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**PEARL RIVER COUNTY UTILITY AUTHORITY**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

Year Ended September 30, 2019

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# PEARL RIVER COUNTY UTILITY AUTHORITY

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## **INDEPENDENT AUDITOR'S REPORT**

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

### **Report on 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, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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.

### **Auditor's Responsibility**

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

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

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



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To the Board of Directors  
Pearl River County Utility Authority

**Opinions**

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, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

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.

**Other Information**

Our audit was conducted for the purpose of forming opinions 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.

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.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2020 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.

  
Columbia, Mississippi  
January 15, 2020

EXHIBIT A

**PEARL RIVER COUNTY UTILITY AUTHORITY**

**STATEMENT OF NET POSITION  
SEPTEMBER 30, 2019**

**ASSETS**

**CURRENT ASSETS**

Cash	\$ 502,466
Designated cash	2,944,071
Accounts receivable, net of allowance of \$156,681	1,293,365
Prepaid expenses	64,450
Inventory	127,123
Total current assets	<u>4,931,475</u>

**CAPITAL ASSETS**

Nondepreciable assets	8,297,351
Capital assets being depreciated, net	59,583,342
Total capital assets	<u>67,880,693</u>

**NON-CURRENT ASSETS**

Deposits	510
Total non-current assets	<u>510</u>

**Total assets**

72,812,678

**LIABILITIES AND DEFERRED INFLOWS OF RESOURCES**

**CURRENT LIABILITIES**

Accounts payable	464,483
Notes payable, due within one year	441,078
Other accrued expenses	238,634
Customer water deposits	60,884
Retainage payable	496,199
Total current liabilities	<u>1,701,278</u>

**NON-CURRENT LIABILITIES**

Notes payable, due after one year	11,269,372
Total non-current liabilities	<u>11,269,372</u>

**Total liabilities**

12,970,650

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

EXHIBIT A  
PAGE TWO

**PEARL RIVER COUNTY UTILITY AUTHORITY**

**STATEMENT OF NET POSITION  
SEPTEMBER 30, 2019**

***DEFERRED INFLOWS OF RESOURCES***

Unearned revenue	<u>\$ 212,685</u>
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**NET POSITION**

Invested in capital assets, net of related debt	56,170,243
Unrestricted - contributed capital	6,369,479
Unrestricted	<u>(2,910,379)</u>

<b><i>Total net position</i></b>	<b><u><u>\$ 59,629,343</u></u></b>
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EXHIBIT B

**PEARL RIVER COUNTY UTILITY AUTHORITY**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGE  
IN FUND NET POSITION  
YEAR ENDED SEPTEMBER 30, 2019**

**OPERATING REVENUES**

Sewer fees	\$ 3,661,039
Water fees	234,584
Tap fees	115,882
Miscellaneous revenue	87,380
Total operating revenues	<u>4,098,885</u>

**OPERATING EXPENSES**

Operations and maintenance - wastewater	544,763
Operations and maintenance - water	58,260
Sludge disposal	112,811
Salaries and benefits	867,056
Legal fees	57,478
Accounting fees	66,000
Other professional services	91,547
Advertising costs	249
Supplies and expenses	272,427
Rental expense	32,012
Repairs and maintenance	1,328,531
Insurance	85,876
Utilities	6,590
Water and sewer taps expenses	145,983
Bad debt expense	511
Loss on disposal of asset	1,035
Depreciation	2,126,802
Total operating expenses	<u>5,797,931</u>

**OPERATING LOSS**

(1,699,046)

**NON-OPERATING REVENUES (EXPENSES)**

Interest income	22,329
Insurance proceeds	18,742
Interest expense	(97,005)
Total non-operating revenues (expenses)	<u>(55,934)</u>

**CHANGE IN NET POSITION**

(1,754,980)

**NET POSITION - BEGINNING**

61,384,323

**NET POSITION - ENDING**

\$ 59,629,343

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



EXHIBIT C

**PEARL RIVER COUNTY UTILITY AUTHORITY**

**STATEMENT OF CASH FLOWS  
YEAR ENDED SEPTEMBER 30, 2019**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Receipts from customers	\$ 3,751,714
Payments to suppliers	(2,245,779)
Payments to employees	(870,410)
Other receipts	4,454
Net cash provided by operating activities	<u>639,979</u>

**CASH FLOWS FROM CAPITAL AND RELATED  
FINANCING ACTIVITIES**

Proceeds of notes payable	2,513,338
Insurance proceeds	18,742
Principal payments - notes	(344,046)
Interest payments - notes	(38,100)
Acquisition and construction of capital assets	(3,320,201)
Net cash used by capital and related financing activities	<u>(1,170,267)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest income	<u>22,329</u>
Net cash provided by investing activities	<u>22,329</u>

**NET (DECREASE) IN CASH**

(507,959)

**CASH BALANCES:**

Beginning of fiscal year	<u>3,954,496</u>
End of fiscal year	<u>\$ 3,446,537</u>

**Displayed on Exhibit A as:**

Cash	\$ 502,466
Designated cash	<u>2,944,071</u>

**Total displayed on Exhibit A**

\$ 3,446,537



EXHIBIT C  
PAGE TWO

**PEARL RIVER COUNTY UTILITY AUTHORITY**

**STATEMENT OF CASH FLOWS  
YEAR ENDED SEPTEMBER 30, 2019**

**RECONCILIATION OF OPERATING LOSS TO NET  
CASH PROVIDED BY OPERATING ACTIVITIES**

Operating loss	\$ (1,699,046)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Provision for bad debts	511
Depreciation	2,126,802
Loss on disposal of asset	1,035
(Increase) decrease in:	
Accounts receivable	(347,171)
Prepaid expenses	9,174
Inventories	(13,217)
Increase (decrease) in:	
Accounts payable	247,472
Accrued expenses	36,949
Customer water deposits	12,735
Retainage payable	273,016
Deferred revenue	(8,281)
<b>Net cash provided by operating activities</b>	<b>\$ 639,979</b>

**NOTES TO FINANCIAL STATEMENTS**

## PEARL RIVER COUNTY UTILITY AUTHORITY

### NOTES TO FINANCIAL STATEMENTS YEAR ENDED SEPTEMBER 30, 2019

#### **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, 2019.

**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, 2019**

**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.

**Cash** - 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, 2019.

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

**Accounts Receivable** - Accounts receivable represent uncollected charges for services at September 30, 2019, 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 30<sup>th</sup>. These amounts are not included in accounts receivable at September 30, 2019.

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**PEARL RIVER COUNTY UTILITY AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**

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**YEAR ENDED SEPTEMBER 30, 2019**

**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, 2019.

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

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YEAR ENDED SEPTEMBER 30, 2019

#### **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** - Management of the Authority has evaluated subsequent events as of January 15, 2020, which is the date the financial statements were available to be issued. There have been no significant events to report as of the date previously stated.

**Change in Accounting Principle** - The District implemented the following standards issued by the Governmental Accounting Standards Board (GASB) in the current fiscal year as required:

- GASB Statement No.83, *Certain Asset Retirement Obligations*. The provisions of this standard have been incorporated into the financial statements and notes.
- GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The provisions of this standard have been incorporated into the financial statements and notes.

#### **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 entity'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, 2019, the carrying amount of the Authority's deposits was \$3,446,537 and the bank balance was \$3,538,754.

**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, 2019, the Authority's bank balance was not exposed to custodial credit risk.

PEARL RIVER COUNTY UTILITY AUTHORITY

NOTES TO FINANCIAL STATEMENTS  
PAGE FIVE  
YEAR ENDED SEPTEMBER 30, 2019

NOTE 3 - CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2019 was as follows:

	Beginning Balances	Additions	Retirements	Transfers/ Adjustments	Ending Balances
Capital assets not being depreciated:					
Land	\$ 209,806	\$ 23,400	\$ -	\$ -	\$ 233,206
Land easements	1,609,582	-	-	-	1,609,582
Construction in progress	3,259,755	3,555,673	(360,865)	-	6,454,563
Total nondepreciated assets	5,079,143	3,579,073	(360,865)	-	8,297,351
Capital assets being depreciated:					
Water production/storage/treatment facility	25,502,640	49,500	-	-	25,552,140
Wastewater treatment/delivery/storage systems	53,380,988	52,493	-	-	53,433,481
Office furniture/software	80,319	-	(1,825)	-	78,494
Machinery and equipment	571,163	-	-	-	571,163
Total capital assets being depreciated	79,535,110	101,993	(1,825)	-	79,635,278
Less accumulated depreciation for:					
Water production/storage/treatment facility	(4,909,112)	(648,461)	-	-	(5,557,573)
Wastewater treatment/delivery/storage systems	(12,508,333)	(1,439,897)	-	-	(13,948,230)
Office furniture/software	(66,135)	(6,819)	790	-	(72,164)
Machinery and equipment	(442,344)	(31,625)	-	-	(473,969)
Total accumulated depreciation	(17,925,924)	(2,126,802)	790	-	(20,051,936)
Total capital assets being depreciated, net	61,609,186	(2,024,809)	(1,035)	-	59,583,342
<b>Total capital assets, net</b>	<b>\$ 66,688,329</b>	<b>\$ 1,554,264</b>	<b>\$ (361,900)</b>	<b>\$ -</b>	<b>\$ 67,880,693</b>



**PEARL RIVER COUNTY UTILITY AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**

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**YEAR ENDED SEPTEMBER 30, 2019**

**NOTE 4 - ACCOUNTS PAYABLE**

Accounts payable consisted of the following at September 30, 2019:

Legal fees	\$	3,500
Utility operation fees		30,257
Construction contracts		407,431
Other payables		23,295
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<b>Total accounts payable</b>	<b>\$</b>	<b>464,483</b>
		<hr/> <hr/>

**NOTE 5 - LONG-TERM DEBT**

Changes in long-term debt for the year ended September 30, 2019 are as follows:

	<b>Balance 9/30/18</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balance 9/30/19</b>
<b>Notes Payable:</b>				
SRF-C280897-01 loan, maturing 2032; nominal rate, 1.75% for 2019	\$ 464,346	\$ -	\$ 29,530	\$ 434,816
SRF-C280897-02-0 loan, maturing 2034; nominal rate, 1.75% for 2019	740,396	-	41,695	698,701
SRF-C280897-03-0 loan, maturing 2037; nominal rate, 1.75% for 2019	5,845,115	-	272,821	5,572,294
SRF-C280897-04-1 loan, maturing 2039; nominal rate, 1.75% for 2019	2,491,301	2,513,338	-	5,004,639
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total long-term debt</b>	<b>\$ 9,541,158</b>	<b>\$ 2,513,338</b>	<b>\$ 344,046</b>	<b>\$ 11,710,450</b>
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**PEARL RIVER COUNTY UTILITY AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**

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**YEAR ENDED SEPTEMBER 30, 2019**

**NOTE 5 - LONG-TERM DEBT (Cont.)**

Debt service requirements on the WPCRLF Loans at September 30, 2019, including projected debt service payments for SRF-C280897-04-1, are presented in the following schedule:

<u>Year of Maturity</u>	<u>WPCRLF Loans</u>	
	<u>Principal Amount</u>	<u>Interest Amount</u>
2020	\$ 441,078	\$ 194,877
2021	632,379	192,158
2022	643,535	181,002
2023	654,888	169,649
2024	666,441	158,096
2025-2029	3,512,758	609,928
2030-2034	3,734,919	290,293
2035-2039	1,424,452	26,665
<b>Total</b>	<b>\$ 11,710,450</b>	<b>\$ 1,822,668</b>

**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, 2019.

**NOTE 7 - RISK MANAGEMENT**

*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.

**PEARL RIVER COUNTY UTILITY AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**

**PAGE EIGHT**

**YEAR ENDED SEPTEMBER 30, 2019**

**NOTE 7 - RISK MANAGEMENT (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, 2019, 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
Monique Boudreaux	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
<b>Total</b>	<b>\$ 575,000</b>

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**PEARL RIVER COUNTY UTILITY AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**

**PAGE NINE**

**YEAR ENDED SEPTEMBER 30, 2019**

***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, 2019, the Authority incurred current year pension benefit expense of \$18,568 and had prior employee forfeitures of \$4,685.

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**SUPPLEMENTARY INFORMATION**

SCHEDULE 1

PEARL RIVER COUNTY UTILITY AUTHORITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 SEPTEMBER 30, 2019

Federal Grantor/Pass Through Grantor Program Title	Federal CFDA Number	Agency or Pass Through Number	Federal Expenditures
<b>U.S. Environmental Protection Agency</b> Mississippi Department of Environmental Quality: Capitalization Grants for Clean Water State Revolving Funds	66.458	MDEQ, SRF-C280897-04-1	\$ 1,892,979
<b>Total U.S. Environmental Protection Agency</b>			<u>1,892,979</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 1,892,979</u>

See independent auditor's report.

**PEARL RIVER COUNTY UTILITY AUTHORITY**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED SEPTEMBER 30, 2019**

**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, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. 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.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Pass-through entity identifying numbers are presented where available.

**NOTE 3 - CLEAN WATER STATE REVOLVING FUNDS**

The Authority received loan proceeds attributable to federal awards in the amount of \$1,892,979 during fiscal year 2019. These funds are included in the federal expenditures presented in the schedule.

**NOTE 4 - 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.



**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, 2019 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 15, 2020.

***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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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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To the Board of Directors  
Pearl River County Utility Authority

**Compliance and Other Matters**

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 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*

**Purpose of this Report**

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

  
Columbia, Mississippi  
January 15, 2020



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM  
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM  
GUIDANCE**

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

**Report on Compliance for the Major Federal Program**

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, 2019. 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.

**Management'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.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance of 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.



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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, 2019.

### **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.



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

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 not been identified.

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



Columbia, Mississippi  
January 15, 2020

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**



**PEARL RIVER COUNTY UTILITY AUTHORITY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED SEPTEMBER 30, 2019**

**SECTION I: SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements:**

- |    |   |               |
|----|---|---------------|
| 1. | Type of auditor's report issued:  | Unmodified    |
| 2. | Internal control over financial reporting:                                    |               |
|    | A. Material weakness identified?  | No            |
|    | B. Reportable deficiency identified not considered to be a material weakness? | None Reported |
| 3. | Noncompliance material related to financial statements:                       | No            |

**Federal Awards:**

- |    |  |               |
|----|--|---------------|
| 4. | Internal control over major programs:  |               |
|    | A. Material weakness identified?   | No            |
|    | B. Significant deficiency identified not considered to be a material weakness?   | None Reported |
| 5. | Type of auditor's report issued on compliance for major fund program:<br>Capitalization Grants for Clean Water State Revolving Funds   | Unmodified    |
| 6. | Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards? | No            |
| 7. | Identification of major program:   |               |

**CFDA Number**

**Name of Federal Program**

66.458	Capitalization Grants for Clean Water State Revolving Funds
--------	---

- |    |  |           |
|----|--|-----------|
| 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, 2019**

***SECTION II: FINANCIAL STATEMENT FINDINGS***

No matters were reported.

***SECTION III: FINANCIAL AWARD FINDINGS AND QUESTIONED COSTS***

No matters were reported.