

PEARL RIVER VALLEY WATER SUPPLY DISTRICT

A Component Unit of the State of Mississippi

AUDIT REPORT

June 30, 2022

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COLLINS, BARR & HEMBREE, LTD.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

INDEPENDENT AUDITOR'S REPORT ON THE BASIC FINANCIAL
STATEMENTS AND SUPPLEMENTAL INFORMATION

Board of Directors
Pearl River Valley Water Supply District
Ridgeland, Mississippi

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of Pearl River Valley Water Supply District (the "District") as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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 Pearl River Valley Water Supply District, as of June 30, 2022, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Pearl River Valley Water Supply District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Pearl River Valley Water Supply District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Pearl River Valley Water Supply District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Pearl River Valley Water Supply District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

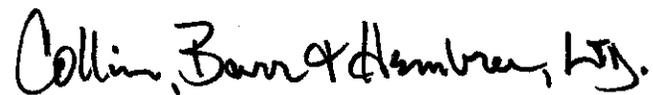
Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, Schedule of the District's Proportionate Share of the Net Pension Liability, Schedule of the District's Contributions (PERS), Schedule of the District's Proportionate Share of the Net OPEB Liability, and Schedule of the District's Contributions (OPEB) on pages 8–13 and 52–61 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2022, on our consideration of the District'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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Collin Barr & Associates, LLP". The signature is written in a cursive, flowing style.

December 8, 2022

PEARL RIVER VALLEY WATER SUPPLY DISTRICT

A Component Unit of the State of Mississippi

MANAGEMENT'S DISCUSSION AND ANALYSIS

PEARL RIVER VALLEY WATER SUPPLY DISTRICT
A Component Unit of the State of Mississippi
MANAGEMENT'S DISCUSSION AND ANALYSIS

Introduction

This section presents management's discussion and analysis of the financial position and performance of the Pearl River Valley Water Supply District (the District) for the year ended June 30, 2022. Please read this narrative overview and analysis in conjunction with the District's basic financial statements which follow this section.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's financial reporting, which is comprised of the basic financial statements and notes to basic financial statements.

The basic financial statements include government-wide financial statements and fund financial statements. The government-wide financial statements include a statement of net position and a statement of activities. Fund financial statements include governmental and proprietary fund financial statements. The primary differences between the government-wide and governmental fund financial statements relate to the accounting treatment of capital assets and long-term liabilities.

Financial Analysis

The District's net position at June 30, 2022 and 2021 was \$57,324,769 and \$55,478,119, respectively. Total net position increased \$1,846,650 between June 30, 2022 and 2021. Below is a summary of total net position at June 30, 2022 and 2021.

PEARL RIVER VALLEY WATER SUPPLY DISTRICT
A Component Unit of the State of Mississippi
MANAGEMENT'S DISCUSSION AND ANALYSIS

NET POSITION

	<u>2022</u>	<u>2021</u>	<u>\$ Variance</u>
Assets:			
Cash	\$ 19,389,175	\$ 17,465,490	\$ 1,923,685
Certificates of deposit	-	8,202	(8,202)
Receivables	1,675,825	1,151,058	524,767
Capital assets	<u>48,479,383</u>	<u>48,708,959</u>	<u>(229,576)</u>
 Total assets	 <u>69,544,383</u>	 <u>67,333,709</u>	 <u>2,210,674</u>
 Deferred outflows of resources	 <u>2,421,167</u>	 <u>2,749,545</u>	 <u>(328,378)</u>
 Total assets and deferred outflows of resources	 <u>\$ 71,965,550</u>	 <u>\$ 70,083,254</u>	 <u>\$ 1,882,296</u>
Liabilities:			
Accounts payable, accrued liabilities, and customer deposits	\$ 1,467,042	\$ 1,314,305	\$ 152,737
Long-term liabilities	464,867	457,840	7,027
Net pension liability	8,868,262	11,615,303	(2,747,041)
Net OPEB liability	553,576	640,025	(86,449)
Unearned revenue	<u>408,874</u>	<u>417,011</u>	<u>(8,137)</u>
 Total liabilities	 <u>11,762,621</u>	 <u>14,444,484</u>	 <u>(2,681,863)</u>
 Deferred inflows of resources	 <u>2,878,160</u>	 <u>160,651</u>	 <u>2,717,509</u>
 Total liabilities and deferred inflows of resources	 <u>\$ 14,640,781</u>	 <u>\$ 14,605,135</u>	 <u>\$ 35,646</u>
Net Position:			
Net investment in capital assets	\$ 48,441,492	\$ 48,682,110	\$ (240,618)
Restricted for capital improvements	2,445,514	2,756,318	(310,804)
Unrestricted	<u>6,437,763</u>	<u>4,039,691</u>	<u>2,398,072</u>
 Total net position	 <u>\$ 57,324,769</u>	 <u>\$ 55,478,119</u>	 <u>\$ 1,846,650</u>

The Ross Barnett Reservoir (the Reservoir) is a 33,000 acre impoundment on the Pearl River, just north of Jackson, Mississippi. Ownership and operation of the Reservoir, shoreline and surrounding property are vested in the District, which is an agency of the State of Mississippi. The District was created in 1958 by the Mississippi Legislature (the Legislature) to provide water supply and water-oriented recreational activities. The District has over 50,000 total acres, with the shoreline consisting of parks, timber and land leases. The District has over 5,300 water customers, provides water to the City of Jackson for treatment and has approximately 2.75 million visitors each year.

PEARL RIVER VALLEY WATER SUPPLY DISTRICT
A Component Unit of the State of Mississippi
MANAGEMENT'S DISCUSSION AND ANALYSIS

The District is responsible for the maintenance of the Reservoir dam, spillway, roads and streets and approximately 50 public recreation facilities, including 5 campgrounds and the Reservoir. The spillway, patrol and campgrounds are staffed 24 hours a day. The maintenance staff is on call to respond to emergencies and to ensure adequate personnel are available to provide for the safety and comfort of campers, water and sewer customers and visitors.

The District is authorized to spend funds for capital improvements such as parks, campgrounds, launching ramps, parking lots and access roads for the public benefit. Other capital improvement funds are used to develop parcels of land for residential and commercial lease to provide a source of revenue to the District.

The District charges no fees for the use of any of its public facilities, except for the campgrounds and group picnic pavilions. There are five counties which are members of the District – Hinds, Rankin, Madison, Scott and Leake. Each county is represented by two District board members, and one member each is appointed by four agencies of the State of Mississippi.

Net capital assets totaled \$48,479,383 at June 30, 2022, a decrease of \$229,576 from June 30, 2021. During fiscal 2022, additions to capital assets totaled \$3,027,779, and \$3,256,177 was recorded as depreciation expense. Capital asset additions primarily related to sewer improvements, dams, special projects and various other equipment additions.

Liabilities totaled \$11,762,621 at June 30, 2022, a decrease of \$2,681,863 from prior year. The net pension liability decreased \$2,747,041 and accounts payable and other current liabilities increased by \$152,737. Deferred outflows related to pensions and OPEB decreased \$328,378 and deferred inflows related to those items increased \$2,717,509. The changes related to the defined benefit pension plan and OPEB plan resulted from factors more fully explained in the notes to the financial statements.

The District's operations include governmental and business-type activities. The District's business-type activities include the activities of water and sewer operations and the Reservoir's sanitation system. A summary of revenues and expenses for the years ended June 30, 2022 and 2021 follows.

PEARL RIVER VALLEY WATER SUPPLY DISTRICT
A Component Unit of the State of Mississippi
MANAGEMENT'S DISCUSSION AND ANALYSIS

CHANGE IN NET POSITION

	<u>2022</u>	<u>2021</u>	<u>\$ Variance</u>
Revenues:			
Governmental activities:			
Lease rentals	\$ 7,052,853	\$ 6,544,376	\$ 508,477
Campground fees	3,006,461	2,837,493	168,968
Transfer fees	172,250	180,260	(8,010)
Building permit fees	250,477	168,971	81,506
Intergovernmental	1,190,811	3,428,702	(2,237,891)
Other	646,166	824,131	(177,965)
Total governmental activities	<u>12,319,018</u>	<u>13,983,933</u>	<u>(1,664,915)</u>
Business-type activities:			
Water sales	1,992,265	1,988,502	3,763
Sewer charges	2,645,680	2,098,157	547,523
Other	195,674	260,007	(64,333)
Total business-type activities	<u>4,833,619</u>	<u>4,346,666</u>	<u>486,953</u>
General interest income	46,072	30,115	15,957
Total revenues	<u>17,198,709</u>	<u>18,360,714</u>	<u>(1,162,005)</u>
Expenses:			
Governmental activities:			
General and administrative	2,453,670	2,632,525	(178,855)
Maintenance of facilities	3,441,493	3,266,619	174,874
Campground operations	1,822,161	1,970,649	(148,488)
Spillway operation	291,328	318,625	(27,297)
Policing	734,268	732,952	1,316
Special projects	82,202	197,633	(115,431)
Shop and equipment	458,072	513,416	(55,344)
Total governmental activities	<u>9,283,194</u>	<u>9,632,419</u>	<u>(349,225)</u>
Business-type activities -			
Water and sewer operations and sanitation system	6,068,865	5,805,554	263,311
Total expenses	<u>15,352,059</u>	<u>15,437,973</u>	<u>(85,914)</u>
Change in net position	<u>\$ 1,846,650</u>	<u>\$ 2,922,741</u>	<u>\$ (1,076,091)</u>

PEARL RIVER VALLEY WATER SUPPLY DISTRICT
A Component Unit of the State of Mississippi
MANAGEMENT'S DISCUSSION AND ANALYSIS

As a state agency, the District is subject to the appropriations process for authorization for expenditures of its funds. The District currently receives no direct appropriations from the Legislature for operations and does not receive any tax proceeds from the five counties which make up the District. However, from time to time, grant funds and special appropriations are received for capital projects such as campgrounds, road projects and multi-purpose trails.

Total revenues for the years ended June 30, 2022 and 2021, totaled \$17,198,709 and \$18,360,714, respectively, a net decrease of \$1,162,005. This decrease is due primarily to a decrease in federal and state intergovernmental revenue. The District received federal and state intergovernmental revenue of \$1,190,811 in 2022, a decrease of \$2,237,891 from 2021. Lease rentals and campground fees increased \$677,445 from the prior year, and sewer revenue was increased \$547,523 from the prior year.

The District's governmental funds consist of the General Fund and Capital Projects Fund. During the year ended June 30, 2022, the net increase in the fund balance of the General Fund was \$3,763,162, as compared to an increase in fiscal year 2021 of \$2,543,216. The change in the net increase is due primarily to changes in intergovernmental revenue and operating transfers.

During the year ended June 30, 2022, budgeted revenues for the General Fund were \$13,300,000, compared to actual revenues of \$12,364,544, resulting in a difference between actual and budgeted revenues of \$935,456. In addition, budgeted expenditures for the General Fund were \$11,930,000, compared to actual expenditures of \$8,875,482, a favorable variance of \$3,054,518.

The District operates four water and wastewater systems as reported in the Enterprise Fund. During the year ended June 30, 2022, operating revenues from these activities were \$4,833,619, an increase of 12%. Operating expenses of the water and sewer operations and sanitation system were \$6,068,865 in fiscal 2022, an increase of 5% over fiscal 2021.

PEARL RIVER VALLEY WATER SUPPLY DISTRICT
A Component Unit of the State of Mississippi
MANAGEMENT'S DISCUSSION AND ANALYSIS

Contacting the District's Financial Management

This financial report is designed to provide the District's Board of Directors, member local governments, customers, creditors and area citizens we serve with a general overview of the District's financial position at June 30, 2022, and to demonstrate the District's proper accountability for the monies, grants and contractual arrangements that it receives. If you have questions about this report or need additional information, please contact the General Manager or the Director of Finance at P. O. Box 2180, Ridgeland, MS 39158-2180. Also, please visit our website at www.therez.ms.

PEARL RIVER VALLEY WATER SUPPLY DISTRICT

A Component Unit of the State of Mississippi

BASIC FINANCIAL STATEMENTS

PEARL RIVER VALLEY WATER SUPPLY DISTRICT
A COMPONENT UNIT OF THE STATE OF MISSISSIPPI
STATEMENT OF NET POSITION
June 30, 2022

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash	\$ 16,344,728	\$ 598,933	\$ 16,943,661
Receivables, net	1,150,727	525,098	1,675,825
Restricted cash	2,445,514	-	2,445,514
Internal balances	<u>272,702</u>	<u>(272,702)</u>	<u>-</u>
Total current assets	<u>20,213,671</u>	<u>851,329</u>	<u>21,065,000</u>
Non-current assets:			
Capital assets:			
Land	7,688,569	-	7,688,569
Machinery and equipment	7,139,480	3,709,822	10,849,302
Dams and other improvements	76,099,004	-	76,099,004
Water and sewer system	-	33,344,415	33,344,415
Construction in progress	1,737,596	-	1,737,596
Less accumulated depreciation	<u>(61,103,637)</u>	<u>(20,135,866)</u>	<u>(81,239,503)</u>
Total non-current assets	<u>31,561,012</u>	<u>16,918,371</u>	<u>48,479,383</u>
Total assets	51,774,683	17,769,700	69,544,383
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows - pensions	1,939,216	310,311	2,249,527
Deferred outflows - OPEB	<u>142,461</u>	<u>29,179</u>	<u>171,640</u>
Total assets and deferred outflows of resources	<u>53,856,360</u>	<u>18,109,190</u>	<u>71,965,550</u>
LIABILITIES			
Current liabilities:			
Accounts payable, accrued liabilities, and customer deposits	666,001	801,041	1,467,042
Current portion of long-term liabilities	<u>53,813</u>	<u>6,620</u>	<u>60,433</u>
Total current liabilities	<u>719,814</u>	<u>807,661</u>	<u>1,527,475</u>
Non-current liabilities:			
Long-term liabilities	360,134	44,300	404,434
Net pension liability	6,659,523	2,208,739	8,868,262
Net OPEB liability	459,278	94,298	553,576
Unearned revenue	<u>408,874</u>	<u>-</u>	<u>408,874</u>
Total non-current liabilities	<u>7,887,809</u>	<u>2,347,337</u>	<u>10,235,146</u>
Total liabilities	8,607,623	3,154,998	11,762,621
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows - pensions	2,216,716	454,026	2,670,742
Deferred inflows - OPEB	<u>172,157</u>	<u>35,261</u>	<u>207,418</u>
Total liabilities and deferred inflows of resources	<u>10,996,496</u>	<u>3,644,285</u>	<u>14,640,781</u>
NET POSITION			
Invested in capital assets, net of related debt	31,523,121	16,918,371	48,441,492
Restricted for capital improvements	2,445,514	-	2,445,514
Unrestricted	<u>8,891,229</u>	<u>(2,453,466)</u>	<u>6,437,763</u>
Total net position	<u>\$ 42,859,864</u>	<u>\$ 14,464,905</u>	<u>\$ 57,324,769</u>

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

PEARL RIVER VALLEY WATER SUPPLY DISTRICT
A COMPONENT UNIT OF THE STATE OF MISSISSIPPI
STATEMENT OF ACTIVITIES
Year Ended June 30, 2022

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:						
Governmental activities:						
General and administrative	\$ 2,453,670	\$ -	\$ -	\$ (2,453,670)	\$ -	\$ (2,453,670)
Maintenance of facilities	3,441,493	7,864,217	-	4,422,724	-	4,422,724
Campground operations	1,822,161	3,006,461	-	1,184,300	-	1,184,300
Spillway operation	291,328	-	-	(291,328)	-	(291,328)
Policing	734,268	-	27,699	(706,569)	-	(706,569)
Special projects	82,202	-	1,163,112	1,080,910	-	1,080,910
Shop and equipment	458,072	-	-	(458,072)	-	(458,072)
Total governmental activities	<u>9,283,194</u>	<u>10,870,678</u>	<u>1,190,811</u>	<u>2,778,295</u>	<u>-</u>	<u>2,778,295</u>
Business-type activities:						
Water and sewer operations and sanitation system	<u>6,068,865</u>	<u>4,833,619</u>	<u>-</u>	<u>-</u>	<u>(1,235,246)</u>	<u>(1,235,246)</u>
Total primary government	<u>\$ 15,352,059</u>	<u>\$ 15,704,297</u>	<u>\$ 1,190,811</u>	2,778,295	(1,235,246)	1,543,049
General revenues:						
Interest income				46,072	-	46,072
Sale of timber				242,243	-	242,243
Proceeds from easement				15,286	-	15,286
Transfers				<u>274,100</u>	<u>(274,100)</u>	<u>-</u>
Total general revenues and transfers				<u>577,701</u>	<u>(274,100)</u>	<u>303,601</u>
Change in net position				3,355,996	(1,509,346)	1,846,650
Net position, beginning of year				<u>39,503,868</u>	<u>15,974,251</u>	<u>55,478,119</u>
Net position, end of year				<u>\$ 42,859,864</u>	<u>\$ 14,464,905</u>	<u>\$ 57,324,769</u>

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

PEARL RIVER VALLEY WATER SUPPLY DISTRICT
A COMPONENT UNIT OF THE STATE OF MISSISSIPPI
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2022

	General	Capital Projects	Total Governmental Funds
ASSETS			
Cash	\$ 18,588,037	\$ 202,205	\$ 18,790,242
Receivables, net	1,150,727	-	1,150,727
Due from other funds	21,358	251,344	272,702
 Total assets	 \$ 19,760,122	 \$ 453,549	 \$ 20,213,671
 LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts payable	\$ 412,744	\$ -	\$ 412,744
Accrued liabilities	253,257	-	253,257
Unearned revenue	408,874	-	408,874
 Total liabilities	 1,074,875	 -	 1,074,875
Fund balance:			
Restricted to:			
Property improvements	1,522,971	453,549	1,976,520
Dam and infrastructure improvements	431,103	-	431,103
Committed to:			
Property improvements	2,500,000	-	2,500,000
Assigned to:			
Property improvements	2,532,000	-	2,532,000
Capital improvements	200,000	-	200,000
Dam and infrastructure improvements	4,800,000	-	4,800,000
Unassigned	6,699,173	-	6,699,173
 Total fund balance	 18,685,247	 453,549	 19,138,796
 Total liabilities and fund balance	 \$ 19,760,122	 \$ 453,549	 \$ 20,213,671

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

PEARL RIVER VALLEY WATER SUPPLY DISTRICT
A COMPONENT UNIT OF THE STATE OF MISSISSIPPI
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF NET POSITION
June 30, 2022

Total fund balance - governmental funds	\$	19,138,796
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		31,561,012
Liabilities not due and payable in the current period are not reported in the funds:		
Compensated absences		(413,947)
Net pension liability		(6,659,523)
Net OPEB liability		(459,278)
Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future periods and, therefore, are not reported in the funds:		
Deferred outflows of resources related to pensions		1,939,216
Deferred inflows of resources related to pensions		(2,216,716)
Deferred outflows of resources related to OPEB		142,461
Deferred inflows of resources related to OPEB		(172,157)
		(172,157)
Net position of governmental activities	\$	42,859,864

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

PEARL RIVER VALLEY WATER SUPPLY DISTRICT
A COMPONENT UNIT OF THE STATE OF MISSISSIPPI
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2022

	General	Capital Projects	Total Governmental Funds
REVENUES			
Interest on investments	\$ 45,526	\$ 546	\$ 46,072
Lease rentals	7,052,853	-	7,052,853
Assignment fees	172,250	-	172,250
Building permit fees	250,477	-	250,477
Campground fees	3,006,461	-	3,006,461
Intergovernmental	1,190,811	-	1,190,811
Miscellaneous	646,166	-	646,166
	<u>12,364,544</u>	<u>546</u>	<u>12,365,090</u>
EXPENDITURES			
Current:			
General and administrative	2,503,994	-	2,503,994
Maintenance of facilities	1,663,859	-	1,663,859
Campground operations	1,560,851	-	1,560,851
Spillway operation	329,693	-	329,693
Policing	764,580	-	764,580
Special projects	1,580,077	3,315	1,583,392
Shop and equipment	472,428	-	472,428
	<u>8,875,482</u>	<u>3,315</u>	<u>8,878,797</u>
Total expenditures	<u>8,875,482</u>	<u>3,315</u>	<u>8,878,797</u>
Excess (deficiency) of revenues over expenditures	<u>3,489,062</u>	<u>(2,769)</u>	<u>3,486,293</u>
OTHER FINANCING SOURCES			
Transfers in	274,100	-	274,100
	<u>274,100</u>	<u>-</u>	<u>274,100</u>
Net change in fund balances	3,763,162	(2,769)	3,760,393
Fund balances, beginning of year	14,922,085	456,318	15,378,403
Fund balances, end of year	<u>\$ 18,685,247</u>	<u>\$ 453,549</u>	<u>\$ 19,138,796</u>

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

PEARL RIVER VALLEY WATER SUPPLY DISTRICT
A COMPONENT UNIT OF THE STATE OF MISSISSIPPI
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2022

Net change in fund balances - total governmental funds	\$	3,760,393
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>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 and reported as depreciation expense. Thus, the change in net position differs from the change in fund balances by the amount that depreciation (\$2,002,854) and disposals (\$1,178) exceeded capital outlays (\$1,673,317) in the current period.</p>		
		(330,715)
<p>Compensated absences are measured by the amounts earned during the year in the statement of activities. However, in the governmental funds, expenditures are measured by the amount of financial resources used.</p>		
		(3,834)
<p>The statement of activities reports an expense equal to the District's proportionate share of the collective OPEB expense for the cost-sharing multiple-employer defined benefit OPEB plan. However, in the governmental funds, the cost-sharing expenses are measured by the amount of current contributions made to the plan. Reconciling items applicable to the OPEB liability and related accounts are the following:</p>		
OPEB expense for the current year		20,258
OPEB contributions made subsequent to the measurement date		18,455
<p>The statement of activities reports an expense equal to the District's proportionate share of the collective net pension expense for the cost-sharing pension plan. However, in the governmental funds, the cost-sharing expenses are measured by the amount of current contributions made to the plan. Reconciling items applicable to the pension liability and related accounts are the following:</p>		
Pension expense for the current year		(768,284)
Pension contributions made subsequent to the measurement date		659,723
		659,723
Change in net position of governmental activities	\$	3,355,996

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

PEARL RIVER VALLEY WATER SUPPLY DISTRICT
A COMPONENT UNIT OF THE STATE OF MISSISSIPPI
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL - GENERAL FUND
Year Ended June 30, 2022

	General Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Interest on investments	\$ 50,000	\$ 45,526	\$ (4,474)
Lease rentals	7,200,000	7,052,853	(147,147)
Assignment fees	250,000	172,250	(77,750)
Building permit fees	400,000	250,477	(149,523)
Campground fees	3,200,000	3,006,461	(193,539)
Grant revenues	1,200,000	1,190,811	(9,189)
Miscellaneous	1,000,000	646,166	(353,834)
	<u>13,300,000</u>	<u>12,364,544</u>	<u>(935,456)</u>
EXPENDITURES			
Salaries, wages and fringe benefits	4,400,000	4,063,444	336,556
Travel	30,000	12,591	17,409
Contractual services	2,700,000	2,353,645	346,355
Commodities	800,000	754,194	45,806
Equipment and special projects	3,000,000	1,666,608	1,333,392
Loans, subsidies and grants	1,000,000	25,000	975,000
	<u>11,930,000</u>	<u>8,875,482</u>	<u>3,054,518</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,370,000</u>	<u>3,489,062</u>	<u>2,119,062</u>
OTHER FINANCING SOURCES			
Transfers in	-	274,100	274,100
Net change in fund balance	<u>\$ 1,370,000</u>	<u>\$ 3,763,162</u>	<u>\$ 2,393,162</u>

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

PEARL RIVER VALLEY WATER SUPPLY DISTRICT
A COMPONENT UNIT OF THE STATE OF MISSISSIPPI
STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2022

ASSETS		
Current assets:		
Cash		\$ 598,933
Receivables, net		<u>525,098</u>
Total current assets		<u>1,124,031</u>
Noncurrent assets:		
Capital assets:		
Machinery and equipment		3,709,822
Water and sewer system		33,344,415
Less accumulated depreciation		<u>(20,135,866)</u>
Total noncurrent assets		<u>16,918,371</u>
Total assets		18,042,402
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows - pensions		310,311
Deferred outflows - OPEB		<u>29,179</u>
Total assets and deferred outflows of resources		18,381,892
LIABILITIES		
Current liabilities:		
Accounts payable		224,243
Accrued liabilities		140,447
Customer deposits		442,971
Due to other funds		<u>272,702</u>
Total current liabilities		1,080,363
Noncurrent liabilities:		
Noncurrent accrued liabilities		44,300
Net pension liability		2,208,739
Net OPEB liability		<u>94,298</u>
Total liabilities		3,427,700
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows - pensions		454,026
Deferred inflows - OPEB		<u>35,261</u>
Total liabilities and deferred inflows of resources		<u>3,916,987</u>
NET POSITION		
Invested in capital assets, net of related debt		16,918,371
Unrestricted		<u>(2,453,466)</u>
Total net position		<u>\$ 14,464,905</u>

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

PEARL RIVER VALLEY WATER SUPPLY DISTRICT
A COMPONENT UNIT OF THE STATE OF MISSISSIPPI
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUND
Year Ended June 30, 2022

OPERATING REVENUES	
Water sales	\$ 1,992,265
Tapping fees	39,300
Sewer charges	2,645,680
Pipeline maintenance fees	74,706
Miscellaneous	<u>81,668</u>
Total operating revenues	<u>4,833,619</u>
OPERATING EXPENSES	
Salaries, wages and fringe benefits	1,132,358
Sewer disposal usage	1,350,626
Utilities	270,583
Repairs and maintenance	1,033,153
Depreciation	1,253,323
Supplies and materials	297,524
Professional fees and services	335,069
Other	<u>396,229</u>
Total operating expenses	<u>6,068,865</u>
Operating loss	(1,235,246)
NONOPERATING REVENUES (EXPENSES)	
Transfers out	<u>(274,100)</u>
Change in net position	(1,509,346)
Net position, beginning of year	<u>15,974,251</u>
Net position, end of year	<u>\$ 14,464,905</u>

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

PEARL RIVER VALLEY WATER SUPPLY DISTRICT
A COMPONENT UNIT OF THE STATE OF MISSISSIPPI
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2022

CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from customers	\$ 4,848,755
Payments to suppliers for goods and services	(3,741,094)
Payments to employees for services	<u>(974,091)</u>
Net cash provided by operating activities	<u>133,570</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Transfers to other funds	<u>(274,100)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Purchase of capital assets	<u>(1,354,462)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Proceeds from certificates of deposits	<u>8,202</u>
Net decrease in cash	(1,486,790)
Balances, beginning of year	<u>2,085,723</u>
Balances, end of year	<u>\$ 598,933</u>
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	\$ (1,235,246)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation expense	1,253,323
(Increase) decrease in customer and other receivables	2,063
(Increase) decrease in deferred outflows - pensions	51,023
Increase (decrease) in deferred inflows - pensions	454,026
Increase (decrease) in net pension liability	(354,570)
(Increase) decrease in deferred outflows - OPEB	(1,183)
Increase (decrease) in deferred inflows - OPEB	7,950
Increase (decrease) in net OPEB liability	(14,697)
Increase (decrease) in customer deposits	13,073
Increase (decrease) in accounts payable and accrued liabilities	<u>(42,192)</u>
Net cash provided by operating activities	<u>\$ 133,570</u>

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

PEARL RIVER VALLEY WATER SUPPLY DISTRICT

A Component Unit of the State of Mississippi

NOTES TO FINANCIAL STATEMENTS

PEARL RIVER VALLEY WATER SUPPLY DISTRICT
A Component Unit of the State of Mississippi
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

Note 1: Summary of Significant Accounting Policies

Organization

Pearl River Valley Water Supply District (the District) is a special purpose state agency which owns and operates the Ross Barnett Reservoir. The District was created by an act of the Mississippi Legislature in 1958.

Government-wide Financial Statements

Government-wide financial statements are prepared using the accrual basis of accounting and the economic resources measurement focus. Government-wide financial statements (i.e., the statement of net position and the statement of activities) do not provide information by fund, but distinguish between the District's governmental activities and business-type activities. Specifically, the statement of net position includes capital assets and long-term liabilities not reported on the balance sheet for governmental funds. In addition, the government-wide statement of activities reflects depreciation expense on the District's capital assets. Also, the effect of significant interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which 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 who purchase, use or benefit from the services 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. Unrestricted interest income and other items not properly included among program revenues are reported as general revenues.

Fund Financial Statements

In addition to the government-wide financial statements, the District has presented separate financial statements for its governmental funds and proprietary fund. Governmental fund financial statements use the modified accrual basis of accounting and the current financial resources measurement focus, and proprietary fund financial statements use the accrual basis of accounting and the economic resources measurement focus. Major individual governmental funds and the individual enterprise fund are reported as separate columns in the fund financial statements. The General Fund, Capital Projects Fund and Enterprise Fund are considered major funds.

PEARL RIVER VALLEY WATER SUPPLY DISTRICT
A Component Unit of the State of Mississippi
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

The following major governmental and proprietary funds are used by the District:

- Governmental Funds – Governmental Funds are used to account for the District’s expendable financial resources and related liabilities (except those accounted for in the Proprietary Fund). The following are the District’s governmental funds.

General Fund – The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. Its revenues are primarily derived from lease rentals and campground fees. Its expenditures primarily relate to the operation and maintenance of the District.

Capital Projects Fund – The Capital Projects Fund is used to account for financial resources that are restricted, committed or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The following capital projects accounts are maintained by the District in the Capital Projects Fund.

Property Improvement Account – The Property Improvement Account is used to account for the cost of developing and leasing commercial areas and residential lots.

District Bond Campground and Park Improvement Account – The District Bond Campground and Park Improvement Account is used to account for the cost of capital improvements at campgrounds and parks maintained by the District. In accordance with Senate Bill No. 2988, the District is authorized to borrow money and issue bonds in amounts not to exceed \$10,000,000 to finance the projects. The balance in this account was \$0 at June 30, 2022.

- Proprietary Funds – Proprietary Funds are used to account for activities that are similar to those often found in the private sector. The measurement focus is on determining net income and capital maintenance. The Enterprise Fund is used to account for the activities of the water and sewer operations and is financed through user charges.

PEARL RIVER VALLEY WATER SUPPLY DISTRICT
A Component Unit of the State of Mississippi
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

Fund Balance – Governmental Funds

The fund balances for the District's governmental funds are displayed in five components.

- Nonspendable – Amounts that are not in a spendable form or are required to be maintained intact.
- Restricted – Amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally, or through enabling legislation. Restrictions may be changed or lifted only with the consent of resource providers.
- Committed – Amounts that can be used only for the specific purposes determined by resolution of the board of directors. Commitments may be changed or lifted only by issuance of a resolution by the board of directors.
- Assigned – Amounts intended to be used by the District for specific purposes as determined by management. In governmental funds other than the General Fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.
- Unassigned – The residual classification for the General Fund and includes all amounts not contained in the other classifications.

The District considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. The District applies committed amounts first, followed by assigned amounts and then unassigned amounts when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Net Position – Government-wide Financial Statements

Net position of the District is classified in three components. Net investment in capital assets consists of capital assets, net of accumulated depreciation and related debt. Restricted net position is the noncapital position that must be used for a particular purpose, as specified by creditors or grantors external to the District. Unrestricted net position is the remaining assets less remaining liabilities that do not meet the definition of net investment in capital assets or restricted net position.

PEARL RIVER VALLEY WATER SUPPLY DISTRICT
A Component Unit of the State of Mississippi
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are considered measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District 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 usual accrual accounting.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the proprietary fund's principal ongoing operations. The principal operating revenue of the District's Enterprise Fund is derived from the activities of the water and sewer operations and is financed through user charges and contractual maintenance agreements. Operating expenses for the Enterprise Fund include expenses of administering the water and sewer systems. Other sources of revenues and expenses are reported as nonoperating revenues and expenses.

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 amount of revenues, expenditures/expenses and other changes in net position and fund balances during the reporting period. Actual results could differ from those estimates.

PEARL RIVER VALLEY WATER SUPPLY DISTRICT
A Component Unit of the State of Mississippi
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

Cash Equivalents

The District considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. At June 30, 2022, the District held no cash equivalents.

Accounts Receivable

Accounts receivable consist of water and sewer charges to residents and rentals due from the lease of property. Accounts receivable are recorded net of estimated uncollectible amounts. No allowance for uncollectible amounts is recorded at June 30, 2022.

Capital Assets

Capital assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are recorded at historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset lives are not capitalized.

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

Furniture and equipment	3 to 10 years
Dams and other improvements	20 to 50 years
Water distribution system	20 to 50 years

PEARL RIVER VALLEY WATER SUPPLY DISTRICT
A Component Unit of the State of Mississippi
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

Depreciation expense was charged to functions of the primary government as follows:

Governmental activities:	
Maintenance of facilities	\$ 1,771,261
Campground operations	<u>231,593</u>
	<u>\$ 2,002,854</u>
Business-type activities:	
Water and sewer operations	<u>\$ 1,253,323</u>

Compensated Absences

Section 25-3-97, Mississippi Code Ann. (1972), authorizes payment for a maximum of 30 days accrued personal leave in a lump sum upon termination of employment. No payment is authorized for accrued major medical leave unless the employee presents medical evidence that his or her physical condition is such that he or she can no longer work in a capacity of state government. At June 30, 2022, accumulated unpaid personal leave up to a maximum of 30 days per employee is reported as accrued vacation on the statement of net position.

The District's policies permit most employees to accumulate vacation and compensatory time benefits that may be realized as paid time off or, in limited circumstances, as a cash payment. The related liability and expense are recognized as vacation benefits are earned, whether the employee is expected to realize the benefit as time off or in cash. The related liability and expense for compensatory time benefits are recognized when earned to the extent the employee is expected to realize the benefit in cash determined using the termination payment method. Compensatory time benefits expected to be realized as paid time off are recognized as expense when the time off occurs, and no liability is accrued for such benefits employees have earned but not yet realized. Compensated absences liabilities are computed using the regular pay and termination pay rates in effect at the balance sheet date, plus an additional amount for compensation-related payments such as Social Security and Medicare taxes computed using rates in effect at that date. The estimated compensated absences liability expected to be paid more than one year after the balance sheet date is included in other long-term liabilities.

PEARL RIVER VALLEY WATER SUPPLY DISTRICT
A Component Unit of the State of Mississippi
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

Interfund Activity

All outstanding balances between funds are reported as due to/from other funds in the fund financial statements. Any balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Income Taxes

As a state agency, the District is generally exempt from federal and state income taxes under Section 115 of the Internal Revenue Code and a similar provision of state law. However, the District is subject to federal income tax on any unrelated business taxable income.

Budget

The District prepares annual budgets for the General Fund and Enterprise Fund. The District uses the following procedures in establishing the budgetary data submitted for state approval:

- Approximately one year before the State’s next fiscal year begins, the District prepares a proposed operating budget for that year. The operating budget includes proposed expenditures and the means of financing them.
- At the beginning of August, the proposed budget for the fiscal year commencing the following July is submitted to the Mississippi Department of Finance and Administration and the Legislative Budget Office. Budget hearings are conducted which may result in recommendations for changes.
- In January, the proposed budget and the recommendations proposed by the Joint Legislative Budget Committee are presented to the Legislature. The Legislature makes any revisions it deems necessary or appropriate and then legally enacts the District’s budget in the form of an appropriation bill. The enacted budget is on an overall district basis. However, the budget presented in these financial statements is for the General Fund only.
- The District is authorized to transfer budgeted amounts between major expenditure classifications on a limited basis subject to approval by the Mississippi Department of Finance and Administration. The final budget, which is the same as the original budget, is used for budget comparison purposes.

PEARL RIVER VALLEY WATER SUPPLY DISTRICT
A Component Unit of the State of Mississippi
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

- Budgets for the District are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

Pensions

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

Postemployment Benefits Other than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the State and School Employees' Life and Health Plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB Plan. For this purpose, benefit payments are recorded when the OPEB benefits come due in accordance with the benefit terms. Investments are reported at fair value.

Risks and Uncertainties

The District 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. Except as described below, the District carries commercial insurance for these risks. Settled claims resulting from these insured risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The State manages tort claims through the retention of all liability exposure administered by the Tort Claims Board. Statutory regulations provide some protection, as well as a limitation of liability, for claims filed against state agencies and state employees. The District purchases commercial insurance for certain areas not covered by the State specific to the District's operations. In the last three years, settled claims have not exceeded commercial coverage.

PEARL RIVER VALLEY WATER SUPPLY DISTRICT
A Component Unit of the State of Mississippi
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

With respect to workers' compensation coverage, the District has joined with other state agencies to pool its risk as a member of the Mississippi State Agencies Self-Insured Workers' Compensation Pool, a public entity risk pool. The District pays premiums to the Pool for its workers' compensation coverage. The agreement establishing the Pool provides that the Pool will be self-sustaining through member premiums. Members' liabilities incurred for workers' compensation are not relieved except through payment by the Pool or the members of required workers' compensation benefits.

Note 2: Deposits and Investments

Custodial credit risk is the risk that in the event of the failure of a financial institution, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. As of June 30, 2022, the carrying amount of the District's deposits with financial institutions was \$19,389,175 and the bank balance was \$19,431,096. None of the District's bank balance was exposed to custodial credit risk.

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 District'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 Deposit Insurance Corporation (FDIC).

The District is authorized to invest in bonds or other negotiable obligations of, or guaranteed by, the United States of America.

PEARL RIVER VALLEY WATER SUPPLY DISTRICT
A Component Unit of the State of Mississippi
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

Note 3: Capital Assets

Capital assets and related activity for the year ended June 30, 2022, consist of the items shown below.

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental activities:					
Capital assets, not being depreciated					
Land	\$ 7,688,569	\$ -	\$ -	\$ -	\$ 7,688,569
Construction in progress	348,351	1,389,245	-	-	1,737,596
Total capital assets not being depreciated	<u>8,036,920</u>	<u>1,389,245</u>	<u>-</u>	<u>-</u>	<u>9,426,165</u>
Capital assets being depreciated					
Furniture and equipment	6,973,572	181,456	(15,548)	-	7,139,480
Dams and other improvements	75,996,388	102,616	-	-	76,099,004
Total capital assets being depreciated	<u>82,969,960</u>	<u>284,072</u>	<u>(15,548)</u>	<u>-</u>	<u>83,238,484</u>
Less accumulated depreciation for					
Furniture and equipment	5,646,936	310,257	(14,370)	-	5,942,823
Dams and other improvements	53,468,217	1,692,597	-	-	55,160,814
Total accumulated depreciation	<u>59,115,153</u>	<u>2,002,854</u>	<u>(14,370)</u>	<u>-</u>	<u>61,103,637</u>
Total capital assets being depreciated, net	<u>23,854,807</u>	<u>(1,718,782)</u>	<u>(1,178)</u>	<u>-</u>	<u>22,134,847</u>
Total governmental activities capital assets, net	<u>\$ 31,891,727</u>	<u>\$ (329,537)</u>	<u>\$ (1,178)</u>	<u>\$ -</u>	<u>\$ 31,561,012</u>
Business-type activities					
Capital assets not being depreciated					
Construction in progress	\$ 359,818	\$ -	\$ -	\$ (359,818)	\$ -
Capital assets being depreciated					
Furniture and equipment	3,654,068	55,754	-	-	3,709,822
Water and sewer system	31,685,889	1,298,708	-	359,818	33,344,415
Total capital assets being depreciated	<u>35,339,957</u>	<u>1,354,462</u>	<u>-</u>	<u>359,818</u>	<u>37,054,237</u>
Less accumulated depreciation for					
Furniture and equipment	2,554,456	187,775	-	-	2,742,231
Water and sewer system	16,328,087	1,065,548	-	-	17,393,635
Total accumulated depreciation	<u>18,882,543</u>	<u>1,253,323</u>	<u>-</u>	<u>-</u>	<u>20,135,866</u>
Total capital assets being depreciated, net	<u>16,457,414</u>	<u>101,139</u>	<u>-</u>	<u>359,818</u>	<u>16,918,371</u>
Total business-type activities capital assets, net	<u>\$ 16,817,232</u>	<u>\$ 101,139</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,918,371</u>

PEARL RIVER VALLEY WATER SUPPLY DISTRICT
A Component Unit of the State of Mississippi
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

Note 3: Capital Assets (Continued)

Construction in progress was composed of the following:

Project	June 30, 2022 Balance	Remaining Estimated Commitment
Governmental activities:		
Bob Anthony Relocation Study	\$ 375,384	\$ 3,125,000
Bathymetric Survey and Dredging	881,134	2,250,000
High Hazard Dam	481,078	170,000
	<u>\$ 1,737,596</u>	<u>\$ 5,545,000</u>

Note 4: Interfund Receivables and Payables

Interfund receivables and payables at June 30, 2022, follow:

	Interfund Receivables	Interfund Payables
Governmental Funds		
General Fund	\$ 21,358	\$ -
Capital Projects Fund	251,344	-
Proprietary Fund		
Enterprise Fund	-	272,702
	<u>\$ 272,702</u>	<u>\$ 272,702</u>

At June 30, 2022, the majority of interfund borrowing was due to reclassifications of expenditures and expenses and the general and administrative allocation between funds. Management expects all interfund borrowing to be repaid within the next fiscal year.

PEARL RIVER VALLEY WATER SUPPLY DISTRICT
A Component Unit of the State of Mississippi
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

Note 5: Long-term Liabilities

The following is a summary of long-term obligation transactions for the District for the year ended June 30, 2022.

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities:					
Accrued compensated absences	\$ 410,113	\$ 3,834	\$ -	\$ 413,947	\$ 53,813
Business-type activities:					
Accrued compensated absences	<u>47,727</u>	<u>3,193</u>	<u>-</u>	<u>50,920</u>	<u>6,620</u>
	<u>\$ 457,840</u>	<u>\$ 7,027</u>	<u>\$ -</u>	<u>\$ 464,867</u>	<u>\$ 60,433</u>

Note 6: Operating Leases

The District is a party to a member payment agreement with the Madison County Wastewater Authority, whereby the District provides a 20% share of costs, including debt service associated with operating certain facilities for the collection, transportation and treatment of wastewater. As the District retains no ownership rights to the facilities, the debt service portion of the cost is considered to be operating leases. These leases expire between 2024 and 2032. Rental payments include minimum rentals, plus related interest.

Future minimum lease payments at June 30, 2022, were:

2023	\$ 132,880
2024	115,962
2025	115,962
2026	75,293
2027	46,244
Thereafter	<u>168,047</u>
	<u>\$ 654,388</u>

PEARL RIVER VALLEY WATER SUPPLY DISTRICT
A Component Unit of the State of Mississippi
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

Note 7: Land Leases

Prior to completion of the District's Ross Barnett Reservoir project in 1965, the District acquired, by negotiation or through eminent domain proceedings, substantially all the land along the shoreline of the Ross Barnett Reservoir. The District from time to time leases improved land to developers and individuals for commercial and residential development purposes. Before leases are executed, developers and/or lessees reimburse the District for the direct and indirect costs of streets, water, sewer and other improvements and planning, development and marketing expenses incurred by the District. The leases generally have initial primary terms of 60 years, with options to renew for additional 60-year terms. Lease rentals are based on the estimated fair value of the property for the purpose and use specified in the lease, determined under circumstances and market conditions existing at the date of the lease. Some of the lease agreements contain rental escalators as predetermined in the lease agreements. The leases are classified as operating leases, and rental income is recorded in the General Fund as billed. At June 30, 2022, the District was a party to approximately 6,300 leases which yield aggregate annual rental income of approximately \$7,000,000. Remaining primary terms under these leases range from 0 to 60 years.

PEARL RIVER VALLEY WATER SUPPLY DISTRICT
A Component Unit of the State of Mississippi
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

Note 8: Defined Benefit Pension Plan

Plan Description. The District contributes to the Public Employees' Retirement System of Mississippi ("PERS"), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report is available at www.pers.ms.gov.

Benefits Provided. Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring.

Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years of creditable service for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits.

A Cost of Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired plan member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter.

PEARL RIVER VALLEY WATER SUPPLY DISTRICT
A Component Unit of the State of Mississippi
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

Note 8: Defined Benefit Pension Plan (Continued)

Funding Policy. PERS members are required to contribute 9.0% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 17.4% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The District's contributions to PERS for the fiscal years ending June 30, 2022, 2021 and 2020 were approximately \$626,000, \$661,000, and \$667,000, respectively, and equaled the required contributions for each year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2022, the District reported a liability of \$8,868,262 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to projected contributions of all participating entities, actuarially determined. At June 30, 2022, the District's proportion was 0.060 percent, based on a measurement date of June 30, 2021. This proportionate share did not change from the prior year.

For the year ended June 30, 2022 the District recognized pension expense of \$925,643. At June 30, 2022 the District deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 141,803	\$ -
Net difference between projected and actual earnings on pension plan investments	-	2,670,742
Changes of assumptions	682,408	-
Changes in proportion and differences between contributions and proportionate share of contributions	799,181	-
District's contributions subsequent to the measurement date	<u>626,135</u>	<u>-</u>
	<u>\$ 2,249,527</u>	<u>\$ 2,670,742</u>

PEARL RIVER VALLEY WATER SUPPLY DISTRICT
A Component Unit of the State of Mississippi
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

Note 8: Defined Benefit Pension Plan (Continued)

\$626,135 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2023	\$ 162,704
2024	3,329
2025	(417,518)
2026	<u>(795,865)</u>
	<u>\$ (1,047,350)</u>

Actuarial Assumptions. The total pension liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40 percent
Salary increase	2.65-17.90 percent, including inflation
Investment rate of return	7.55 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the PubS.H-2010(B) Retiree Table with the following adjustments. For males 95% of male rates up to age 60, 110% for ages 61 to 75 and 101% for ages above 77. For females 84% of the female rates up to age 72 and 100% for ages above 76. Mortality rates will be projected generationally using the MP-2020 projection scale to account for future improvements for life expectancy.

The actuarial assumptions are based on the experience investigation for the four-year period ending June 30, 2020.

PEARL RIVER VALLEY WATER SUPPLY DISTRICT
A Component Unit of the State of Mississippi
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

Note 8: Defined Benefit Pension Plan (Continued)

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	27 %	4.60 %
International Equity	22	4.50
Global Equity	12	4.80
Debt Securities	20	(0.25)
Real Estate	10	3.75
Private Equity	8	6.00
Cash Equivalents	1	(1.00)
Total	<u>100 %</u>	

Discount Rate. The discount rate used to measure the total pension liability was 7.55 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at the current contribution rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

PEARL RIVER VALLEY WATER SUPPLY DISTRICT
A Component Unit of the State of Mississippi
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

Note 8: Defined Benefit Pension Plan (Continued)

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate. The following presents the District's proportionate share of the net pension liability calculated as of June 30, 2022, using the discount rate of 7.55 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.55 percent) or 1-percentage-point higher (8.55 percent) than the current rate:

	1% Decrease (6.55%)	Current Discount Rate (7.55%)	1% Increase (8.55%)
District's proportionate share of the net pension liability	\$12,559,538	\$ 8,868,262	\$ 5,826,357

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report.

Note 9: Other Postemployment Benefits (OPEB)

Plan Description. State law mandates that all state, public education, library, junior and community college and retiring employees be offered health and life benefit coverage through the State and School Employees' Life and Health Insurance Plan (the Plan). The Plan was established by Section 25-15-3 et seq., Mississippi Code Ann. (1972), which may be amended only by the State Legislature. The State and School Employees' Health Insurance Management Board (the Board) administers the Plan. The Board has the sole legal authority to promulgate rules and regulations governing the operations of the Plan within the confines of the law governing the Plan. The Plan is self-insured and is financed through premiums collected from employers, employees, retirees and COBRA participants. The Plan provides for Other Postemployment Benefits (OPEB) as a multiple-employer defined benefit OPEB plan for units of state government, political subdivisions, community colleges and school districts. The Plan issues a publicly available financial report that can be obtained at <http://knowyourbenefits.dfa.ms.gov>.

PEARL RIVER VALLEY WATER SUPPLY DISTRICT
A Component Unit of the State of Mississippi
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

Note 9: Other Postemployment Benefits (OPEB) (Continued)

Benefits Provided. The Plan was formed by the State Legislature to provide group health and life benefits to full-time active and retired employees of the State, agencies, universities, community/junior colleges, public school districts and public libraries. In addition, the spouse and/or children of covered employees and retirees, as well as surviving spouses and COBRA participants, may be eligible for health insurance coverage under the Plan. Benefits of the OPEB Plan consist of an implicit rate subsidy, which is essentially the difference between the average cost of providing health care benefits to retirees under age 65 and the average cost of providing health care benefits to all participants when premiums paid by retirees are not age adjusted.

Employees' premiums are funded primarily by their employers. Retirees must pay their own premiums, as do active employees for spouse and dependent medical coverage. The Board has the sole authority for setting life and health insurance premiums for the Plan. Per Section 12-15-15 (10) Mississippi Code Ann. (1972), a retired employee electing to purchase retiree life and health insurance must pay the full cost of such insurance premium. If the Board determined actuarially that the premium paid by the participating retirees adversely affects the overall cost of the Plan to the State, then the Board may impose a premium surcharge, not to exceed 15%, upon such participating retired employees who are under the age for Medicare eligibility and who are initially employed before January 1, 2006. For participating retired employees who are under the age for Medicare eligibility and who are initially employed on or after January 1, 2006, the Board may impose a premium surcharge in an amount the Board determined actuarially to cover the full cost of insurance. The Plan offers a Base option and a Select option for health benefits for non-Medicare participants. The Plan includes a separate coverage level for Medicare eligible retirees, Medicare eligible surviving spouses, and Medicare eligible dependents of retirees and surviving spouses.

Contributions. The Board has the sole authority for setting life and health insurance premiums for the Plan. The required premiums vary based on the plan selected and the type of participant. Employers pay no premiums for retirees while employees' premiums are funded primarily by their employer. Contributions to the OPEB plan from the District were \$22,243, \$22,250 and \$25,524 for the years ended June 30, 2022, 2021 and 2020, respectively.

PEARL RIVER VALLEY WATER SUPPLY DISTRICT
A Component Unit of the State of Mississippi
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

Note 9: Other Postemployment Benefits (OPEB) (Continued)

At June 30, 2022, the District reported a liability of \$553,576 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The basis for the District's proportion is determined by comparing the employer's average monthly employees participating in the Plan with the total average employees participating in the Plan in the fiscal year of all employers. The allocation was utilized because the level of premiums contributed by each employer is the same for any employee regardless of plan participation elections made by the employee. At the measurement date of June 30, 2021, the District's proportion was 0.086 percent, an increase from the proportion as of the previous measurement date of 0.004 percent.

For the year ended June 30, 2022, the District recognized OPEB expense of \$(24,407). At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 602	\$ 173,096
Net difference between projected and actual investment earnings on investments	26	-
Changes of assumptions	89,656	18,723
Changes in proportion and differences between District contributions and proportionate share of contributions	59,113	15,599
District's contributions subsequent to the measurement date	<u>22,243</u>	<u>-</u>
	<u>\$ 171,640</u>	<u>\$ 207,418</u>

PEARL RIVER VALLEY WATER SUPPLY DISTRICT
A Component Unit of the State of Mississippi
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

Note 9: Other Postemployment Benefits (OPEB) (Continued)

\$22,243 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction to the net OPEB liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	
2023	\$ (18,136)
2024	(15,108)
2025	(6,827)
2026	(9,376)
2027	<u>(8,574)</u>
	<u>\$ (58,021)</u>

PEARL RIVER VALLEY WATER SUPPLY DISTRICT
A Component Unit of the State of Mississippi
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

Note 9: Other Postemployment Benefits (OPEB) (Continued)

Actuarial Assumptions. The total OPEB liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial cost method	Entry Age Normal
Inflation	2.40 percent
Salary Increases, including wage inflation	2.65 - 17.90 percent
Municipal bond index rate	
Measurement date	2.13 percent
Prior measurement date	2.19 percent
Year FNP is projected to be depleted	
Measurement date	2021
Prior measurement date	2020
Single equivalent interest rate, net of OPEB plan investment expense, including inflation	
Measurement date	2.13 percent
Prior measurement date	2.19 percent
Health care cost trends	
Medicare supplement claims	6.50 percent for 2022 decreasing to an ultimate rate of 4.50 percent by 2030
Pre-Medicare	

Mortality rates for service retirees were based on the PubS.H-2010(B) Retiree Table with the following adjustments: For males, 95% of male rates up to age 60, 110% for ages 61 to 75 and 101% for ages above 77. For females, 84% of the female rates up to age 72 and 100% for ages above 76. Mortality rates will be projected generationally using the MP-2020 projection scale to account for future improvements in life expectancy.

PEARL RIVER VALLEY WATER SUPPLY DISTRICT
A Component Unit of the State of Mississippi
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

Note 9: Other Postemployment Benefits (OPEB) (Continued)

The demographic actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study dated April 20, 2021. The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2021 valuation were based on a review of recent plan experience done concurrently with the June 30, 2021 valuation.

Discount rate. The discount rate used to measure the total OPEB liability at June 30, 2021 was 2.13 percent. Since the prior measurement date, the discount rate has changed from 2.19 to 2.13 per cent.

The trust was established on June 28, 2018, with an initial contribution of \$1,000,000. As of June 30, 2021, the trust has \$1,044,424. The fiduciary net position is projected to be depleted immediately; therefore, the Municipal Bond Index Rate is used in the determination of the discount rate for both the June 30, 2020 and the June 30, 2021, total OPEB liability. The discount rate used to measure the total OPEB liability as of June 30, 2021, was based on a monthly average of the Bond Buyers General Obligation 20-year Municipal Bond Index Rate.

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the discount rate. The following presents the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.13 percent) or 1-percentage-point higher (3.13 percent) than the current discount rate:

	1% Decrease (1.13%)	Discount Rate (2.13%)	1% Increase (3.13%)
Net OPEB liability	\$ 612,729	\$ 553,576	\$ 503,139

PEARL RIVER VALLEY WATER SUPPLY DISTRICT
A Component Unit of the State of Mississippi
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

Note 9: Other Postemployment Benefits (OPEB) (Continued)

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the healthcare cost trend rates. The following presents the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rates Current</u>	<u>1% Increase</u>
Net OPEB liability	<u>\$ 512,754</u>	<u>\$ 553,576</u>	<u>\$ 599,772</u>

Note 10: Deferred Compensation Plan

The State of Mississippi offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The term "employee" means any person, whether appointed, elected or under contract, providing services for the State of Mississippi, state agencies, counties, municipalities or other political subdivisions for which compensation is paid. The plan permits employees of the District to defer a portion of their income until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

All amounts of compensation deferred under the plan; all property and rights purchased with those amounts; and all income attributable to those amounts, property or rights are (until paid or made available to the employee or other beneficiary) held in a separate trust account for the benefit of participants and their beneficiaries, and, accordingly, no liability is recorded by the District for amounts due under the plan.

PEARL RIVER VALLEY WATER SUPPLY DISTRICT
A Component Unit of the State of Mississippi
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

Note 11: Contingencies

Grants

The District has received federal and state grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal and state regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a grantor audit may become a liability of the District. No provision for any liability that may result has been recognized in the District's financial statements.

Litigation

The District is subject to other claims and lawsuits that arose primarily in the ordinary course of its activities. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the financial position, change in net position and cash flows of the District. Events could occur that would change this estimate materially in the near term.

Note 12: Subsequent Events

Events that occur after the balance sheet date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the balance sheet date require disclosure in the accompanying notes to the financial statements. Management evaluated the activity of the District through December 8, 2022, (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

PEARL RIVER VALLEY WATER SUPPLY DISTRICT

A Component Unit of the State of Mississippi

REQUIRED SUPPLEMENTARY INFORMATION

PEARL RIVER VALLEY WATER SUPPLY DISTRICT

A Component Unit of the State of Mississippi

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.06%	0.06%	0.05%	0.05%	0.05%	0.05%	0.06%	0.06%	0.06%
District's proportionate share of the net pension liability	\$ 8,868,262	\$ 11,615,303	\$ 8,795,987	\$ 8,316,485	\$ 8,311,697	\$ 8,931,248	\$ 9,274,819	\$ 7,282,902	\$ 8,313,562
District's covered-employee payroll	\$ 3,598,477	\$ 3,800,799	\$ 3,830,759	\$ 3,392,362	\$ 3,376,559	\$ 3,346,483	\$ 3,383,644	\$ 3,580,502	\$ 3,494,279
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	246.44%	305.60%	229.61%	245.15%	246.16%	266.88%	274.11%	203.40%	237.92%
Plan fiduciary net position as a percentage of the total pension liability	70.44%	58.97%	61.59%	62.54%	61.49%	57.47%	61.70%	67.21%	61.02%

The accompanying notes to the required supplementary information are an integral part of this statement.

PEARL RIVER VALLEY WATER SUPPLY DISTRICT

A Component Unit of the State of Mississippi

SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS (PERS)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 626,135	\$ 661,339	\$ 666,552	\$ 534,297	\$ 531,808	\$ 527,071	\$ 532,924	\$ 563,929	\$ 550,349
Contributions in relation to the contractually required contribution	<u>(626,135)</u>	<u>(661,339)</u>	<u>(666,552)</u>	<u>(534,297)</u>	<u>(531,808)</u>	<u>(527,071)</u>	<u>(532,924)</u>	<u>(563,929)</u>	<u>(550,349)</u>
Contribution deficiency (excess)	<u>\$ -</u>								
District's covered-employee payroll	<u>\$ 3,598,477</u>	<u>\$ 3,800,799</u>	<u>\$ 3,830,759</u>	<u>\$ 3,392,362</u>	<u>\$ 3,376,559</u>	<u>\$ 3,346,483</u>	<u>\$ 3,383,644</u>	<u>\$ 3,580,502</u>	<u>\$ 3,494,279</u>
Contributions as a percentage of covered-employee payroll	<u>17.40%</u>	<u>17.40%</u>	<u>17.40%</u>	<u>15.75%</u>	<u>15.75%</u>	<u>15.75%</u>	<u>15.75%</u>	<u>15.75%</u>	<u>15.75%</u>

The accompanying notes to the required supplementary information are an integral part of this statement.

PEARL RIVER VALLEY WATER SUPPLY DISTRICT

A Component Unit of the State of Mississippi

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET OPEB LIABILITY

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
District's proportion of the net OPEB liability	0.09%	0.08%	0.08%	0.08%	0.08%
District's proportionate share of the net OPEB liability	\$ 553,576	\$ 640,025	\$ 651,885	\$ 609,545	\$ 610,587
District's covered payroll	\$ 3,598,477	\$ 3,800,799	\$ 3,830,759	\$ 3,392,362	\$ 3,376,559
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	15.38%	16.84%	17.02%	17.97%	18.08%
Plan fiduciary net position as a percentage of the total OPEB liability	0.16%	0.13%	0.12%	0.13%	0.00%

The accompanying notes to the required supplementary information are an integral part of this statement.

PEARL RIVER VALLEY WATER SUPPLY DISTRICT

A Component Unit of the State of Mississippi

SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS (OPEB)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 22,243	\$ 22,250	\$ 25,524	\$ 26,130	\$ 26,030
Contributions in relation to the contractually required contribution	<u>(22,243)</u>	<u>(22,250)</u>	<u>(25,524)</u>	<u>(26,130)</u>	<u>(26,030)</u>
Contribution deficiency (excess)	<u>\$ -</u>				
District's covered payroll	<u>\$ 3,598,477</u>	<u>\$ 3,800,799</u>	<u>\$ 3,830,759</u>	<u>\$ 3,392,362</u>	<u>\$ 3,376,559</u>
Contributions as a percentage of covered payroll	<u>0.62%</u>	<u>0.59%</u>	<u>0.67%</u>	<u>0.77%</u>	<u>0.77%</u>

The accompanying notes to the required supplementary information are an integral part of this statement.

PEARL RIVER VALLEY WATER SUPPLY DISTRICT
A Component Unit of the State of Mississippi
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2022

Note 1: Required Supplementary Pension and OPEB Schedules

The amounts presented for each year in the accompanying pension and OPEB schedules were determined as of the measurement date of June 30 of the year prior to the fiscal year presented. GASB 68 was implemented in the fiscal year ended June 30, 2015, and GASB 75 was implemented in the fiscal year ended June 30, 2018. Until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

Note 2: Pension Schedules

Changes of assumptions

2021:

- The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments:
 - For males, 95% of male rates up to age 60, 110% for ages 61 to 75, and 101% for ages above 77.
 - For females, 84% of female rates up to age 72, 100% for ages above 76.
 - Projection scale MP-2020 will be used to project future improvements in life expectancy generationally.

- The expectation of disabled mortality was changed to PubG.H-2010 Disabled Table for disabled retirees with the following adjustments:
 - For males, 134% of male rates at all ages.
 - For females, 121% of female rates at all ages.
 - Projection scale MP-2020 will be used to project future improvements in life expectancy generationally.

- The expectation of contingent annuitant mortality was based on the PubS.H2010(B) Contingent Annuitant Table with the following adjustments:
 - For males, 97% of male rates at all ages.
 - For females, 110% of female rates at all ages.
 - Projection scale MP-2020 will be used to project future improvements in life expectancy generationally.

- The price inflation assumption was reduced from 2.75% to 2.40%.

PEARL RIVER VALLEY WATER SUPPLY DISTRICT
A Component Unit of the State of Mississippi
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2022

Note 2: Pension Schedules (Continued)

- The wage inflation assumption was reduced from 3.00% to 2.65%.
- The investment rate of return assumption was changed from 7.75% to 7.55%.
- The assumed load for administrative expenses was increased from 0.25% to 0.28% of payroll.
- Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to reflect actual experience more closely.
- The percentage of active member disabilities assumed to be in the line of duty was increased from 9% to 12%.
- The percentage of active member deaths assumed to be in the line of duty was decreased from 6% to 4%.

2019:

- The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments:
 - For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119.
 - For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119.
 - Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.
- The expectation of disabled mortality was changed to PubT.H-2010 Disabled Retiree Table for disabled retirees with the following adjustments:
 - For males, 137% of male rates at all ages.
 - For females, 115% of female rates at all ages.
 - Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.

PEARL RIVER VALLEY WATER SUPPLY DISTRICT
A Component Unit of the State of Mississippi
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2022

Note 2: Pension Schedules (Continued)

- The price inflation assumption was reduced from 3.00% to 2.75%.
- The wage inflation assumption was reduced from 3.25% to 3.00%.
- Withdrawal rates, pre-retirement mortality rates, and service retirement rates were also adjusted to more closely reflect actual experience.
- The percentage of active member disabilities assumed to be in the line of duty was increased from 7% to 9%.

2017:

- The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Mortality Table projected with Scale BB to 2022. Small adjustments were also made to the Mortality Table for disabled lives.
- The wage inflation assumption was reduced from 3.75% to 3.25%.
- Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.
- The percentage of active member disabilities assumed to be in the line of duty was increased from 6% to 7%.

2016:

- The assumed rate of interest credited to employee contributions was changed from 3.50% to 2.00%.

2015:

- The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015.

PEARL RIVER VALLEY WATER SUPPLY DISTRICT
A Component Unit of the State of Mississippi
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2022

Note 2: Pension Schedules (Continued)

- The expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015. Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.
- Assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.
- The price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75%, respectively.

Changes in benefit provisions

2016:

- Effective July 1, 2016, the interest rate on employee contributions shall be calculated based on the money market rate as published by the Wall Street Journal on December 31 of each preceding year with a minimum rate of one percent and a maximum rate of five percent.

Method and assumptions used in calculations of actuarially determined contributions. The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	28.8 years
Asset valuation method	5-year smoothed market
Price Inflation	2.75 percent
Salary increase	3.00 percent to 18.25 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

PEARL RIVER VALLEY WATER SUPPLY DISTRICT
A Component Unit of the State of Mississippi
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2022

Note 3: OPEB Schedules

Changes of assumptions

2021:

- The discount rate was changed from 2.19% for the prior measurement date to 2.13% for the current measurement date.

2020:

- The discount rate was changed from 3.50% for the prior measurement date to 2.19% for the current measurement date.

2019:

- The discount rate was changed from 3.89% for the prior measurement date to 3.50% for the current measurement date.

2018:

- The discount rate was changed from 3.56% for the prior measurement date to 3.89% for the current measurement date.

2017:

- The discount rate was changed from 3.01% for the prior measurement date to 3.56% for the current measurement date.

Changes in Benefit Provisions

2021:

- The schedule of monthly retiree contributions was increased as of January 1, 2022. In addition, the in-network medical deductible was increased for the Select coverage beginning January 1, 2022.

2020:

- The schedule of monthly retiree contributions was increased as of January 1, 2021. The deductibles and coinsurance maximums were increased for Select coverage, and the coinsurance maximums were increased for the Base coverage beginning January 1, 2021.

PEARL RIVER VALLEY WATER SUPPLY DISTRICT
A Component Unit of the State of Mississippi
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2022

Note 3: OPEB Schedules (Continued)

Methods and assumptions used in calculations of Actuarially Determined Contributions. The Actuarially Determined Contributions rates, as a percentage of payroll, used to determine the Actuarially Determined Contribution amounts in the Schedule of Employer Contributions are calculated as of the most recent Valuation Date. The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule.

Actuarial cost method	Entry age
Amortization method	Level dollar
Amortization period	30 years, open
Asset valuation method	Market Value of Assets
Price inflation	2.75 percent
Salary increases, including wage inflation	3.00 percent to 18.25 percent
Initial health care cost trend rates Medicare Supplement Claims Pre-Medicare	7.00 percent
Ultimate health care cost trend rates Medicare Supplement Claims Pre-Medicare	4.75 percent
Year of ultimate trend rates Medicare Supplement Claims Pre-Medicare	2028
Long-term investment rate of return, net of pension plan investment expense, including price inflation	2.19 percent

INTERNAL CONTROL AND COMPLIANCE REPORT



COLLINS, BARR & HEMBREE, LTD.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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

Board of Directors
Pearl River Valley Water Supply District
Ridgeland, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities and each major fund of Pearl River Valley Water Supply District (the "District"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 8, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District'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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District'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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District'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.

Collin, Barr & Ambrose, LLP.

December 8, 2022