



PEARL RIVER COUNTY UTILITY AUTHORITY

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

Year Ended September 30, 2020



PEARL RIVER COUNTY UTILITY AUTHORITY

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS



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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 Authority'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 Authority'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.

Our responsibility is to express an opinion 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.

Auditor's Responsibility

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

Management's Responsibility for the Financial Statements

We have audited the accompanying financial statements of Pearl River County Utility Authority (the Authority), as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Report on the Financial Statements

To the Board of Directors
 Pearl River County Utility Authority
 Picayune, Mississippi

INDEPENDENT AUDITOR'S REPORT



Hattiesburg, Mississippi
January 14, 2021

MH

In accordance with *Government Auditing Standards*, we have also issued our report dated January 14, 2021 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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 Authority's internal control over financial reporting and compliance.

Other Reporting Required by Government Auditing Standards

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates 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 expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Other Information

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

Required Supplementary Information

Other Matters

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority, as of September 30, 2020, and the respective changes in financial position and, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Opinion

To the Board of Directors
Pearl River County Utility Authority

PEARL RIVER COUNTY UTILITY AUTHORITY

**STATEMENT OF NET POSITION
SEPTEMBER 30, 2020**

EXHIBIT A

ASSETS

CURRENT ASSETS	
Cash	563,070
Restricted cash	2,556,472
Accounts receivable, net of allowance of \$156,681	964,540
Prepaid expenses	69,662
Inventory	172,491
Total current assets	<u>4,326,235</u>
CAPITAL ASSETS	
Nondepreciable assets	1,989,775
Capital assets being depreciated, net	65,363,768
Total capital assets	<u>67,353,543</u>
NON-CURRENT ASSETS	
Deposits	510
Total non-current assets	<u>510</u>
Total assets	<u>71,680,288</u>
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	
CURRENT LIABILITIES	
Accounts payable	199,562
Notes payable, due within one year	620,596
Other accrued expenses	54,856
Customer water deposits	81,606
Retainage payable	15,719
Total current liabilities	<u>972,339</u>
NON-CURRENT LIABILITIES	
Notes payable, due after one year	11,761,902
Total non-current liabilities	<u>11,761,902</u>
Total liabilities	<u>12,734,241</u>

The notes to the financial statements are an integral part of this statement.

PEARL RIVER COUNTY UTILITY AUTHORITY

STATEMENT OF NET POSITION

SEPTEMBER 30, 2020

EXHIBIT A
PAGE TWO

DEFERRED INFLOWS OF RESOURCES

Unearned revenue

\$ 212,685

NET POSITION

Invested in capital assets, net of related debt
Unrestricted - contributed capital
Unrestricted

54,971,045
6,369,479
(2,607,162)

Total net position

\$ 58,733,362

PEARL RIVER COUNTY UTILITY AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGE
IN FUND NET POSITION
YEAR ENDED SEPTEMBER 30, 2020

EXHIBIT B

OPERATING REVENUES	
Sewer fees	3,682,150
Water fees	222,580
Tap fees	128,382
Operating grants and contributions	479,196
Miscellaneous revenue	90,482
Total operating revenues	<u>4,602,790</u>
OPERATING EXPENSES	
Operations and maintenance - wastewater	494,276
Operations and maintenance - water	44,893
Sludge disposal	82,379
Salaries and benefits	826,493
Legal fees	50,461
Accounting fees	76,000
Other professional services	65,287
Advertising costs	254
Supplies and expenses	217,620
Rental expense	33,113
Repairs and maintenance	1,015,470
Insurance	76,100
Utilities	3,829
Water and sewer taps expenses	214,041
Loss on disposal of asset	14,550
Depreciation	2,169,174
Total operating expenses	<u>5,383,940</u>
OPERATING LOSS	<u>(781,150)</u>
NON-OPERATING REVENUES (EXPENSES)	
Interest income	40,707
Interest expense	(155,538)
Total non-operating revenues (expenses)	<u>(114,831)</u>
CHANGE IN NET POSITION	<u>(895,981)</u>
NET POSITION - BEGINNING	<u>59,629,343</u>
NET POSITION - ENDING	<u>\$ 58,733,362</u>

The notes to the financial statements are an integral part of this statement.

PEARL RIVER COUNTY UTILITY AUTHORITY

EXHIBIT C

**STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2020**

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	
Payments to suppliers	
Payments to employees	
Other receipts	
Net cash provided by operating activities	849,372
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds of notes payable	1,109,245
Principal payments - notes	(437,197)
Interest payments - notes	(232,548)
Acquisition and construction of capital assets	(1,656,574)
Net cash used by capital and related financing activities	(1,217,074)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	40,707
Net cash provided by investing activities	40,707
NET (DECREASE) IN CASH	
	(326,995)
CASH BALANCES:	
Beginning of fiscal year	3,446,537
End of fiscal year	\$ 3,119,542
Displayed on Exhibit A as:	
Cash	\$ 563,070
Restricted cash	2,556,472
	<u>\$ 3,119,542</u>
Total displayed on Exhibit A	

The notes to the financial statements are an integral part of this statement.

PEARL RIVER COUNTY UTILITY AUTHORITY

**STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2020**

EXHIBIT C
PAGE TWO

RECONCILIATION OF OPERATING LOSS TO NET	
CASH PROVIDED BY OPERATING ACTIVITIES	
Operating loss	\$ (781,150)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	2,169,174
Loss on disposal of asset	14,550
Accounts receivable	328,825
Prepaid expenses	(5,212)
Inventories	(45,368)
Increase (decrease) in:	
Accounts payable	(264,921)
Accrued expenses	(106,768)
Customer water deposits	20,722
Retainage payable	(480,480)
Net cash provided by operating activities	\$ 849,372
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES:	
Capitalization of interest	\$ 108,893

The notes to the financial statements are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

PEARL RIVER COUNTY UTILITY AUTHORITY

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity - Pearl River County Utility Authority (the Authority) was established on April 18, 2006, under the provisions of The Mississippi Gulf Coast Regional Utility Authority Act of 2006, Mississippi Code section 49-17-701, and is a political subdivision of the State of Mississippi. The Authority is governed by a seven member Board of Directors. The Directors are appointed as follows: four directors are appointed by the Board of Supervisors of Pearl River County; two directors are appointed by the City Council of the City of Picayune; and one director is appointed by the Board of Alderpersons of the City of Poplarville. The principal function of the Authority is for the planning, acquisition, construction, maintenance, operation and coordination of water, wastewater and storm water systems in order to ensure the delivery of those services to citizens residing within the legal boundaries of Pearl River County.

The accounting and reporting framework and the more significant accounting principles and practices are discussed in subsequent sections of this Note. The remainder of the Notes are organized to provide explanation, including required disclosures, of the Authority's financial activities for the fiscal year ended September 30, 2020.

Basis of Presentation - The Authority's financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) relative to governmental entities.

The Authority accounts for its operations within an enterprise fund. Enterprise funds are classified as proprietary funds by GAAP and are used to account for activities (a) that are financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity; or (b) that are required by laws or regulations that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges of the activity; or (c) that the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

Enterprise funds are presented using the flow of economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means the Authority's assets and liabilities are segregated between current and non-current, with its equity reported as invested in capital assets, net of related debt; restricted and unrestricted components. The accrual basis of accounting recognizes revenues when earned and expenses when liabilities are incurred, regardless of the timing of related cash flows. Revenue from grants and similar items is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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PEARL RIVER COUNTY UTILITY AUTHORITY

NOTES TO FINANCIAL STATEMENTS

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YEAR ENDED SEPTEMBER 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The revenues and expenses of enterprise funds are classified as operating or nonoperating. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Authority's principal ongoing operations. The principal operating revenues of the Authority are charges to customers for sales and services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All other revenues and expenses not meeting this definition are reported as nonoperating.

Budgets and Budgetary Accounting - For the year ended September 30, 2020, the Authority adopted a revenue and expense budget to be used as a management tool that assists its users in analyzing financial activity for each fiscal year.

Deposits - Cash consists primarily of amounts on deposit with financial institutions in interest bearing accounts. Cash and other deposits are reported at fair value at September 30, 2020.

Restricted Cash - Cash balances that are internally restricted for future development and maintenance costs for system assets and deposits received from customers.

Cash and Cash Equivalents - For purposes of the statement of cash flows, all highly liquid investments with original maturities of one year or less when purchased are considered to be cash equivalents.

Accounts Receivable - Accounts receivable represent uncollected charges for services at September 30, 2020, net of amounts estimated to be uncollectible. Allowance for uncollectible accounts is based on historical collection experience and other relevant circumstances.

Prepaid Expenses - Payments made to vendors for services that will benefit future periods are recorded as prepaid expenses.

Inventory - Inventory consists primarily of water meters and related supplies and is stated at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business.

Revenue Recognition - Operating revenues consist of user charges for water and wastewater services or developer permit application fees and are recognized when services are rendered.

Unbilled Revenue - During the year, customer meters are read and billed on a monthly basis. Because not every meter is read on the same date, revenue for some services is earned but remains unbilled at September 30th. These amounts are not included in accounts receivable at September 30, 2020.

PEARL RIVER COUNTY UTILITY AUTHORITY

NOTES TO FINANCIAL STATEMENTS

PAGE THREE

YEAR ENDED SEPTEMBER 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Capital Assets - Purchased or constructed capital assets are reported at historical cost. Capital assets contributed to the Authority are stated at estimated fair value at the time of contribution. Maintenance and repairs are charged to expense as incurred. Expenses which materially increase the value or life of a capital asset, are capitalized and depreciated over the remaining useful life of the asset. When capital assets are sold or retired, the related cost and accumulated depreciation is removed from the accounts and any gain or loss is included in the results of operations.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Water production/storage/treatment facility	5 - 40 years
Wastewater treatment/delivery/storage systems	2 - 75 years
Machinery and equipment	5 - 25 years
Office furniture/software	3 - 5 years

Construction in Progress - It is the Authority's policy to capitalize all direct costs associated with construction in progress as incurred.

Unearned Revenue - The Authority has set aside funds to defer future development and/or maintenance costs of system assets for the River Oaks and Hide-A-Way Lake systems. The Authority will not recognize the related revenue until a future event occurs.

Net Position - The Authority classifies net position into three components:

Invested in Capital Assets, net of Related Debt - consists of all capital assets, net of accumulated depreciation, where applicable, and reduced by outstanding debt that is attributable to the acquisition, construction and improvement of those assets. Debt related to unspent proceeds or other restricted cash and investments is excluded from the determination.

Restricted Net Assets - consists of net assets for which constraints are placed thereon by external parties, such as lenders, grantors, contributors, laws, regulations and enabling legislation. The Authority has no restricted assets at September 30, 2020.

Unrestricted Net Assets - consists of all other net assets not included in the above categories.

It is the Authority's policy to first apply restricted resources then unrestricted resources when an expense is incurred for purposes where both restricted and unrestricted net assets are available.

PEARL RIVER COUNTY UTILITY AUTHORITY

NOTES TO FINANCIAL STATEMENTS

PAGE FOUR

YEAR ENDED SEPTEMBER 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Subsequent Events - In preparing the financial statements, management has evaluated subsequent events through January 14, 2021, which is the date the financial statements were available to be issued.

NOTE 2 - DEPOSITS

The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the Authority's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation (FDIC).

At September 30, 2020, the carrying amount of the Authority's deposits was \$3,119,542 and the bank balance was \$3,132,828.

Custodial Credit Risk - Deposits - Custodial credit risk is the risk that in the event of the failure of a financial institution, the Authority will not be able to recover deposits or collateral securities that are in the possession of an outside party. The Authority does not have a formal policy for custodial credit risk. At September 30, 2020, the Authority's bank balance was not exposed to custodial credit risk.

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PEARL RIVER COUNTY UTILITY AUTHORITY

NOTES TO FINANCIAL STATEMENTS
PAGE FIVE
YEAR ENDED SEPTEMBER 30, 2020

NOTE 3 - CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2020 was as follows:

	Beginning Balances	Additions	Retirements	Ending Balances
Capital assets not being depreciated:				
Land	\$ 233,206	\$ 119,522	\$ -	\$ 352,728
Land easements	1,609,582	-	-	1,609,582
Construction in progress	6,454,563	1,749,463	(8,176,561)	27,465
Total nondepreciated assets	8,297,351	1,868,985	(8,176,561)	1,989,775
Capital assets being depreciated:				
Water production/storage/treatment facility	25,552,140	230,000	(49,500)	25,732,640
Wastewater treatment/delivery/storage systems	53,433,481	7,740,118	-	61,173,599
Office furniture/software	78,494	14,132	-	92,626
Machinery and equipment	571,163	-	-	571,163
Total capital assets being depreciated	79,635,278	7,984,250	(49,500)	87,570,028
Less accumulated depreciation for:				
Water production/storage/treatment facility	(5,557,573)	(644,949)	14,850	(6,187,672)
Wastewater treatment/delivery/storage systems	(13,948,230)	(1,488,500)	-	(15,436,730)
Office furniture/software	(72,164)	(5,000)	-	(77,164)
Machinery and equipment	(473,969)	(30,725)	-	(504,694)
Total accumulated depreciation	(20,051,936)	(2,169,174)	14,850	(22,206,260)
Total capital assets being depreciated, net	59,583,342	5,815,076	(34,650)	65,363,768
Total capital assets, net	\$ 67,880,693	\$ 7,684,061	\$ (8,211,211)	\$ 67,353,543

PEARL RIVER COUNTY UTILITY AUTHORITY

NOTES TO FINANCIAL STATEMENTS

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YEAR ENDED SEPTEMBER 30, 2020

NOTE 5 - LONG-TERM DEBT (Cont.)

Debt service requirements on the WPCRLF Loans at September 30, 2020 are presented in the following schedule:

WPCRLF Loans		
Year of Maturity	Principal Amount	Interest Amount
2021	\$ 620,596	\$ 211,732
2022	631,544	200,783
2023	642,686	189,642
2024	654,023	178,306
2025	665,561	166,767
2026-2030	3,508,119	653,521
2031-2035	3,635,636	336,791
2036-2040	2,024,333	66,097
Total	\$ 12,382,498	\$ 2,003,639

NOTE 6 - ASSET RETIREMENT OBLIGATION

The Authority has determined that based on the highly unlikely scenario of water and/or sewer services no longer being required across its service area and the numerous variables that would be involved with completely abandoning its plant facilities it is unable to feasibly determine the calculation of this liability as of September 30, 2020.

NOTE 7 - RISK MANAGEMENT AND UNCERTAINTIES

Environmental Remediation:

The Authority owns and operates wastewater collection and treatment systems as well as public water supply wells, storage tanks, treatment facilities and delivery pipelines. The normal operations of these systems involve products with environmental and health concerns.

The Authority has received National Environmental Policy Act (NEPA) clearance on all sites/locations of the water and wastewater facilities.

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PEARL RIVER COUNTY UTILITY AUTHORITY

NOTES TO FINANCIAL STATEMENTS

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YEAR ENDED SEPTEMBER 30, 2020

NOTE 7 - RISK MANAGEMENT AND UNCERTAINTIES (Cont.)

Billings and Collections Policies and Procedures:

The Authority has implemented policies and procedures designed to provide assurance of accurate sewer billings and timely collections from the Authority's service areas, including participating local governments. This is an ongoing process that will include rate studies in order to ascertain regulatory compliance as well as the financial considerations inherent to these functions for a utility district.

Insurance:

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; and errors and omissions for which the Authority carries commercial insurance.

As of September 30, 2020, the Authority's insurance coverage consists of surety bonds on its board members and clerks, summarized as follows:

<u>Covered Person</u>	<u>Amount</u>
Cliff Diamond	\$ 100,000
Brenda DeArmas	100,000
Amanda Smith	50,000
Tabatha Butler	100,000
Anthony Houchin	100,000
Marcia Johnson	25,000
Billy Spiers	25,000
William Burns	25,000
Charles Jones	25,000
Ernie Lovell	25,000
Total	\$ 575,000

Uncertainties:

The spread of a novel strain of coronavirus (COVID-19) in the United States of America has caused economic uncertainties which may impact the Authority's operational and financial performance. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration. Therefore, the related financial impact and duration cannot be reasonably estimated at this time.

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PEARL RIVER COUNTY UTILITY AUTHORITY

NOTES TO FINANCIAL STATEMENTS

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YEAR ENDED SEPTEMBER 30, 2020

NOTE 8 - RETIREMENT PLAN

Effective January 1, 2012, the Authority established a Section 401(k) retirement plan for employees who have met the eligibility requirements of being at least 19 years of age and who have been employed for 2 months. The Authority matches 100.00% of the employees' voluntary salary deferral contributions up to a maximum of 5.00% of the employees' compensation. Discretionary employer contributions are authorized under the plan document to be allocated to each employee who is an active participant at the end of the plan year. After completing one year of service, employer contributions are vested in increments of 20.00% per year until fully vested in year five. For the year ended September 30, 2020, the Authority incurred current year pension benefit expense of \$23,143 and had prior employee forfeitures of \$3,048.

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SUPPLEMENTARY INFORMATION

SCHEDULE 1

PEARL RIVER COUNTY UTILITY AUTHORITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2020

Federal Grantor/Pass Through Grantor Program Title	Federal CFDA Number	Agency or Pass Through Number	Federal Expenditures
U.S. Department of Transportation			
Pass-Through Programs From:			
Mississippi Department of Transportation			
Highway Planning and Construction Cluster:			
Highway 11 Project	20.205	MDOT, STP-2170-00(022); 102246-204500	\$ 400,382
Total - Highway Planning and Construction Cluster			<u>400,382</u>
Total U.S. Department of Transportation			
U.S. Environmental Protection Agency			
Pass-Through Programs From:			
Mississippi Department of Environmental Quality			
Clean Water State Revolving Fund Cluster:			
Capitalization Grants for Clean Water State Revolving Funds	66.458	MDEQ, SRF-C280897-04-2	833,627
Total - Clean Water State Revolving Fund Cluster			<u>833,627</u>
Total U.S. Environmental Protection Agency			
Total Expenditures of Federal Awards			
			<u>\$ 1,234,009</u>

PEARL RIVER COUNTY UTILITY AUTHORITY

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2020**

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the Authority under programs of the federal government for the year ended September 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Authority.

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, *wherein* certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

NOTE 2 - DE MINIMIS COST RATE

The Authority elected not to recover indirect costs for federal programs using the 10% de minimis cost rate allowed by the Uniform Guidance in Section 414.

NOTE 3 - CLEAN WATER STATE REVOLVING FUNDS

The Authority received loan proceeds attributable to federal awards in the amount of \$833,627 during fiscal year 2020. These funds are included in the federal expenditures presented in the schedule.

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OTHER REPORTS



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

To the Board of Directors
Pearl River County Utility Authority
Picayune, Mississippi

We have audited, 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, the financial statements of Pearl River County Utility Authority (the Authority) as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents, and have issued our report thereon dated January 14, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



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P. O. Box 1842
Gulfport, MS 39502-1842

Hattiesburg, Mississippi
January 14, 2021



other purpose

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

Purpose of this Report

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Compliance and Other Matters

To the Board of Directors
Pearl River County Utility Authority



HATTIESBURG
2 Southern Pointe Parkway, Suite 100
Hattiesburg, MS 39401-8025
P. O. Drawer 15099
Hattiesburg, MS 39404-5099

COLUMBIA
150 Old Highway 98 E
Columbia, MS 39429-6447
P. O. Box 609
Columbia, MS 39429-0609

GULFPORT
2019 23rd Avenue
Gulfport, MS 39501-2968
P. O. Box 1842
Gulfport, MS 39502-1842

Our responsibility is to express an opinion on compliance for the Authority's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

Auditor's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Management's Responsibility

We have audited Pearl River County Utility Authority's (the Authority) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Authority's major federal program for the year ended September 30, 2020. The Authority's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Report on Compliance for the Major Federal Program

To the Board of Directors
Pearl River County Utility Authority
Picaune, Mississippi



To the Board of Directors
Pearl River County Utility Authority
Picayune, Mississippi

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on the Major Federal Program

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2020.

Report on Internal Control over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

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

Hattiesburg, Mississippi
January 14, 2021



Guidance. Accordingly, this report is not suitable for any other purpose.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform

not been identified.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have

To the Board of Directors
Pearl River County Utility Authority
Picayune, Mississippi

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

PEARL RIVER COUNTY UTILITY AUTHORITY

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2020**

SECTION I: SUMMARY OF AUDITOR'S RESULTS

Financial Statements:

1. Type of auditor's report issued on the financial statements: Unmodified
2. Internal control over financial reporting:
 - A. Material weakness identified? No
 - B. Significant deficiency identified? None Reported
3. Noncompliance material related to financial statements noted? No

Federal Awards:

4. Internal control over the major program:
 - A. Material weakness identified? No
 - B. Significant deficiency identified? None Reported
5. Type of auditor's report issued on compliance for major federal program: Unmodified
6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516 (a)? No
7. Identification of the major federal program:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
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- | | |
|--------|--|
| 66.458 | Clean Water State Revolving Fund Cluster |
| 8. | Dollar threshold used to distinguish between Type A and Type B programs? \$750,000 |
| 9. | Auditee qualified as low-risk auditee? No |

PEARL RIVER COUNTY UTILITY AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

PAGE TWO

YEAR ENDED SEPTEMBER 30, 2020

SECTION II: FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III: FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

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