

**Pearlington Water & Sewer District
Annual Financial Report
Year Ended September 30, 2023**

**Pearlington Water & Sewer District
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September 30, 2023**

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INTRODUCTORY SECTION

**Pearlington Water & Sewer District
Principal Officials
As of September 30, 2023**

LEGISLATIVE

Nolan Pansano
Cabrina Bell
Rosa Jackson
John Pavlovich
Deborah Sonnier

Chairman
Vice Chairwoman
Treasurer
Commissioner
Secretary

FINANCIAL SECTION

Gerald W. Rigby, C.P.A., P.C.

**724 Dunbar Avenue
Bay St. Louis, MS 39520
(228) 467-5744**

*Member of
Mississippi Society of Certified Public Accountants
American Institute of Certified Public Accountants*

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Pearlington Water & Sewer District
Pearlington, Mississippi

Opinions

We have audited the accompanying financial statements of the business-type activities of the Pearlington Water & Sewer District as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the Pearlington Water & Sewer 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 business-type activities of the Pearlington Water & Sewer District, as of September 30, 2023 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. 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 the Pearlington Water & Sewer 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 the Pearlington Water & Sewer 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 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, 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 the Pearlinton Water & Sewer 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 the Pearlinton Water & Sewer 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 and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and schedule of surety bonds but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Gerald W. Rigby, CPA, PC

Bay St. Louis, Mississippi
August 4, 2025

MANAGEMENT'S DISCUSSION AND ANALYSIS



J. Nolan Pansano, Chairman
Rosa Jackson, Treasurer
John Pavlovich, Commissioner

Cabrina Bell, Vice-Chairwoman
Deborah Sonnier, Secretary
Derek Cusick, Attorney

Within this section of the report, the Pearlington Water & Sewer District's (the District) financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

The components of this annual financial report include:

- Management's Discussion and Analysis (MD&A)
- Basic Financial Statements
- Required Supplementary Information
- Other Information

Financial Highlights

- Operating Revenue decreased by \$13,270 while expenses increased by \$48,713
- Bonds payable decreased by \$14,837
- The district did report interest income of \$14,136 in FY 2023

Overview of the Financial Statements

Management's Discussion and Analysis introduces the District's basic financial statements and any additional information to supplement the basic financial statements.

Basic Financial Statements for the district consist of the; Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, Statement of Cash Flows and Notes to Financial Statements. These statements provide information about the District's assets and liabilities and its revenues and expenses using the accrual basis of accounting. In addition, they report the District's net position and changes in them.

The accompanying *Notes to the Financial Statements* provide information essential to a full understanding of the financial statements. The notes to the financial statements begin immediately following the basic financial statements.

Required Supplementary Information consists of information that is considered to be an essential part of financial reporting and should be reported with, but not as a part of, the basic financial statements. The District's board approved budget is being presented as required supplementary information (RSI) in this report.

Other Information consists of the Schedule of Surety Bonds. This information is not required, but is presented for informational purposes.

Financial Analysis

As year-to-year financial information is accumulated on a consistent basis, changes in net position may be observed and used to discuss the changing financial position of the District as a whole.

The District's net position at fiscal year-end is \$1,035,084. This is a \$55,759 decrease from last year's net position of \$1,090,843.

Financial Analysis (continued)

The following table (Table 1) presents the condensed statement of net position as of September 30, 2023 and 2022, derived from the District's Statement of Net Position.

**Table 1: Condensed Statement of Net Position
As of September 30, 2023 and 2022**

	<u>2023</u>	<u>2022</u>	<u>\$ Change</u>	<u>% Change</u>
Current and other assets	\$ 1,305,392	\$ 1,357,397	\$ (52,006)	-3.83%
Capital assets	<u>289,293</u>	<u>298,162</u>	<u>(8,869)</u>	-2.97%
Total assets	<u>1,594,685</u>	<u>1,655,560</u>	<u>(60,875)</u>	-3.68%
Current and other liabilities	50,893	43,203	7,689	17.80%
Long-term liabilities	<u>508,708</u>	<u>521,513</u>	<u>(12,805)</u>	-2.46%
Total liabilities	<u>559,601</u>	<u>564,717</u>	<u>(5,116)</u>	-0.91%
Net position:				
Invested in capital assets	-	-	-	0.00%
Net investment in capital assets	(205,939)	(211,908)	5,968	-2.82%
Restricted	83,910	80,970	2,940	3.63%
Unrestricted	1,157,113	1,221,781	(64,667)	-5.29%
Prior Period Adjustment				
Total net position	<u>\$ 1,035,084</u>	<u>\$ 1,090,843</u>	<u>\$ (55,759)</u>	-5.11%

The decrease during the fiscal year indicated a lower financial position when compared to the prior year. The District generated an operating loss of \$61,458.

The following table (Table 2) presents the District's condensed statement of changes in net position for the fiscal years ended September 30, 2023 and 2022. For more detailed information see the Statement of Revenues, Expenses, and Changes in Net Position.

**Table 2: Condensed Statement of Changes in Net Position
September 30, 2023 and 2022**

	<u>2023</u>	<u>2022</u>	<u>\$ Change</u>	<u>% Change</u>
<i>Revenues</i>				
Charges for services	\$ 424,332	\$ 437,602	\$ (13,270)	-3.03%
Total revenues	<u>424,332</u>	<u>437,602</u>	<u>(13,270)</u>	-3.03%
<i>Expenses</i>				
Management and administration	476,017	421,199	54,817	13.01%
Depreciation	<u>16,385</u>	<u>15,993</u>	<u>392</u>	2.45%
Total expenses	<u>492,402</u>	<u>437,192</u>	<u>55,210</u>	12.63%
<i>Nonoperating revenues (expenses)</i>				
Other income	14,137	794	13,343	1680.39%
Other expenses	(12,583)	(12,158)	(425)	3.49%
Insurance reimbursements	<u>4,260</u>	<u>5,150</u>	<u>(889)</u>	100.00%
Total nonoperating revenue (expenses)	<u>5,815</u>	<u>(6,214)</u>	<u>12,029</u>	-193.58%
Increase (decrease) in net position	(62,256)	(5,805)	(56,451)	972.52%
Beginning net position	<u>1,090,843</u>	<u>1,099,564</u>	-	
Prior period adjustment	6,497	(2,916)	-	
Beginning net position, restated	<u>1,097,340</u>	<u>1,096,648</u>	<u>692</u>	0.06%
Ending net position	<u>\$ 1,035,084</u>	<u>\$ 1,090,843</u>	<u>\$ (55,759)</u>	-5.11%

Budgetary Highlights

The District chose to adopt a budget to reflect projected expenses for the fiscal year ending 2023. A budgetary comparison schedule (non-GAAP basis) is presented as Required Supplementary Information in this report.

The adopted budget for the fiscal year was approximately \$432,572. The District incurred operating expenses of \$487,999 excluding depreciation and bad debt expense.

Capital Assets

Infrastructure costs have been incurred by the Hancock County Utility Authority as part of a regional grant that paid for the installation of the system. The ownership of this infrastructure will be conveyed to the District at some time in the future. The District purchased assets totaling \$7,516 and recorded accumulated depreciation for the year of \$16,385 for a net reduction for the year of \$8,869.

Debt Administration

At the start of the fiscal year, the District's debt consisted of a revenue bond issued in 2013 for \$611,000. The principal balance as of September 30, 2023 was \$495,232.

Economic Factors

The district serves a small community mostly consisting of residential customers. There are no economic drivers or factors currently affecting the community.

Currently Known Facts and Conditions

The District is a member of the Hancock County Utility Authority. Currently the Utility Authority sets the rates for wholesale water purchased by its member entities. The Utility Authority Board has voted to increase water cost several times in the last few years. Due to the continued financial struggles of the Utility Authority, an additional increase is possible for 2023.

The District only has one well to provide water for its customers. For community safety and disaster preparation purposes, the District is exploring options to construct and fund a back-up water well.

Contacting the District's Management

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the office of the Administrator, Pearlington Water and Sewer District, P.O. Box 130, Pearlington, MS 39572; Attention: Ty Necaise, CPA.

BASIC FINANCIAL STATEMENTS

**Pearlington Water & Sewer District
Statement of Net Position
September 30, 2023**

Assets

Current assets:	
Cash and cash equivalents	\$ 1,119,417
Prepaid expenses	13,211
Accounts receivable, net	24,481
Inventory	<u>64,374</u>
Total current assets	<u>1,221,482</u>
Non-current assets:	
Cash, restricted	83,910
Assets not being depreciated	5,900
Other capital assets, net of accumulated depreciation	<u>283,393</u>
Total non-current assets	<u>373,202</u>
Total assets	<u>1,594,685</u>

Liabilities

Current liabilities:	
Accounts payable	26,766
Payroll liabilities	6,098
Accrued Wages	2,766
Sales tax payable	50
Bonds payable, current	<u>15,213</u>
Total current liabilities	<u>50,893</u>
Non-current liabilities:	
Customer deposits	22,960
Compensated absences	5,729
Bonds payable, non-current	<u>480,019</u>
Total non-current liabilities	<u>508,708</u>
Total liabilities	<u>559,601</u>

Net Position

Net investment in capital assets	(205,939)
Restricted	83,910
Unrestricted	<u>1,157,113</u>
Total net position	<u>\$ 1,035,084</u>

Pearlington Water & Sewer District
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended September 30, 2023

Operating Revenues

Charges for water services	\$ 142,016
Charges for sewer services	263,244
Other fees	<u>19,071</u>
Total operating revenues	<u>424,332</u>

Operating Expenses

Sewer treatment costs	58,433
Water purchase	19,896
Insurance	18,578
Field Supplies	69,846
Repairs and maintenance	34,233
Utilities	8,703
Vehicle expense	18,117
Personnel expense	138,826
Professional fees	91,407
Office expense	17,978
Depreciation expense	<u>16,385</u>
Total operating expenses	<u>492,402</u>
Operating income (loss)	<u>(68,070)</u>

Non-operating Revenues (Expenses)

Interest income	14,137
Interest expense	(12,583)
Insurance reimbursement	<u>4,260</u>
Total non-operating revenues (expenses)	<u>5,815</u>

Change in net position	(62,256)
Net position, beginning	<u>1,090,843</u>
Prior period adjustment	<u>6,497</u>
Net position, ending	<u><u>\$ 1,035,085</u></u>

**Pearlington Water & Sewer District
Statement of Cash Flows
For the Year Ended September 30, 2023**

Cash flows from operating activities:

Cash received from customers	\$ 431,878
Cash payments to employees for services	(137,303)
Cash payments to suppliers for goods and services	<u>(332,822)</u>
Net cash flows provided (used) by operating activities	<u>(38,247)</u>

Cash flows from capital and related financing activities:

Principal payments on debt	(14,837)
Interest paid on debt	(12,583)
Insurance reimbursement	4,260
Acquisition of capital assets	<u>(7,516)</u>
Net cash provided (used) by financing activities	<u>(30,676)</u>

Cash flows from investing activities:

Interest received	<u>14,137</u>
Net cash provided (used) by investing activities	<u>14,137</u>
Net increase (decrease) in cash	(54,786)
Cash at beginning of year	<u>1,258,112</u>
Cash at end of year	<u><u>1,203,327</u></u>

Reconciliation of operating income (loss) to net cash flows provided (used) by operating activities:

Net operating income (loss)	(68,070)
Adjustments to reconcile net operating income to cash provided by operating activities:	
Depreciation expense	16,385
(Increase)/decrease in assets:	
Prepaid expenses	(889)
Accounts receivable	11,302
Inventory	(6,697)
Increase/(decrease) in liabilities:	
Accounts payable	5,465
Sales tax payable	(6)
Payroll liabilities	1,525
Accrued wages	330
Compensated absences	(332)
Customer deposits	<u>2,740</u>
Net cash flows used by operating activities	<u><u>\$ (38,247)</u></u>

NOTES TO FINANCIAL STATEMENTS

Note 1: Summary of Significant Accounting Policies*A) Financial Reporting Entity*

The Pearlington Water and Sewer District (the District) was created on March 2, 1998, for the purpose of providing a water and sewer system within certain territorial boundaries of Hancock County known as the Pearlington Community. All powers of the District are vested in a five-member Board of Commissioners. The Board has identified no component units using the criteria established by the Governmental Standards Board. However, the District has been determined to be a component unit of Hancock County, Mississippi. In addition, the District is a participating agency with the Hancock County Utility Authority for purposes of sewer treatment, disposal, and water purchases. As a sewer collection entity within Hancock County, it falls under the jurisdiction of the regional wastewater management authority.

B) Measurement Focus and Basis of Accounting

These financial statements have been presented in conformity with accounting principles generally accepted in the United States of America (GAAP) relative to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The District has been identified as an enterprise fund as described by GAAP for governmental entities. Enterprise funds utilize accounting principles in a manner similar to private business enterprises. Accordingly, accounting records are maintained and the financial statements are presented on the accrual basis of accounting. The accrual basis of accounting recognizes revenues when earned and expenses when incurred without regard to when each is received or disbursed, respectively. The District applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Operating income includes revenues and expenses related to the primary continuing operation of the District. Principal operating revenues will be charges for water and sewer services. Principal operating expenses will be the costs of providing services and include administrative expenses and depreciation of capital assets. Any other revenues and expenses will be classified as non-operating in the financial statements.

C) Cash and cash equivalents

The District's cash consist of demand deposits held in a local bank and several short-term certificates of deposit. Cash consists of both unrestricted and restricted. The restricted cash is for the reserve accounts required by the Revenue Bond covenants.

D) Prepaid Items

Payments made to vendors for services that will benefit periods beyond the fiscal year end are recorded as prepaid items.

E) Accounts Receivable

Accounts receivable consists of amounts expected to be received from customers for water and sewer services; and is presented net of any allowance for doubtful accounts and write-offs. As of September 30, 2023, the District's total write-off is \$17,855 and the allowance is \$4,000. This allowance is based on estimates by management.

F) Inventory

The District records inventory at cost. Inventories consist of replacement parts and supplies for the water and sewer system.

Note 1: Summary of Significant Accounting Policies (continued)

G) Capital Assets

The District's assets that have a useful life of more than one year are reported at historical cost in the financial statements. The District generally capitalizes assets with a cost of \$500 or more. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations. The estimated useful lives, in years, for depreciable assets will be as follows:

Buildings	10 – 50 years
Infrastructure and improvements other than buildings	10 – 50 years
Mobile equipment, furniture, machinery and equipment	5 – 20 years

H) Long-Term Liabilities

Outstanding debt is reported as liabilities in the District's financial statements. In accordance with GASB Statement No. 65, issuance cost of debt, if any, is expensed in the period incurred.

Debt service maturity schedules for the next 5 years are not presented due to incomplete amortization schedule. Management will update disclosures as information becomes available.

I) Compensated Absences

The District has adopted a policy of compensation for accumulated unpaid employee personal leave. Accounting principles generally accepted in the United States of America require accrual of accumulated unpaid employee benefits as long-term liabilities. Full time employees are granted vacation benefits. Employees who resign in good standing are entitled to receive payment for accrued vacation not yet taken.

J) Equity Classifications

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

Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, notes or other borrowings attributable to the acquisition, construction, or improvement of those assets.

Restricted net position – Consists of net position with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or law through constitutional provisions or enabling legislation. The District's policy is to apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted are available.

Unrestricted net position – All other net position not meeting the definition of "restricted" or "net investment in capital assets."

K) Cost Allocation

The District allocates costs based upon a cost allocation policy. Direct costs are charged directly to water, sewer and debt service while certain other indirect costs are allocated among the three.

Note 2: Deposits and Investments

Mississippi statutes allow government entities to select depositories on the basis of competitive bid. Depositories must be covered by FDIC or FSLIC insurance and must provide qualifying collateral. In the case of institutions covered by FDIC insurance, collateral must equal 105% of deposits exceeding amounts insured by FDIC. Deposits in institutions insured by the FSLIC may not exceed the amount of federal insurance.

Note 2: Deposits and Investments (continued)

The State of Mississippi Treasury Department provides for a Public Depositors Statewide Collateral Pool Program. This program monitors financial institutions pledged balances to confirm that they meet the 105% minimum requirement with consideration given to the appropriate FDIC insurance coverage. The Treasury Department issues quarterly reports disclosing the District’s accrual and average daily account balances in total by account type of each bank. If in fact a certain bank was under pledged then the Treasury Department would take appropriate steps in a timely fashion to bring the pledge back up to the minimum requirement.

The District deposits funds in financial institutions selected by its Board of Commissioners in accordance with State statute. A summary of cash as of September 30, 2023:

Cash on hand	\$	1,438
Deposits, unrestricted		1,117,979
Deposits, restricted		<u>83,910</u>
Total cash	\$	<u>1,203,326</u>

Note 3: Capital Assets

Capital asset activity for the year ended September 30, 2023 is as follows:

	<i>Balance</i>			<i>Balance</i>
	<u>10/1/2022</u>	<i>Additions</i>	<i>Disposals</i>	<u>9/30/2023</u>
Capital assets, not being depreciated				
Land	\$ 5,900	\$ -	\$ -	\$ 5,900
Total capital assets, not being depreciated	<u>5,900</u>	<u>-</u>	<u>-</u>	<u>5,900</u>
Capital assets, being depreciated				
Office furniture and equipment	23,285	3,473	-	26,758
Equipment	113,907	4,043	-	117,950
Trucks & trailers	52,048	-	-	52,048
Storage building	326,519	-	-	326,519
Improvements	61,762	-	-	61,762
Software	<u>4,993</u>	<u>-</u>	<u>-</u>	<u>4,993</u>
Total capital assets, being depreciated	<u>582,514</u>	<u>7,516</u>	<u>-</u>	<u>590,030</u>
Less accumulated depreciation	<u>(290,252)</u>	<u>(16,385)</u>	<u>-</u>	<u>(306,637)</u>
Total capital assets, being depreciated, net	<u>292,262</u>	<u>(8,869)</u>	<u>-</u>	<u>283,393</u>
Capital assets, net	<u>\$ 298,162</u>	<u>\$ (8,869)</u>	<u>\$ -</u>	<u>\$ 289,293</u>

Note 4: Debt Obligations

Changes in outstanding debt during the year ended September 30, 2023 are as follows:

	<i>Balance</i> <u>10/1/2022</u>	<i>Additions</i>	<i>Reductions</i>	<i>Balance</i> <u>9/30/2023</u>	<i>Due within</i> <i>one year</i>
Revenue bond	\$ 510,070	\$ -	\$ (14,837)	\$ 495,232	\$ 15,213
Customer deposits	20,220	2,740	-	22,960	-
Compensated absences	6,061	7,003	(7,335)	5,729	-
Total	<u>\$ 536,351</u>	<u>\$ 9,743</u>	<u>\$ (22,173)</u>	<u>\$ 523,921</u>	<u>\$ 15,213</u>

A) *Water and Sewer System Revenue Bond*

On March 20, 2013, the District issued a Revenue Bond with a face value of \$ 611,000 with an interest rate of 3% to be repaid over a period of 35 years. The bond was issued for the purpose of constructing, acquiring, improving or extending a combined water and sewer system. At the time of issuance, the District deferred the bond payments until March 20, 2015.

A summary of the Revenue Bond is as follows:

Bonds

	<u><i>Date Issued</i></u>	<u><i>Maturity Date</i></u>	<u><i>Original</i></u> <u><i>Amount</i></u>	<u><i>Balance</i></u> <u><i>9/30/2023</i></u>
Water and Sewer System Revenue Bond	3/20/2013	3/20/2048	\$ 611,000	\$ 495,232

A maturity schedule for the outstanding portion at September 30, 2023 is as follows:

<u><i>Year Ending</i></u> <u><i>September 30,</i></u>	<u><i>Principal</i></u>	<u><i>Interest</i></u>	<u><i>Total</i></u> <u><i>Requirements</i></u>
2024	15,213	12,207	27,420
2025	15,597	11,823	27,420
2026	15,992	11,428	27,420
2027	16,396	11,024	27,420
2028-2032	88,415	48,685	137,100
2033-2037	100,174	36,926	137,100
2038-2042	113,497	23,603	137,100
Thereafter	129,948	8,508	138,456
	<u>\$ 495,232</u>	<u>\$ 164,204</u>	<u>\$ 659,436</u>

Debt service maturity schedules for the next 5 years are not presented due to incomplete amortization schedule. Management will update disclosures as information becomes available.

Note 4: Debt Obligations (continued)

The District’s Revenue Bond contains a number of limitations and restrictions on annual debt service requirements, maintenance of, and flow of monies through various restricted accounts, and minimum revenue bond coverages. At September 30, 2023, the District was in compliance with the bond covenants as noted below.

The indenture covenants of the revenue bond require the establishment of the following accounts:

- *Construction Fund.* Proceeds of the bond shall be deposited into this account.
- *Revenue Fund.* Operating revenues are to be deposited into this fund.
- *Operation and Maintenance Fund.* An amount will be deposited each month that will provide for the payment of reasonable expense that will operate and maintain the system in good working order.
- *Bond and Interest Fund.* Amounts will be deposited each month that will provide for the payment of the next installment of principal and interest.
- *Debt Service Reserve Fund.* An amount of \$ 245.22 is to be deposited each month until it reaches \$ 29,426. It is now fully funded.
- *Short Lived Asset Replacement Fund.* Shall be established and have \$ 10.00 a month deposited into it was fully funded. The district chose to fully fund it in the amount of \$4,200.

During the year ended September 30, 2023, the debt service reserve requirements above were fully funded.

In addition to the above requirements, the bond indenture contains a resolution that requires the reporting of certain other information related to the water and sewer system as presented below:

1.	The number of customers at the beginning of the fiscal year	532
	The number of customers at the end of the fiscal year	532
2.	The number of properties connected with water lines	526
3.	The number of metered customers at the end of the year	526
	The number of unmetered customers at the end of the year	6

B) Schedule of Insurance

<u>Description</u>	<u>Coverage Amount</u>	<u>Insurer</u>	<u>Expiration Dates</u>
Commercial Liability	1,000,000	National Union Fire Insurance	4/1/2024
Worker’s Compensation	500,000	Liberty Mutual Insurance	9/13/2024
Flood	290,400	Wright National Flood Insurance	9/1/2024
Public Officials	50,000	Old Republic Surety Co.	10/13/2024

Additionally, the bond indenture requires a statement by the auditor regarding the manner in which the District complied with the requirements of this resolution. As stated in the Compliance report, the results of our tests disclosed no instances of noncompliance.

Note 5: Commitments

The Pearlington Water and Sewer District has a service agreement with the Hancock County Utility Authority. This agreement is to purchase wholesale potable water and sewer treatment services. Additionally, the District has assumed maintenance responsibility of the water and sewer system's collection and distribution lines.

Note 6: Risk Management

The District is exposed to various risks and losses related to torts, errors and omission, and personal injury. All of the Commissioners and employees maintain public official bonds in the amount of \$50,000 each. The District also has commercial general liability and vehicle policies to cover risk related to plant, equipment and management.

The District has issued a Revenue Bond that was purchased by United States Department of Agriculture through the Rural Utilities Service (RUS) program. These programs are subject to audit by the granting authority, the purpose of which is to ensure compliance with conditions precedent to the funds.

Note 7: Subsequent Events

The District has evaluated events through August 4, 2025. There were no events identified that would have an effect on the financial statements of the District.

REQUIRED SUPPLEMENTARY INFORMATION

Pearlington Water & Sewer District
Budgetary Comparison Schedule (Non-GAAP Basis)
For the Year Ended September 30, 2023

	Original Budget	Final Budget	Actual	Variance Over (Under)
Operating Revenues				
Total operating revenues	\$ 424,000	\$ 424,000	\$ 422,042	\$ (1,958)
Operating Expenses				
Personnel services	138,872	138,872	137,633	(1,239)
Utilities	8,000	8,000	17,689	9,689
Insurance	23,000	23,000	22,911	(89)
Office expense	9,500	9,500	17,978	8,478
Repairs and maintenance	60,000	60,000	86,734	26,734
Outside Services	14,000	14,000	24,042	10,042
Vehicle expense	9,000	9,000	18,117	9,117
Water quality test	2,000	2,000	1,605	(395)
Director's pay	6,300	6,300	5,964	(336)
Professional fees	79,400	79,400	76,998	(2,402)
Water purchase	20,000	20,000	19,896	(104)
Sewer collection cost	-	-	-	-
Sewer treatment cost	62,500	62,500	58,433	(4,067)
Total operating expenses	<u>432,572</u>	<u>432,572</u>	<u>487,999</u>	<u>55,427</u>
Nonoperating Income (Expenses)				
Interest income	1,000	1,000	14,137	13,137
Other Income	-	-	4,260	4,260
Equipment Purchase	(10,000)	(10,000)	(7,516)	2,484
RUS Debt Payments	<u>(28,000)</u>	<u>(28,000)</u>	<u>(27,420)</u>	<u>580</u>
Total nonoperating income (expenses)	<u>(37,000)</u>	<u>(37,000)</u>	<u>(16,539)</u>	<u>20,461</u>
Change in net position, non-GAAP basis	<u>\$ (45,572)</u>	<u>\$ (45,572)</u>	<u>\$ (82,496)</u>	<u>\$ (36,924)</u>

Note 1: Budgetary Information

Pearlington Water & Sewer District is not required by statute to adopt or amend a budget. The entity does not receive governmental funds and operates solely on revenues received from providing services. The budget passed by the entity is on a non-GAAP basis and is used as a management tool. The major differences between the budgetary basis and the GAAP basis are:

- Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).
- Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Note 2: Basis of Presentation

The Budgetary Comparison Schedule (Non-GAAP Basis) presents the final adopted budget and the actual amounts on a budgetary (Non-GAAP Basis) and variances between the final budget and the actual amounts.

OTHER INFORMATION

Name	Title	Company	Coverage
Nolan Pansano	Chairman	Old Republic Surety	\$ 50,000
Cabrina Bell	Vice-Chairwoman	Old Republic Surety	\$ 50,000
Rosa Jackson	Treasurer/Commissioner	Old Republic Surety	\$ 50,000
John Pavlovich	Commissioner	Old Republic Surety	\$ 50,000
Deborah Sonnier	Secretary/Commissioner	Old Republic Surety	\$ 50,000
Zoe Bowers	Operator	Old Republic Surety	\$ 50,000
Carolyn Wilkinson	Office Manager	Old Republic Surety	\$ 50,000
Renee Pitre	Office Clerk	Old Republic Surety	\$ 50,000
Ronnie Pack	Field Operator	Old Republic Surety	\$ 50,000
Justin Hansen	Field Operator	Old Republic Surety	\$ 50,000