fines and Forfeitures	180,000	180,000	311,431	131,431
Interest Income	-	-	20,329	20,329
Other Revenues	90,000	90,000	52,591	(37,409)
Total Revenues	735,850	735,850	827,827	91,977
Expenditures				
General Government				
Salaries	111,940	111,940	107,592	4,348
Repairs and Maintenance	118,000	118,000	51,514	66,486
Beautification	20,000	20,000	43,367	(23,367)
Aldermen	42,000	42,000	42,000	-
Insurance	17,932	17,932	34,919	(16,987)
Recreation	60,000	60,000	33,912	26,088
Professional Fees	31,300	31,300	31,925	(625)
Miscellaneous	25,400	20,400	25,154	(4,754)
Utilities	12,000	12,000	21,113	(9,113)
Office	12,500	12,500	19,116	(6,616)
Retirement	10,936	10,936	11,298	(362)
Animal Control	9,600	9,600	10,400	(800)
Health Insurance	15,395	15,395	10,245	5,150
Payroll Taxes	8,751	8,751	8,850	(99)
Vehicle	3,500	3,500	8,298	(4,798)
Workmen's Compensation	1,200	1,200	7,388	(6,188)
Dues and Convention	6,000	6,000	3,660	2,340
Council Clerk	2,400	2,400	2,300	100
Senior Citizens	3,600	3,600	247	3,353
Capital Outlay	142,748	142,748	157,508	(14,760)
Total Expenditures	655,202	650,202	630,806	19,396
Excess of Revenues Over Expenditures	80,648	85,648	197,021	111,373
Other Financing Sources (Uses)				
Operating Transfers In	-	-	122,641	122,641
Operating Transfers Out	(80,648)	(80,648)	(299,922)	(219,274)
Total Other Financing Sources (Uses)	(80,648)	(80,648)	(177,281)	(96,633)
Net Change in Fund Balance	\$ -	\$ 5,000	19,740	\$ 14,740
Fund Balance, Beginning of Year			415,641	
Fund Balance, End of Year			\$ 435,381	

TOWN OF PEARL RIVER, LOUISIANA
Budgetary Comparison Schedule
Special Revenue Fund - Police
For the Year Ended December 31, 2007

	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget Favorable/ (Unfavorable)
Revenues				
Sales Taxes	\$ 550,000	\$ 550,000	\$ 479,165	\$ (70,835)
Grants and Reimbursements	48,000	48,000	37,082	(10,918)
Interest Income	-	-	2,444	2,444
Total Revenues	598,000	598,000	518,691	(79,309)
Expenditures				
Public Safety				
Salaries	396,180	396,180	385,939	10,241
Health Insurance	49,680	49,680	49,664	16
Gas and Oil	60,000	60,000	38,661	21,339
Payroll Taxes	33,583	33,583	32,743	840
Workmen's Compensation	23,325	23,325	31,387	(8,062)
Miscellaneous	8,000	8,000	25,866	(17,866)
Repairs and Maintenance	12,000	12,000	25,314	(13,314)
Retirement	24,596	24,596	16,790	7,806
Communications	18,000	18,000	15,449	2,551
Insurance	19,544	19,544	14,534	5,010
Office	4,741	4,741	11,061	(6,320)
Training	2,000	2,000	9,027	(7,027)
Court Expense	3,000	3,000	3,425	(425)
Prisoner Meals	2,000	2,000	1,436	564
Capital Outlays	30,000	30,000	31,587	(1,587)
Total Expenditures	686,649	686,649	692,883	(6,234)
Excess of Revenues Over (Under) Expenditures	(88,649)	(88,649)	(174,192)	(85,543)
Other Financing Sources (Uses)				
Operating Transfers	80,648	85,648	192,677	107,029
Total Other Financing Sources (Uses)	80,648	85,648	192,677	107,029
Net Change in Fund Balance	\$ (8,001)	\$ (3,001)	18,485	\$ 21,486
Fund Balance, Beginning of Year			65,861	
Fund Balance, End of Year			\$ 84,346	

TOWN OF PEARL RIVER, LOUISIANA
Budgetary Comparison Schedule
Special Revenue Fund - Street
For the Year Ended December 31, 2007

	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget Favorable/ (Unfavorable)
Revenues				
Taxes				
Ad Valorem	\$ -	\$ -	\$ 49,334	\$ 49,334
Sales Tax	550,000	550,000	479,211	(70,789)
Grants	-	-	207,552	207,552
Interest Income	-	-	12,406	12,406
Other Revenues	97,552	297,552	23,917	(273,635)
Total Revenues	647,552	847,552	772,420	(75,132)
Expenditures				
Public Works				
Salaries	200,560	200,560	189,020	11,540
Street Repairs	-	-	81,278	(81,278)
Street Lights	18,000	18,000	41,456	(23,456)
Supplies	6,000	6,000	31,472	(25,472)
Workmen's Compensation	26,233	26,233	28,836	(2,603)
Health Insurance	26,429	26,429	22,929	3,500
Payroll Taxes	15,744	15,744	15,181	563
Retirement	8,528	8,528	7,129	1,399
Gas and Oil	10,000	10,000	6,927	3,073
Equipment Repairs and Maintenance	219,780	219,780	6,531	213,249
Miscellaneous	18,200	18,200	5,671	12,529
Capital Outlay	178,078	378,078	296,805	81,273
Total Expenditures	727,552	927,552	733,235	194,317
Excess of Revenues Over (Under) Expenditures	(80,000)	(80,000)	39,185	119,185
Other Financing Sources (Uses)				
Operating Transfers Out	80,000	80,000	(122,641)	(202,641)
Total Other Financing Sources (Uses)	80,000	80,000	(122,641)	(202,641)
Net Change in Fund Balance	\$ -	\$ -	(83,456)	\$ (83,456)
Fund Balance, Beginning of Year			558,909	
Fund Balance, End of Year			\$ 475,453	

OTHER SUPPLEMENTAL INFORMATION

TOWN OF PEARL RIVER, LOUISIANA
Proprietary Fund
Schedule of Operating Expenses
For the Year Ended December 31, 2007

Administrative and General

Salaries	\$ 22,282
Health Insurance	11,465
Workmen's Compensation	6,540
Office Supplies	6,199
Payroll Taxes	4,789
Retirement	2,915
Bank and NSF Charges	1,075
Education and Training	955

Total Administrative and General Expenses \$ 56,220

Sewer System

Repairs and Maintenance	\$ 115,451
Utilities	75,094
Chemicals	11,412
Lab Testing	6,815
Other	6,060

Total Sewer System Expenses \$ 214,832

Water System

Salaries	\$ 37,215
Water Meters and Hydrants	6,528
Utilities	4,707
Repairs and Maintenance	2,982

Total Water System Expenses \$ 51,432

TOWN OF PEARL RIVER, LOUISIANA
Schedule of Governing Board
December 31, 2007

<u>Board of Aldermen</u>	<u>Term of Office</u>	<u>Compensation</u>
David McQueen P. O. Box 371 Pearl River, LA 70452 (985) 863-2176	December 31, 2010	\$ 8,400
Virgil Phillips 39110 Craddock Lane Pearl River, LA 70452 (985) 863-9495	December 31, 2010	\$ 8,400
Marie Crowe 65190 Highway 3081 Pearl River, LA 70452 (985) 863-9373	December 31, 2010	\$ 8,400
Theresa Zechenelly 64328 Nelson Road Pearl River, LA 70452 (985) 863-7184	December 31, 2010	\$ 8,400
Ruby Gauley 39107 McQueen Road Pearl River, LA 70452 (985) 863-7258	December 31, 2010	\$ 8,400

OTHER REPORTS



**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 the financial statements of Town of Pearl River, Louisiana, as of and for the year ended December 31, 2007, and have issued our report thereon dated March 5, 2008. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Town of Pearl River, Louisiana's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Pearl River, Louisiana's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Pearl River, Louisiana's internal control over financial reporting.

A control deficiency exists when the design or operation of control does not allow management or employees, in the normal course of performing their assigned functions, to prevent and detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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5100 VILLAGE WALK, SUITE 202, COVINGTON, LA 70433-4012 • 985.892.5850 • FAX 985.892.5956
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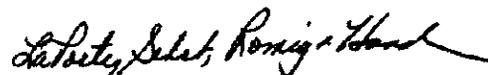
Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did identify a significant deficiency in internal control over financial reporting that we consider to be a material weakness, as defined above and described as item 2007-1 in the accompanying schedule of findings and responses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Pearl River, Louisiana's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* and is described as items 2007-2 and 2007-3 in the accompanying schedule of findings and responses.

The Town of Pearl River, Louisiana's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Town of Pearl River, Louisiana's response and, accordingly, express no opinion on it.

This report is intended solely for the information and use of the management of the Town of Pearl River, Louisiana, and the Legislative Auditor of the State of Louisiana, and is not intended to be, and should not be, used by anyone other than those specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



A Professional Accounting Corporation

March 5, 2008

TOWN OF PEARL RIVER, LOUISIANA

Schedule of Findings and Responses For the Year Ended December 31, 2007

2007-1 Controls over Water and Sewer Billing

Criteria: To facilitate proper financial reporting, the Town should have controls in place over utility billing.

Condition: Service fees have decreased from the prior year. Since Hurricane Katrina, the Town has seen a large fluctuation in population. Many residents moved to the area and many residents left the area, but the overall population has increased since the storm. Since residents are charged a flat fee, revenues should have also increased. It appears that errors are being made, as some residents have complained about not receiving bills. Because of the lack of controls in this area, new customers could be omitted from the utility billing system or existing customers could be deleted from the system. Also, due to the small size of the Town's staff, the utility clerk performs the incompatible tasks of receiving cash, posting payments and credits, and printing bills.

Cause: A number of reasons could have caused this: 1) Since the storm, there has been a change at the utility clerk position. 2) The Town has been in the process of installing new water meters. 3) The large number of residences coming and going could cause new customers to be overlooked.

Effect: The Town may have lost utility revenues.

Recommendation: The Town should conduct a study to determine which customers are receiving water and sewer services but are not receiving bills. The Town should investigate any instances where customers are not being billed and determine the reason. Also, the Town should implement policies and procedures to ensure that utility customers are properly billed and recorded, and, as much is practical, lessen the incompatible tasks the utility clerk performs.

Management Response: The Town will follow the recommendations and act accordingly.

2007-2 Violations of State Public Bid Law

Criteria: Louisiana Revised Statute 38:2212 requires the Town to advertise for public bids before making purchases of over \$20,000 or for construction over \$100,000. The Public Bid Law prescribes certain procedures for the manner and timing of procurements over the above limits.

Condition: During the year ended December 31, 2007, the Town finished purchasing \$64,500 of water meters on a 2006 contract that was not let out for bid.

TOWN OF PEARL RIVER, LOUISIANA

**Schedule of Findings and Responses
For the Year Ended December 31, 2007**

Cause: The Town purchased the water meters from the only meter provider in Louisiana. Also, this purchase is a continuation from last years finding.

Recommendation: In the future, the Town's procurement of equipment, materials, and construction should adhere to the requirements of the Louisiana Bid Law..

Management Response: The Town will follow the requirements of the Public Bid Law in all future applicable transactions.

2007-3 Violation of Budget Laws

Criteria: LRS 39:1310 requires local governments to amend their budgets when actual revenues are falling short of budgeted revenues by more than 5%.

Condition: For the year ended December 31, 2007, actual revenues in the police fund of \$518,691 fell short of budgeted revenues of \$598,000 which resulted in an unfavorable variance of \$79,309 (14%). Also, actual revenues in the street fund of \$772,420 fell short of budgeted revenues of \$847,552 which resulted in an unfavorable variance of \$75,132 (9%).

Cause: Actual sales tax revenues were less than budgeted.

Effect. Noncompliance with LRS 39:1310.

Recommendation: The Town should monitor budget to actual comparisons and amend the budget when revenues are falling short of budget.

Management Response: The Town will follow the recommendations and act accordingly.

TOWN OF PEARL RIVER, LOUISIANA

**Schedule of Prior Year Audit Findings
For the Year Ended December 31, 2007**

2006 - 1 Violations of the State Public Bid Law

This finding has not been resolved. The contract to purchase the water meters continued into 2007. See finding 2007-2.



JAMES LAVIGNE
Mayor

TOWN OF PEARL RIVER

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RUBY GAULEY
Mayor Pro Tempore

VIRGIL PHILLIPS
DAVID McQUEEN
JAY SCROGGINS
MARIE CROWE

Aldermen

BENNIE RAYNOR
Chief of Police

ELIZABETH ALLEN
Town Clerk

RONALD W. "RON" GUTH
Town Attorney

March 5, 2008

Legislative Audit Advisory Committee
P.O. Box 94397
Baton Rouge, LA 70804-9397

To Whom It May Concern:

I am writing in response to the finding included in our financial statements for the year ended December 31, 2007 and the items reported in the management letter. Our corrective action plan is as follows:

2007-1 Controls over Water and Sewer Billing

The Town will conduct a study to determine which customers are receiving water and sewer services but are not receiving bills. The Town will investigate instances where customers are not being billed for services received and implement procedures to ensure all customers are properly billed and recorded.

2007-2 Violations of State Public Bid Law

The Town will take steps to ensure that all future purchases comply with the Bid Law.

2007-3 Violation of Budget Laws

The Town will monitor budget to actual comparisons and amend the budget when revenues are falling short of budget.

Sincerely,

James Lavigne
Mayor