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PEARL RIVER BASIN DEVELOPMENT DISTRICT

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT**

JUNE 30, 2016

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Pearl River Basin Development District,
a component unit of the State of Mississippi

We have audited the accompanying financial statements of the governmental activities and each major fund of Pearl River Basin Development District, component unit of the State of Mississippi, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures

Auditor's Responsibility - continued:

that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Pearl River Basin Development District as of June 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America, require that the management's discussion and analysis, budgetary comparison information, Schedule of Changes in Net Pension Liability and Related Ratios, and the Schedule of Employer Contributions on pages 4-8 and 39-47 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Pearl River Basin Development District's basic financial statements. The schedules included in the supplemental information section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedules included in the supplemental information section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2016, on our consideration of Pearl River Basin Development 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 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 Pearl River Basin Development District's internal control over financial reporting and compliance.

Haddox Reid Embank Bethel PLLC

Jackson, Mississippi
October 10, 2016

**PEARL RIVER BASIN DEVELOPMENT DISTRICT
(A COMPONENT UNIT OF THE STATE OF MISSISSIPPI)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

Our discussion and analysis of Pearl River Basin Development District's financial performance provides an overview of the District's financial activities for the year ended June 30, 2016. Please read it in conjunction with the District's financial statements which begin on page 9.

FINANCIAL HIGHLIGHTS

- The District realized a \$615,413 (-7.92%) decrease in net position during the current fiscal year. The decrease in net position is the direct result of the transfer of all funds held in two of the District's special revenue funds in the amount of \$697,322 to another governmental entity. The District realized an increase of \$61,154 (7.78%) in general revenues from the prior year, while total expenses increased \$73,322 (9.32%). With the slowed national and local economies, the District's special projects have been reduced over recent years.
- During the current fiscal year, the District received an appropriation from the State of Mississippi in the amount of \$196,137 to be used for general operations of the District.

USING THE ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 9 and 10) provide information about the activities of the District as a whole and present a longer-term view of the District's finances. Fund financial statements start on page 11. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements report the District's operations in more detail than the government-wide statements by providing information about all the District's funds.

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities report information about the District as a whole and about its activities in a manner that aids in determining if the District as a whole is better off or worse off as a result of the year's activities. These statements include all assets, deferred outflows of resources, liabilities and deferred inflows of resources using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the District's net position and

**PEARL RIVER BASIN DEVELOPMENT DISTRICT
(A COMPONENT UNIT OF THE STATE OF MISSISSIPPI)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

REPORTING THE DISTRICT AS A WHOLE - CONTINUED:

changes in them. The District's net position is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating.

In the Statement of Net Position and the Statement of Activities, the District reports all activities as governmental activities. The District does not have business-type activities or component units.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

The District's fund financial statements begin on page 11 and provide detailed information about all the District's funds - not the District as a whole. The District has elected to report all governmental funds individually because the District believes the financial position and activities of all its funds are significant to the District as a whole. Some funds are required to be established by State law, while others are established by the District to help control and manage money for a particular purpose. All the District's funds are considered to be governmental funds.

Governmental funds focus on how money flows into and out of the individual funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted into cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's operations. The relationship or differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds are detailed in a reconciliation located after the governmental fund financial statements.

FINANCIAL ANALYSIS OF THE DISTRICT

The District's combined net position decreased from \$7,768,772 at June 30, 2015 to \$7,153,359 at June 30, 2016, as reflected in the following table:

**PEARL RIVER BASIN DEVELOPMENT DISTRICT
(A COMPONENT UNIT OF THE STATE OF MISSISSIPPI)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

FINANCIAL ANALYSIS OF THE DISTRICT - CONTINUED:

Condensed Statement of Net Position

	<u>FY 2016</u>	<u>FY 2015</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Current and other assets	\$ 4,323,525	4,675,102	(351,577)	-7.52 %
Capital assets	<u>3,156,690</u>	<u>3,400,960</u>	<u>(244,270)</u>	-7.18 %
Total assets	<u>7,480,215</u>	<u>8,076,062</u>	<u>(595,847)</u>	-7.38 %
Deferred outflows of resources:				
Deferred outflows of resources - pension plan	<u>119,105</u>	<u>74,534</u>	<u>44,571</u>	59.8 %
Current liabilities	<u>29,832</u>	<u>13,342</u>	<u>16,490</u>	123.59 %
Noncurrent liabilities	<u>416,129</u>	<u>331,405</u>	<u>84,724</u>	25.57 %
Total liabilities	<u>445,961</u>	<u>344,747</u>	<u>101,214</u>	29.36 %
Deferred inflows of resources:				
Deferred inflows of resources - pension plan	<u>-</u>	<u>37,077</u>	<u>(37,077)</u>	100.0 %
Net position:				
Net investment in capital assets	3,156,690	3,400,960	(244,270)	-7.18 %
Restricted	3,983,003	4,397,187	(414,184)	-9.42 %
Unrestricted	<u>13,666</u>	<u>(29,375)</u>	<u>43,041</u>	146.52 %
Total net position	<u>\$ 7,153,359</u>	<u>7,768,772</u>	<u>(615,413)</u>	-7.92 %

As shown in the table above, the District realized decreases in its assets, deferred inflows of resources and net position during the fiscal year ended June 30, 2016. Total deferred outflows of resources and liabilities increased during the fiscal year ended June 30, 2016.

Condensed Statement of Activities

	<u>FY 2016</u>	<u>FY 2015</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Operating revenue	\$ 927,904	876,101	51,803	5.91 %
Capital grants and contributions	-	-	-	0 %
Investment income	<u>14,185</u>	<u>12,887</u>	<u>1,298</u>	10.07 %
Total revenues	<u>942,089</u>	<u>888,988</u>	<u>53,101</u>	5.97%
Operating expenses	<u>860,180</u>	<u>786,858</u>	<u>73,322</u>	9.32 %
Increase in net position before special item	81,909	102,130	(20,221)	-19.80%
Special item:				
Land and funds transferred to other governmental entity	<u>(697,322)</u>	<u>-</u>	<u>(697,322)</u>	-100.0 %
Changes in net position	(615,413)	102,130	(717,543)	
Beginning net position	<u>7,768,772</u>	<u>7,666,642</u>	<u>102,130</u>	
Ending net position	<u>\$ 7,153,359</u>	<u>7,768,772</u>	<u>(615,413)</u>	

**PEARL RIVER BASIN DEVELOPMENT DISTRICT
(A COMPONENT UNIT OF THE STATE OF MISSISSIPPI)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

FINANCIAL ANALYSIS OF THE DISTRICT - CONTINUED:

While the Statement of Net Position shows the change in financial position, the Statement of Activities provides answers as to the nature and source of these changes. As can be seen from the previous table, total revenues in the amount of \$942,089, operating expenses in the amount of \$860,180, and special item in the amount of \$697,322 resulted in a decrease in net position of \$615,413.

BUDGETARY HIGHLIGHTS

The District adopts annual budgets for all governmental funds in accordance with the laws of the State of Mississippi. The budgets include all proposed expenses and the means of financing them. The District's budgets remain in effect the entire year. The District is authorized to transfer budgeted amounts between major expenditure classifications on a limited basis.

For all the District's governmental funds, expenditures on the budgetary basis were \$214,004 less than budgeted expenditures. The District's fund balances reported on the Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds is different from the fund balances reported on the budget comparison statements. A schedule reconciling these differences is provided on page 46.

CAPITAL ASSET AND DEBT ADMINISTRATION

At June 30, 2016, the District had invested \$3,156,690, net of depreciation, in a broad range of capital assets including land, land improvements (park grounds and facilities), buildings, machinery and equipment. This represents a net decrease of \$244,270 over the prior year (-7.15% decrease). There were four additions to capital assets for the year totaling \$87,118 and depreciation for the year was \$59,063. Land with a cost of \$269,157 was transferred to another governmental entity and machinery and equipment with a book value of \$3,168 was disposed of during the year.

The District has no outstanding bonds at June 30, 2016 and has no immediate plans to issue bonds in the near future.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

Effective July 1, 2009, Hinds County withdrew from the District. This withdrawal had a significant impact on operations for the fiscal year ended September 30, 2010, since Hinds

**PEARL RIVER BASIN DEVELOPMENT DISTRICT
(A COMPONENT UNIT OF THE STATE OF MISSISSIPPI)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS - CONTINUED:

County accounted for \$408,180 (44.83%) of the member counties' revenues during the year ended June 30, 2009. Revenues from the member counties decreased from \$910,468 in fiscal year 2009 to \$532,173 in fiscal year 2010 and had increased to \$576,761 in fiscal year 2012. During the fiscal years ended June 30, 2013 and 2014, revenues from member counties decreased slightly to \$569,780 and \$550,953 respectively, due to a net decrease in the assessed valuation of property located in the member counties. Revenues from member counties increased slightly to \$572,691 and \$582,235 during the fiscal years ended June 30, 2015 and 2016, respectively. The District received an appropriation of funds from the State of Mississippi General Fund in the amount of \$196,137 for the fiscal year ended June 30, 2016 to fund operating expenses during the fiscal year. The State of Mississippi has approved an additional \$183,841 to be received by the District for the fiscal year beginning July 1, 2016. The District continues to evaluate the possibility of gaining additional operating revenue from new sources in addition to increasing funds available from existing sources. Furthermore, the District is planning to keep expenses at or near their current level until tax revenue increases.

In July, 2013 the District's board approved the transfer of the restricted funds in the Jackson Clearing Project Maintenance Fund and the Mitigation Lands Capitalized Management Fund to the Rankin-Hinds Pearl River Flood and Drainage Control District, a governmental entity. The Flood and Drainage Control District will assume all responsibilities for these funds including all future commitments. The transfer of funds occurred in June 2016, after final approval was granted by all responsible parties.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional information, contact the District's Office, 2304 Riverside Drive, Jackson, Mississippi 39296-5332.

**PEARL RIVER BASIN DEVELOPMENT DISTRICT
(A COMPONENT UNIT OF THE STATE OF MISSISSIPPI)**

**STATEMENT OF NET POSITION
JUNE 30, 2016**

	<u>Governmental Activities</u>
<u>ASSETS</u>	
CURRENT ASSETS:	
Cash and cash equivalents	\$ 240,313
Investments	3,976,170
Prepaid expenses	25,699
Receivables:	
Accounts - member counties	74,510
Accrued interest	<u>6,833</u>
Total current assets	<u>4,323,525</u>
NONCURRENT ASSETS:	
Capital assets:	
Land	1,253,985
Depreciable buildings, land improvements, property and equipment, net of accumulated depreciation	<u>1,902,705</u>
Total capital assets	<u>3,156,690</u>
Total assets	<u>7,480,215</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Deferred outflows related to pension	<u>119,105</u>
<u>LIABILITIES</u>	
CURRENT LIABILITIES:	
Accounts payable	10,670
Due to other governmental entity	<u>19,162</u>
Total current liabilities	<u>29,832</u>
NONCURRENT LIABILITIES:	
Compensated absences payable	14,220
Net pension liability	<u>401,909</u>
Total noncurrent liabilities	<u>416,129</u>
Total liabilities	<u>445,961</u>
<u>NET POSITION</u>	
Net investment in capital assets	3,156,690
Restricted for:	
Specific projects and programs	3,983,003
Unrestricted	<u>13,666</u>
Total net position	<u>\$ 7,153,359</u>

The accompanying notes are an integral part of this statement.

**PEARL RIVER BASIN DEVELOPMENT DISTRICT
(A COMPONENT UNIT OF THE STATE OF MISSISSIPPI)**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Total</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>		<u>Governmental Activities</u>
Primary government:						
Governmental activities:						
General government	\$ 738,806	-	-	-	-	(738,806)
Bogue Chitto Water Park	<u>121,374</u>	<u>95,110</u>	<u>-</u>	<u>-</u>	<u>95,110</u>	<u>(26,264)</u>
Total governmental activities	<u>\$ 860,180</u>	<u>95,110</u>	<u>-</u>	<u>-</u>	<u>95,110</u>	<u>(765,070)</u>
General revenues:						
Revenue - member counties						582,235
Intergovernmental - State of Mississippi						196,137
Interest and investment earnings						14,185
Gain on disposition of assets						53,634
Miscellaneous income						<u>788</u>
Total general revenues						<u>846,979</u>
Special item:						
Land and funds transferred to other governmental entity						<u>(697,322)</u>
Change in net position						(615,413)
Net position at beginning of year						<u>7,768,772</u>
Net position at end of year						<u>\$ 7,153,359</u>

The accompanying notes are an integral part of this statement.

**PEARL RIVER BASIN DEVELOPMENT DISTRICT
(A COMPONENT UNIT OF THE STATE OF MISSISSIPPI)**

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016**

	<u>General Fund</u>	
	<u>Operation and Special Projects Fund</u>	<u>Bogue Chitto Water Park Fund</u>
<u>ASSETS</u>		
ASSETS:		
Cash and cash equivalents	\$ 160,296	80,013
Investments	-	-
Receivables (net, where applicable, of allowance for doubtful accounts):		
Accounts - member counties	74,510	-
Accrued interest	-	-
Due from other funds	274,685	-
Prepaid expenses	<u>23,954</u>	<u>1,745</u>
 Total assets	 \$ <u>533,445</u>	 <u>81,758</u>
 <u>LIABILITIES AND FUND BALANCES</u>		
LIABILITIES:		
Accounts payable	\$ 10,670	-
Due to other funds	19,158	274,685
Due to other governmental entity	<u>-</u>	<u>-</u>
Total liabilities	<u>29,828</u>	<u>274,685</u>
 FUND BALANCES:		
Nonspendable	23,954	-
Restricted	-	-
Committed	145,000	-
Unassigned	<u>334,663</u>	<u>(192,927)</u>
Total fund balances	<u>503,617</u>	<u>(192,927)</u>
 Total liabilities and fund balances	 \$ <u>533,445</u>	 <u>81,758</u>

The accompanying notes are an integral part of this statement.

Jackson Clearing Project Maintenance Fund	Mitigation Lands Capitalized Management Fund	Lower Pearl River Restoration Trust Fund	Total Governmental Funds
3	1	-	240,313
-	-	3,976,170	3,976,170
-	-	-	74,510
-	-	6,833	6,833
19,158	-	-	293,843
<u>-</u>	<u>-</u>	<u>-</u>	<u>25,699</u>
<u>19,161</u>	<u>1</u>	<u>3,983,003</u>	<u>4,617,368</u>
-	-	-	10,670
-	-	-	293,843
<u>19,161</u>	<u>1</u>	<u>-</u>	<u>19,162</u>
<u>19,161</u>	<u>1</u>	<u>-</u>	<u>323,675</u>
-	-	-	23,954
-	-	3,983,003	3,983,003
-	-	-	145,000
<u>-</u>	<u>-</u>	<u>-</u>	<u>141,736</u>
<u>-</u>	<u>-</u>	<u>3,983,003</u>	<u>4,293,693</u>
<u>19,161</u>	<u>1</u>	<u>3,983,003</u>	<u>4,617,368</u>

**PEARL RIVER BASIN DEVELOPMENT DISTRICT
(A COMPONENT UNIT OF THE STATE OF MISSISSIPPI)**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2016**

TOTAL FUND BALANCES - governmental funds	\$ 4,293,693
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets, net of accumulated depreciation, used in governmental activities are not current financial resources and, therefore, not reported in the Governmental Funds Balance Sheet	3,156,690
Deferred outflows of resources related to the liability for pension benefits are applicable to future periods and, therefore, are not reported in the Governmental Funds Balance Sheet	119,105
Long-term liabilities are not due and payable in the current period and, therefore, not reported in the Governmental Funds Balance Sheet:	
Compensated absences	(14,220)
Net pension liability	<u>(401,909)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ <u>7,153,359</u>

The accompanying notes are an integral part of this statement.

**PEARL RIVER BASIN DEVELOPMENT DISTRICT
(A COMPONENT UNIT OF THE STATE OF MISSISSIPPI)**

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>General Fund</u>	
	<u>Operation and Special Projects Fund</u>	<u>Bogue Chitto Water Park Fund</u>
REVENUES:		
Revenue - member counties	\$ 582,235	-
Interest income	127	77
Income from water park	-	95,110
Intergovernmental - State of Mississippi	196,137	-
Miscellaneous income	<u>56,381</u>	<u>-</u>
Total revenues	<u>834,880</u>	<u>95,187</u>
EXPENDITURES:		
Current:		
Personal services:		
Salaries, wages, fringe benefits and per diem	125,760	40,108
Travel and subsistence	<u>14,571</u>	<u>-</u>
	<u>140,331</u>	<u>40,108</u>
Contractual services:		
Employee training	975	-
Communication, transportation and utilities	17,989	24,606
Public information	498	424
Rents	3,111	50
Repairs and services	13,212	22,049
Fees - professional and other	156,946	623
Other contractual services	27,101	7,971
Data processing	<u>430</u>	<u>-</u>
	<u>220,262</u>	<u>55,723</u>
Commodities:		
Maintenance, printing and office supplies and materials	4,085	469
Equipment repair, parts and supplies	8,993	3,125
Other supplies and materials	<u>1,045</u>	<u>4,827</u>
	<u>14,123</u>	<u>8,421</u>

Jackson Clearing Project Maintenance Fund	Mitigation Lands Capitalized Management Fund	Lower Pearl River Restoration Trust Fund	Total Governmental Funds
-	-	-	582,235
188	50	13,743	14,185
-	-	-	95,110
-	-	-	196,137
-	-	-	56,381
<u>188</u>	<u>50</u>	<u>13,743</u>	<u>944,048</u>
-	-	-	165,868
<u>-</u>	<u>-</u>	<u>-</u>	<u>14,571</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>180,439</u>
-	-	-	975
-	-	-	42,595
-	-	-	922
-	-	-	3,161
-	-	-	35,261
-	-	-	157,569
-	-	-	35,072
<u>-</u>	<u>-</u>	<u>-</u>	<u>430</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>275,985</u>
-	-	-	4,554
-	-	-	12,118
<u>-</u>	<u>-</u>	<u>-</u>	<u>5,872</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>22,544</u>

**PEARL RIVER BASIN DEVELOPMENT DISTRICT
(A COMPONENT UNIT OF THE STATE OF MISSISSIPPI)**

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - CONTINUED:
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>General Fund</u>	
	<u>Operation and Special Projects Fund</u>	<u>Bogue Chitto Water Park Fund</u>
EXPENDITURES - CONTINUED:		
Capital outlay:		
Office furniture, fixtures and equipment	\$ <u>975</u>	<u>13,403</u>
Total capital outlay	<u>975</u>	<u>13,403</u>
Subsidies, loans and grants to agencies, institutions and political subdivisions:		
Boatway park maintenance	18,832	7,684
Items purchased for resale - Bogue Chitto Water Park	-	281
Recreation program grants:		
Hancock County	3,638	-
Leake County	4,845	-
Lincoln County	5,000	-
Walthall County	5,000	-
Neshoba County	5,000	-
Pearl River County	4,758	-
Pike County	5,000	-
Scott County	5,000	-
Simpson County	5,000	-
Hancock County Paving Project	50,000	-
Leake County Horse Barn at Coliseum	50,000	-
Lincoln County Ball Field Construction	50,000	-
Neshoba County Playground Improvements	29,531	-
Marion County Watershed Project	10,294	-
Scott County Farris Park Ball Fields	44,986	-
Columbia Water Park Pavilion Roofing Project	46,960	-
Scott County Gaddis Park Exercise Trail	5,000	-
Scott County Farris Park Dugout Improvements	10,545	-

Jackson Clearing Project Maintenance Fund	Mitigation Lands Capitalized Management Fund	Lower Pearl River Restoration Trust Fund	Total Governmental Funds
<u>-</u>	<u>-</u>	<u>-</u>	<u>14,378</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>14,378</u>
-	-	-	26,516
-	-	-	281
-	-	-	3,638
-	-	-	4,845
-	-	-	5,000
-	-	-	5,000
-	-	-	5,000
-	-	-	4,758
-	-	-	5,000
-	-	-	5,000
-	-	-	5,000
-	-	-	50,000
-	-	-	50,000
-	-	-	50,000
-	-	-	29,531
-	-	-	10,294
-	-	-	44,986
-	-	-	46,960
-	-	-	5,000
-	-	-	10,545

**PEARL RIVER BASIN DEVELOPMENT DISTRICT
(A COMPONENT UNIT OF THE STATE OF MISSISSIPPI)**

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - CONTINUED:
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>General Fund</u>	
	<u>Operation and Special Projects Fund</u>	<u>Bogue Chitto Water Park Fund</u>
EXPENDITURES - CONTINUED:		
Subsidies, loans and grants to agencies, institutions and political subdivisions - continued:		
Hancock County - beaver control	\$ 3,000	-
Lincoln County - beaver control	3,000	-
Scott County - beaver control	3,000	-
Leake County - beaver control	3,000	-
Marion County - beaver control	3,000	-
Pearl River County - beaver control	3,000	-
Simpson County - beaver control	2,250	-
Walthall County - beaver control	<u>3,000</u>	<u>-</u>
	<u>382,639</u>	<u>7,965</u>
 Total expenditures	 <u>758,330</u>	 <u>125,620</u>
 EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	 76,550	 (30,433)
 SPECIAL ITEM:		
Funds transferred to other governmental entity	<u>-</u>	<u>-</u>
 NET CHANGE IN FUND BALANCES	 76,550	 (30,433)
 FUND BALANCES AT BEGINNING OF YEAR	 <u>427,067</u>	 <u>(162,494)</u>
 FUND BALANCES AT END OF YEAR	 \$ <u>503,617</u>	 <u>(192,927)</u>

The accompanying notes are an integral part of this statement.

<u>Jackson Clearing Project Maintenance Fund</u>	<u>Mitigation Lands Capitalized Management Fund</u>	<u>Lower Pearl River Restoration Trust Fund</u>	<u>Total Governmental Funds</u>
-	-	-	3,000
-	-	-	3,000
-	-	-	3,000
-	-	-	3,000
-	-	-	3,000
-	-	-	3,000
-	-	-	2,250
-	-	-	3,000
<u>-</u>	<u>-</u>	<u>-</u>	<u>390,604</u>
<u>-</u>	<u>-</u>	<u>-</u>	
<u>-</u>	<u>-</u>	<u>-</u>	<u>883,950</u>
188	50	13,743	60,098
<u>(341,533)</u>	<u>(86,632)</u>	<u>-</u>	<u>(428,165)</u>
(341,345)	(86,582)	13,743	(368,067)
<u>341,345</u>	<u>86,582</u>	<u>3,969,260</u>	<u>4,661,760</u>
<u>-</u>	<u>-</u>	<u>3,983,003</u>	<u>4,293,693</u>

**PEARL RIVER BASIN DEVELOPMENT DISTRICT
(A COMPONENT UNIT OF THE STATE OF MISSISSIPPI)**

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016**

NET CHANGE IN FUND BALANCES - total governmental funds **\$ (368,067)**

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

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. This is the amount by
which depreciation exceeded capital outlays in the current
period. 28,055

The net effect of other miscellaneous transactions involving
capital assets (i.e., sales, trade-ins and donations) is to
decrease net position. (3,168)

Capital assets are not reported on the governmental fund
statements but are reported on the government-wide
statements. The transfer of capital assets to another
governmental entity is reflected in the statement of
activities as a reduction in net position.
Transfer of Land to Rankin-Hinds Pearl River Flood
and Drainage Control District (269,157)

Governmental funds report the expense for employee retirement
benefits as the amount incurred and due based on the
applicable percent of compensation paid during the fiscal year.
However, in the Statement of Activities the current year expense
is based on the net change in the liability for pension benefits
and the change in net deferred outflows and inflows of
resources related to the pension plan. (542)

Decrease in compensated absences not payable from current
year resources are not reported as expenditures of the
current year. In the Statement of Activities, this amount
represents an addition in expenses of the current year. (2,534)

CHANGE IN NET POSITION - Statement of Activities **\$ (615,413)**

The accompanying notes are an integral part of this statement.

**PEARL RIVER BASIN DEVELOPMENT DISTRICT
(A COMPONENT UNIT OF THE STATE OF MISSISSIPPI)**

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Reporting Entity

The Pearl River Basin Development District (the District) was created and exists pursuant to the provisions of Chapter 255, General Laws of Mississippi of 1964, as amended. The District is a component unit of the State of Mississippi for financial reporting purposes. The State of Mississippi has substantive authority to approve and modify the District's budget. The purpose of the District is for the preservation, conservation, storage and regulation of the waters of the Pearl River and its tributaries and their overflow waters for domestic, commercial, municipal, industrial, flood control, timber management, irrigation, navigation, and pollution abatement, and for the preservation, conservation and development of the soil of the Pearl River Basin. The organizational meeting was held on November 13, 1964 and the District officially began business on January 1, 1965. The District is comprised of ten (nine effective July 1, 2016) member counties located in the Pearl River Basin and is primarily supported by annual revenue from the member counties in an amount equal to a .25 mill tax on the assessed valuation of all property located in each member county. The District is supported by, and is economically dependent upon, payment from its ten member counties.

During the 2001 legislative session, House Bill Number 1029 was enacted to allow, from and after July 1, 2001, for a member county to withdraw from the District by notifying the District of its intention on or before March 15 of the fiscal year of the District preceding the effective year of withdrawal. The law requires the withdrawing member to be responsible for its portion of any District bonds, contractual obligations, and any other indebtedness and liabilities of the District that are outstanding on the date of such member's withdrawal. In addition, the withdrawing member is responsible for its portion of budgeted expenditures through the effective date of withdrawal.

Five member counties have complied with the provisions of House Bill Number 1029 and have formally withdrawn from the District as of June 30, 2016. Two of the member counties withdrew effective July 1, 2002. These members were responsible for 4.66% of the support received from all member counties for the 2002 fiscal year. The third member county withdrew effective July 1, 2003. This member county was responsible for 19.83% of the support received from all member counties for the 2003 fiscal year. In addition, a fourth member withdrew from the District effective July 1, 2004. This member county was responsible for 4.18% of the support received from all member counties for the 2004 fiscal year. Effective July 1, 2009, a fifth member county complied with the provisions of the law and formally withdrew from the District. This member county was responsible for 44.83% of the support received from all member counties for the 2009 fiscal year. One additional member has complied with the provisions of the law and will formally withdraw from the District effective July 1, 2016. This member county was responsible for 22.18% of the support received from all member counties for the 2016 fiscal year.

**PEARL RIVER BASIN DEVELOPMENT DISTRICT
(A COMPONENT UNIT OF THE STATE OF MISSISSIPPI)**

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

B. Basis of Accounting/Measurement Focus

The District's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities at the government-wide financial reporting level, provided they do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the District are discussed below.

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government-Wide Financial Statements

The District's Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities. These statements present a summary of Governmental Activities of the District. The District does not operate any Business-Type Activities.

These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. The types of transactions reported as program revenues for the District are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions.

Certain eliminations have been made in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Position have been eliminated.

**PEARL RIVER BASIN DEVELOPMENT DISTRICT
(A COMPONENT UNIT OF THE STATE OF MISSISSIPPI)**

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

B. Basis of Accounting/Measurement Focus - continued:

Governmental Fund Financial Statements

Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all governmental funds. The District has elected to report all governmental funds as major funds because the District believes the financial position and activities of all its funds are significant to the District as a whole. An accompanying schedule is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net position and changes in net position presented in the Government-Wide Financial Statements.

All governmental funds are accounted for on a spending or “current financial resources” measurement focus and the modified accrual basis of accounting. Accordingly, only current assets, deferred outflows of resources, current liabilities and deferred inflows of resources are included on the Balance Sheets. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financial sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally received within 60 days after year-end) are recognized when due. The primary revenue source, which has been treated as susceptible to accrual by the District, is tax revenue received from the member counties. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

Major Governmental Funds - The major governmental funds reported by the District are as follows:

General Fund - The District’s two General Funds are the primary operating funds. They account for all of the general government, except those required to be accounted for in another fund.

Jackson Clearing Project Maintenance Fund - This special revenue fund was established during the year ended June 30, 2002, with funds provided by member counties that have elected to withdraw from the District. The funds were to be used to provide for the withdrawing counties’ estimated share of costs associated with the District’s commitment to fund the Jackson Clearing Project through the year 2035. During the fiscal year ended June 30, 2016 approval was obtained by the District to transfer all funds held in the Jackson

**PEARL RIVER BASIN DEVELOPMENT DISTRICT
(A COMPONENT UNIT OF THE STATE OF MISSISSIPPI)**

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

B. Basis of Accounting/Measurement Focus - continued:

Governmental Fund Financial Statements - continued:

Clearing Project Maintenance Fund to another governmental entity, Rankin-Hinds Pearl River Flood and Drainage Control District (Flood and Drainage Control District). The District transferred \$322,372 to Flood and Drainage Control District prior to June 30, 2016 and will transfer the balance in the fund in the amount of \$19,161 will be transferred during the fiscal year ended June 30, 2017. The Flood and Drainage Control District will assume all responsibilities for these funds including all future commitments.

Mitigation Lands Capitalized Management Fund - This special revenue fund was established during the year ended June 30, 1985, with principal provided by the District. The U.S. Government provided additional principal during the year ended June 30, 1986. These funds were to be used to provide for the maintenance, operation and intensive management of wildlife mitigation lands acquired in connection with a clearing project of the District. During the fiscal year ended June 30, 2016 approval was also obtained by the District to transfer all funds held in the Mitigation Lands Capitalized Management Fund to the Flood and Drainage Control District. The District transferred \$86,631 to the Flood and Control District prior to June 30, 2016 and will transfer the balance in the fund in the amount of \$1 during the fiscal year ended June 30, 2017. The Flood and Drainage Control District will assume all responsibilities for these funds including all future commitments.

Lower Pearl River Restoration Trust Fund - This special revenue fund was established during the year ended June 30, 2000, with principal provided by bond proceeds transferred from the Mississippi Department of Wildlife, Fisheries and Parks (MDWFP). The funds are to be used to provide for the operation, maintenance, repair, replacement and rehabilitation costs incurred by the District for the Lower Pearl River Restoration Project.

C. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

**PEARL RIVER BASIN DEVELOPMENT DISTRICT
(A COMPONENT UNIT OF THE STATE OF MISSISSIPPI)**

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

D. Cash, Cash Equivalents and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. The District is authorized by State law to deposit its funds with any qualified depository of the State at a rate of interest equal to or exceeding statutory requirements, provided that approved securities are pledged to secure those funds. In addition, the District can invest in direct debt securities of the United States and the State of Mississippi. The District's investments are stated at fair value, except for highly liquid market investments with maturities of one year or less at the time of purchase which are stated at amortized costs. Market value is used for those securities for which market quotations are readily available. For securities that lack readily available market quotations, reasonable estimates of fair value are used based on the market value of similar investments. The District generally holds all investments until maturity or until market values equal or exceed costs.

E. Budget

Annual budgets are adopted for all District funds in accordance with the laws of the State of Mississippi as follows:

1. Approximately one year before a 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.
2. At the beginning of August, this proposed budget for the fiscal year commencing the following July is submitted to the Department of Finance and Administration and the Legislative Budget Office. Budget hearings are conducted resulting in recommendations for changes.
3. In January, the proposed budget and the recommendations proposed by the Department of Finance and Administration and the Legislative Budget Office are presented to the appropriate legislative committees. These committees make any revisions they deem necessary or appropriate. Prior to March 30, the budget is legally enacted through passage of a statute.
4. The District is authorized to transfer budgeted amounts between major expenditure classifications on a limited basis subject to approval by the Department of Finance and Administration. Also, the District can go before the Legislature in January and request an increase for the current year.

**PEARL RIVER BASIN DEVELOPMENT DISTRICT
(A COMPONENT UNIT OF THE STATE OF MISSISSIPPI)**

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

E. Budget - continued:

The District's annual budget is prepared principally on the modified cash basis utilizing encumbrance accounting. Encumbrances represent executed but unperformed purchase orders. Encumbrances are recorded as expenditures for budgetary purposes if presented for payment in the 60-day lapse period immediately following the end of the fiscal year and as reservations of fund balance in the Governmental Fund Balance Sheet. Unexpended appropriations at June 30 are available for subsequent expenditure only to the extent that encumbrances have been established and they are presented for payment during the succeeding 60-day lapse period. All revenue is accounted for using the cash basis.

F. Encumbrances

As of June 30, 2016, the District has encumbered amounts in the Operation and Special Projects Fund that they intend to honor in subsequent years. The amount encumbered is \$145,000 as of June 30, 2016. This amount is reported as committed at the fund level.

G. Capital Assets

The District's assets are capitalized at historical cost. Donated capital assets are capitalized at estimated fair market value on the date donated. The District has adopted the capitalization threshold for reporting capital assets based on amounts established by the State of Mississippi as follows:

Buildings	\$ 50,000
Land improvements	25,000
Furniture and equipment	5,000
Vehicles	5,000

Depreciation is recorded on a straight-line basis over the useful lives of the assets with a salvage value as follows:

<u>Assets</u>	<u>Life</u>	<u>Salvage Value</u>
Buildings	40 years	20%
Land improvements	20 years	20%
Furniture and equipment	5-15 years	1%
Computer equipment	3 years	1%
Heavy and outdoor equipment	5-15 years	5%
Vehicles	3-10 years	10%

**PEARL RIVER BASIN DEVELOPMENT DISTRICT
(A COMPONENT UNIT OF THE STATE OF MISSISSIPPI)**

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

H. Compensated Absences

The District accrues a liability for employees' rights to receive compensation for future absences when certain conditions are met. These conditions arise primarily from vacation benefits that employees have earned but have not taken. The District uses the LIFO method of accounting for these compensated absences and, accordingly, has recorded the amount as a liability in the Government-Wide Financial Statements.

I. 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.

J. Special Items

Special items are significant transactions or other events within the control of management that are either unusual in nature or infrequent in occurrence.

K. 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 - CASH, CASH EQUIVALENTS AND INVESTMENTS

The composition of the District's cash, cash equivalents and investments is as follows at June 30, 2016:

	<u>Primary Government</u>
Cash on hand	\$ 80
Deposits in banks	240,233
Certificates of deposit	<u>3,976,170</u>
	\$ <u>4,216,483</u>

**PEARL RIVER BASIN DEVELOPMENT DISTRICT
(A COMPONENT UNIT OF THE STATE OF MISSISSIPPI)**

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 2 - CASH, CASH EQUIVALENTS AND INVESTMENTS - CONTINUED:

The District's cash, cash equivalents and investments for the primary government at June 30, 2016 are reported as follows:

	<u>Governmental Activities</u>
Cash and cash equivalents	\$ 240,313
Investments	<u>3,976,170</u>
	\$ <u>4,216,483</u>

Deposits

The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the 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 Depository Insurance Corporation. Deposits at June 30, 2016 are summarized as follows:

	<u>Reported Amount</u>	<u>Bank Balance</u>
Cash and cash equivalents	\$ 240,233	311,565
Certificates of deposit	<u>3,976,170</u>	<u>3,976,170</u>
Total deposits	\$ <u>4,216,403</u>	<u>4,287,735</u>

The difference of \$71,332 was principally due to outstanding checks. Of the bank balance, \$481,631 was covered by Federal Depository Insurance.

Custodial Credit Risk - Deposits - Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2016, \$3,806,104 of the District's bank balance of \$4,287,735 was exposed to custodial credit risk as follows:

**PEARL RIVER BASIN DEVELOPMENT DISTRICT
(A COMPONENT UNIT OF THE STATE OF MISSISSIPPI)**

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 2 - CASH, CASH EQUIVALENTS AND INVESTMENTS - CONTINUED:

Deposits - continued:

Collateralized by the State Public Funds Guaranty Pool	\$ <u>3,806,104</u>
Total	\$ <u>3,806,104</u>

Interest rate risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The District's investment policy is limited to complying with the State's investment statutes. The State law has not addressed an interest rate risk; however, the District's policy is to hold all investments to maturity reducing any interest rate risk.

Credit risk: The District is allowed, by State statute, to invest excess funds in any bonds or other direct obligations of the United States of America, of the State of Mississippi, or of any county or municipality of Mississippi, when such county or municipal bonds have been properly approved; or in obligations issued or guaranteed in full as to principal and interest by the United States of America which are subject to a repurchase agreement with a qualified depository; or in interest-bearing time certificates of deposit with any financial institution approved for the deposit of state funds.

Concentration of credit risk: The District complies with the State statute regarding investments; as a result, concentration risk is virtually eliminated.

Custodial credit risk: For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. To minimize this risk, the District's funds are protected through a collateral pool administered by the State Treasurer.

NOTE 3 - ACCOUNTS RECEIVABLE

Member Counties

Accounts receivable - member counties at June 30, 2016 totaled \$74,510. The following is a breakdown of this amount by member county:

**PEARL RIVER BASIN DEVELOPMENT DISTRICT
(A COMPONENT UNIT OF THE STATE OF MISSISSIPPI)**

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 3 - ACCOUNTS RECEIVABLE - CONTINUED:

Hancock	\$ 164
Leake	7,429
Lincoln	16,311
Marion	10,486
Pearl River	10,310
Pike	17,522
Simpson	2,747
Scott	<u>9,541</u>
	<u>\$ 74,510</u>

Federal and Local Grants

During the year ended June 30, 2016, the District did not receive any Federal or local grants.

NOTE 4 - CAPITAL ASSETS

The District reports all capital assets in the Government-Wide Statement of Net Position. For the fiscal year ended June 30, 2016, depreciation expense on capital assets was charged to the general government on the Statement of Activities in the amount of \$59,063.

Capital assets of the District for the year ended June 30, 2016 consisted of the following:

	Balance <u>07-01-15</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>06-30-16</u>
Land	\$ 1,523,142	-	(269,157)	1,253,985
Land improvements	2,936,092	50,000	-	2,986,092
Buildings and improvements	1,280,348	-	-	1,280,348
Machinery and equipment	<u>157,316</u>	<u>37,118</u>	<u>(11,690)</u>	<u>182,744</u>
Total capital assets	<u>5,896,898</u>	<u>87,118</u>	<u>(280,847)</u>	<u>5,703,169</u>
Less accumulated depreciation for:				
Land improvements	2,006,725	32,585	-	2,039,310
Buildings and improvements	354,389	23,255	-	377,644
Machinery and equipment	<u>134,824</u>	<u>3,223</u>	<u>(8,522)</u>	<u>129,525</u>
Total accumulated depreciation	<u>2,495,938</u>	<u>59,063</u>	<u>(8,522)</u>	<u>2,546,479</u>
Total Governmental activities capital assets - net	<u>\$ 3,400,960</u>	<u>28,055</u>	<u>(272,325)</u>	<u>3,156,690</u>

**PEARL RIVER BASIN DEVELOPMENT DISTRICT
(A COMPONENT UNIT OF THE STATE OF MISSISSIPPI)**

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 5 - COMPENSATED ABSENCES

The District's policy relating to compensated absences is described in Note 1. As shown in the table below, the total amount outstanding at June 30, 2016 is \$14,220. The entire amount of the debt is classified as long-term since it is expected to be paid in future years from future resources.

	<u>Balance 07-01-15</u>	<u>Increase</u>	<u>Balance 06-30-16</u>
Governmental activities:			
Compensated absences	\$ <u>11,686</u>	<u>2,534</u>	<u>14,220</u>

NOTE 6 - INTERFUND BALANCES

Interfund balances at June 30, 2016 consisted of the following amounts:

	<u>Bogue Chitto Water Park Fund</u>	<u>Due From Operation and Special Projects Fund</u>	<u>Total</u>
Operation and Special Projects Fund	\$ 274,685	-	274,685
Jackson Clearing Project Maintenance Fund	<u>-</u>	<u>19,158</u>	<u>19,158</u>
Total	\$ <u>274,685</u>	<u>19,158</u>	<u>293,843</u>

NOTE 7 - DEFINED BENEFIT PENSION PLAN

General Information about the 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. Benefit provisions 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 information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005, by calling (601) 359-3589 or 1-800-444-PERS, or by visiting online at www.pers.ms.gov.

**PEARL RIVER BASIN DEVELOPMENT DISTRICT
(A COMPONENT UNIT OF THE STATE OF MISSISSIPPI)**

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 7 - DEFINED BENEFIT PENSION PLAN - CONTINUED:

Benefits Provided. Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi (the State), state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State, 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. Members and employers are statutorily required to contribute certain percentages of salaries and wages as specified by the Board of Trustees. A member who terminates employment from all covered employers and who is not eligible to receive monthly retirement benefits may request a full refund of his or her accumulated member contributions plus interest. Upon withdrawal of contributions, a member forfeits service credit represented by those contributions. 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 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. A member may elect a reduced retirement allowance payable for life with the provision that, after death, a beneficiary receives benefits for life or for a specified number of years. 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. In the event of death prior to retirement of any member whose spouse and/or children are not entitled to a retirement allowance, the deceased member's accumulated contributions and interest are paid to the designated beneficiary. 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 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.

For the year ended June 30, 2016, the District's total payroll for all employees was \$217,722. Total covered payroll was \$171,789. Covered payroll refers to all compensation paid by the District to active employees covered by the Plan.

**PEARL RIVER BASIN DEVELOPMENT DISTRICT
(A COMPONENT UNIT OF THE STATE OF MISSISSIPPI)**

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 7 - DEFINED BENEFIT PENSION PLAN - CONTINUED:

Contributions: PERS members are required to contribute 9.00% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The rate for the year ended June 30, 2016 was 15.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The District's contributions to PERS for the fiscal years ended June 30, 2016, 2015 and 2014 were \$27,057, \$25,541 and \$25,096, respectively, which equaled the required contributions for each year.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

At June 30, 2016, the District reported a liability of \$401,909 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, 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 the projected contributions of all participating entities, actuarially determined. At June 30, 2015, the District's proportion was 0.002587 percent, which was a decrease of 0.000047 percent from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$27,600. At June 30, 2016, the District reported 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 results	\$ 4,887	-
Changes in assumptions	34,623	-
Net difference between projected and actual earnings on Plan investments	23,516	-
Changes in proportion and differences between District contributions and proportionate share of contributions	29,021	-
District contributions subsequent to the measurement date	<u>27,058</u>	<u>-</u>
Total	\$ <u><u>119,105</u></u>	<u><u>-</u></u>

**PEARL RIVER BASIN DEVELOPMENT DISTRICT
(A COMPONENT UNIT OF THE STATE OF MISSISSIPPI)**

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 7 - DEFINED BENEFIT PENSION PLAN - CONTINUED:

The \$27,058 of deferred outflows of resources resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year Ending June 30,	
2017	\$ 37,165
2018	33,288
2019	15,716
2020	<u>5,878</u>
Total	<u>\$ 92,047</u>

Actuarial Assumptions. The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.50 percent
Salary increases	3.75-19.00 percent, including inflation
Investment rate of return	7.75 percent, net of Plan investment expense, including inflation

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the four year period ending June 30, 2014. As a result of the experience report which is dated May 4, 2014, the Board of Trustees adopted assumptions for PERS since the last measurement date.

In 2015 and later, 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. In 2015, 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 and anticipated experience. Finally, the price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75%, respectively.

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

**PEARL RIVER BASIN DEVELOPMENT DISTRICT
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**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 7 - DEFINED BENEFIT PENSION PLAN - CONTINUED:

(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 rate 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>
US Broad	34.00%	5.20 %
International Equity	19.00%	5.00 %
Emerging Markets Equity	8.00%	5.45 %
Fixed Income	20.00%	0.25 %
Real Assets	10.00%	4.00 %
Private Equity	8.00%	6.15 %
Cash	<u>1.00%</u>	(0.50)%
Total	<u>100.00%</u>	

Discount Rate. The discount rate used to measure the total pension liabilities was 7.75 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 employer contribution rate (15.75%). Based on those assumptions, the 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 investments was applied to all periods of projected benefit payments to determine the plan's total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following table presents the District's proportionate share of the net pension liability of PERS based on the June 30, 2015, actuarial valuations, calculated using the discount rate of 7.75 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 one percentage point lower (6.75 percent) or one percentage point higher (8.75 percent) than the current rate:

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**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 7 - DEFINED BENEFIT PENSION PLAN - CONTINUED:

	<u>District's Proportionate Share of Net Pension Liability</u>
1.00% decrease (6.75%)	\$ 529,753
Current discount rate (7.75%)	401,909
1.00% increase (8.75%)	295,822

Plan Fiduciary Net Position. Detailed information about the Plan's fiduciary net position is available in the separately issued Public Employees' Retirement System of Mississippi's financial report.

NOTE 8 - RISK MANAGEMENT

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. The District carries commercial insurance or participates in State insurance funds for risks of loss other than workers' compensation insurance. Settled claims resulting from these risks have not exceeded commercial or State insurance coverage in any of the past three fiscal years.

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 semi-annual 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 9 - COMMITMENTS AND CONTINGENCIES

The District and other state agencies (non-Federal sponsors) entered into a project cooperation agreement with the Federal government during the fiscal year ended June 30, 1998, for the purpose of construction of an earth-filled trapezoidal weir and excavation of a pilot channel in the Lower Pearl River Basin. The total project costs were funded 25% by non-Federal sponsors and 75% by the Federal Government. The non-Federal share was provided by \$4,000,000 in bond revenue that had been authorized by the Mississippi Legislature and Office of the Governor of the State of Mississippi.

**PEARL RIVER BASIN DEVELOPMENT DISTRICT
(A COMPONENT UNIT OF THE STATE OF MISSISSIPPI)**

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 9 - COMMITMENTS AND CONTINGENCIES - CONTINUED:

During the year ended June 30, 2000, the project was completed and the Mississippi Department of Wildlife, Fisheries and Parks (MDWFP) forwarded \$2,045,865 representing the remaining funds from the \$4,000,000 in bond proceeds to the District for the establishment of a trust account for the use towards the operation, maintenance, repair, replacement, and rehabilitation costs to be incurred solely by the non-Federal sponsors. The District established the Lower Pearl River Restoration Trust Fund, to account for these funds. The District is to execute these responsibilities for a period of 50 years or until the Mississippi Legislature further delineates or clarifies these responsibilities, whichever occurs first. In addition, the District, in accordance with the non-Federal sponsors' agreement, is to provide a final accounting and forward remaining funds in the trust account to the MDWFP 50 years after the date of completion of initial construction of the project. The District received an additional \$977,500 from the Federal government during the fiscal year ended June 30, 2002, representing excess non-Federal funds that had been held pending the completion of the project.

NOTE 10 - NET POSITION

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources on the government-wide financial statements. Net position is classified in the following categories:

Net investment in capital assets - This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets. The District had no outstanding debt attributed to capital assets as of June 30, 2016.

Restricted net position - This amount is restricted by creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted net position - This amount is the net position that does not meet the definition of "net investment in capital assets" or "restricted net position".

NOTE 11 - FUND BALANCE REPORTING

Authoritative guidance provides for two major types of fund balances, which are nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not

**PEARL RIVER BASIN DEVELOPMENT DISTRICT
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**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 11 - FUND BALANCE REPORTING - CONTINUED:

expected to be converted to cash or they are legally or contractually required to remain intact. Examples of this classification are prepaid items, inventories, and principal (corpus) of an endowment fund. The District has prepaid expenses included in fund balances that are deemed to be nonspendable.

In addition to the nonspendable fund balance, authoritative guidance has provided a hierarchy of spendable fund balances, based on a hierarchy of spending constraints.

- Restricted: fund balances that are constrained by external parties, constitutional provisions, or enabling legislation.
- Committed: fund balances that contain self-imposed constraints of the government from its highest level of decision making authority.
- Assigned: fund balances that contain self-imposed constraints of the government to be used for a particular purpose.
- Unassigned: fund balance of the general fund that is not constrained for any particular purpose.

Amounts for specific purposes by fund and fund balance classifications for the year ended June 30, 2016, are as follows:

<u>Classification/Fund</u>	<u>Purpose</u>	<u>Amount</u>
Nonspendable	Prepaid Expenses	\$ 23,954
Restricted:		
Lower Pearl River Restoration Trust Fund	Lower Pearl Project	3,983,003
Committed:		
Operation and Special Projects Fund	Subsidies, loans and grants	145,000
Unassigned:		
Operation and Special Projects Fund		334,663
Bogue Chitto Water Park		<u>(192,927)</u>
		<u>\$ 4,293,693</u>

**PEARL RIVER BASIN DEVELOPMENT DISTRICT
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**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 12 - DEFICIT FUND EQUITY

For the years ended June 30, 2016, the following funds had deficit fund balances:

	<u>Fund Deficit</u>
General Fund:	
Bogue Chitto Water Park Fund	\$ <u>192,927</u>

This deficit fund balance is offset by the positive fund balance per the General Fund - Operation and Special Projects Fund.

NOTE 13 - WITHDRAWAL OF MEMBER COUNTIES FROM THE DISTRICT

Hinds County, Mississippi satisfied the provisions of Section 51-11-87 of the Mississippi Code of 1972 and withdrew from the District effective July 1, 2009 (see details per Note 1). The withdrawal of Hinds County, Mississippi resulted in five of the original fifteen counties having withdrawn from the District since the District's enabling legislation was changed to allow a county to withdraw during the 2001 legislative session. The last fiscal year all fifteen member counties were in the District was the fiscal year ended June 30, 2001. The tax revenue from the member counties for that fiscal year was \$916,997. This amount compares to tax revenue assessed for the current fiscal year ended June 30, 2016 from the ten remaining member counties in the amount of \$582,235. Effective July 1, 2016, Hancock County, Mississippi has complied with all applicable law and will be the sixth county to withdraw from the District since 2001. Hancock County paid \$129,141 to the District during the fiscal year ended June 30, 2016.

The Management and Board of the District have been able to reduce expenses each year as counties have withdrawn resulting in reduced tax revenue. In addition, the District was appropriated by the legislature of the State of Mississippi to receive up to \$200,000 from the State's General Fund for the fiscal years beginning July 1, 2014, July 1, 2015, and July 1, 2016 to fund operations. Based on a fund balance in the District's general fund (Operation and Special Projects Fund and Bogue Chitto Water Park Fund) of \$310,690 at June 30, 2016, and the funding authorized by the State of Mississippi, management believes that the current level of revenue will allow the District to meet its current outstanding commitments and operate at an effective level through the fiscal year ended June 30, 2017.

**PEARL RIVER BASIN DEVELOPMENT DISTRICT
(A COMPONENT UNIT OF THE STATE OF MISSISSIPPI)**

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 14 - NEW ACCOUNTING PRONOUNCEMENTS

Impact of Recently Issued Accounting Principles

Recently Adopted Accounting Pronouncements

GASBS No. 69, *Government Combinations and Disposals of Government Operations*, issued in January 2013, provides accounting and financial reporting guidance, including disclosure requirements, for combinations (mergers, acquisitions, or transfers of operations) and disposals of operations in the government environment. GASBS No. 69 is effective for such transactions occurring in financial reporting periods beginning after December 15, 2013.

In February 2015, the GASB issued Statement 72, *Fair Value Measurement and Application*. GASB 72 will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This Statement also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015.

In June 2015, the GASB issued Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. GASB 73 will improve financial reporting by establishing a single framework for the presentation of information about pensions, which will enhance the comparability of pension-related information reported by employers and nonemployer contributing entities. The requirements of this Statement that address accounting and financial reporting by employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68 are effective for financial statements for fiscal years beginning after June 15, 2016, and the requirements of this Statement that address financial reporting for assets accumulated for purposes of providing those pensions are effective for fiscal years beginning after June 15, 2015. The requirements of this Statement for pension plans that are within the scope of Statement 67 or for pensions that are within the scope of Statement 68 are effective for fiscal years beginning after June 15, 2015.

In June 2015, the GASB issued Statement 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. GASB 76 improves financial reporting by (1) raising the category of GASB Implementation Guides in the GAAP hierarchy, thus providing the opportunity for broader public input on implementation guidance; (2) emphasizing the importance of analogies to authoritative literature when the accounting treatment for an event is

**PEARL RIVER BASIN DEVELOPMENT DISTRICT
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**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 14 - NEW ACCOUNTING PRONOUNCEMENTS - CONTINUED:

Impact of Recently Issued Accounting Principles - continued:

Recently Adopted Accounting Pronouncements - continued:

not specified in authoritative GAAP; and (3) requiring the consideration of consistency with the GASB Concepts Statements when evaluating accounting treatments specified in nonauthoritative literature. As a result, governments will apply financial reporting guidance with less variation, which will improve the usefulness of financial statement information for making decisions and assessing accountability and enhance the comparability of financial statement information among governments. The requirements of this Statement are effective for reporting periods beginning after June 15, 2015.

Recently Issued Accounting Pronouncements

In June 2015, the GASB issued Statement 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. GASB 74 establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities. This Statement is effective for financial statements for fiscal years beginning after June 15, 2016. Management is currently evaluating the impact of the adoption of this Statement on the District's financial statements.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, issued in June 2015, will improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement is effective for fiscal years beginning after June 15, 2017. Management is currently evaluating the impact of the adoption of this Statement on the District's financial statements.

GASB Statement No. 77, *Tax Abatement Disclosures*, issued in August 2015, improves financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. Disclosure of information about the nature and magnitude of tax abatements will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand (1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government's financial position and

**PEARL RIVER BASIN DEVELOPMENT DISTRICT
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**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 14 - NEW ACCOUNTING PRONOUNCEMENTS - CONTINUED:

Impact of Recently Issued Accounting Principles - continued:

Recently Issued Accounting Pronouncements - continued:

economic condition. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015. Management is currently evaluating the impact of the adoption of this Statement on the District's financial statements.

NOTE 15 - SPECIAL ITEM

During the current year, the District and another governmental entity, Rankin-Hinds Pearl River Flood and Drainage Control District obtained approval from all appropriate authorities for the District to transfer the assets of the Jackson Clearing Project Maintenance Fund and the Mitigation Lands Capitalized Management Fund to Rankin-Hinds Pearl River Flood and Drainage Control District. The transfer of assets has been recorded as a special item in the District's June 30, 2016 financial statements in the amount of \$697,322. The transfer included cash in the amount of \$428,165 and land with a cost of \$269,157.

NOTE 16 - SUBSEQUENT EVENTS

Effective July 1, 2016, Hancock County, Mississippi has complied with all applicable law and will withdraw from the District (see Note 13 for additional information).

The District had no additional subsequent events of a material nature requiring adjustment to or disclosure in the financial statements through October 10, 2016, the date the financial statements were approved by the District's management and thereby available to be issued.

REQUIRED SUPPLEMENTAL INFORMATION
OTHER THAN MD&A

**PEARL RIVER BASIN DEVELOPMENT DISTRICT
(A COMPONENT UNIT OF THE STATE OF MISSISSIPPI)**

**OPERATION AND SPECIAL PROJECTS FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance -</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary Basis</u>	<u>Favorable</u> <u>(Unfavorable)</u>
REVENUES	<u>\$ 885,739</u>	<u>705,436</u>	<u>841,829</u>	<u>136,393</u>
EXPENDITURES:				
Current:				
Personal services:				
Salaries, wages, fringe benefits and per diem	127,878	130,500	125,760	4,740
Travel and subsistence	20,000	20,000	14,571	5,429
Contractual services	200,000	273,000	226,986	46,014
Commodities	15,000	15,000	14,123	877
Capital outlay:				
Equipment	7,000	1,095	975	120
Subsidies, loans, and grants to agencies, institutions and political subdivisions	<u>611,591</u>	<u>524,487</u>	<u>382,639</u>	<u>141,848</u>
Total expenditures	<u>981,469</u>	<u>964,082</u>	<u>765,054</u>	<u>199,028</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(95,730)	(258,646)	76,775	335,421
FUND BALANCE AT BEGINNING OF YEAR	<u>328,378</u>	<u>328,378</u>	<u>328,378</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ 232,648</u>	<u>69,732</u>	<u>405,153</u>	<u>335,421</u>

See accompanying notes to required supplementary information schedules.

**PEARL RIVER BASIN DEVELOPMENT DISTRICT
(A COMPONENT UNIT OF THE STATE OF MISSISSIPPI)**

**BOGUE CHITTO WATER PARK FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance -</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary Basis</u>	<u>Favorable</u> <u>(Unfavorable)</u>
REVENUES	\$ 100,050	99,217	95,187	(4,030)
EXPENDITURES	<u>124,622</u>	<u>141,505</u>	<u>126,529</u>	<u>14,976</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(24,572)	(42,288)	(31,342)	10,946
FUND BALANCE AT BEGINNING OF YEAR	<u>(163,330)</u>	<u>(163,330)</u>	<u>(163,330)</u>	—
FUND BALANCE AT END OF YEAR	\$ <u>(187,902)</u>	<u>(205,618)</u>	<u>(194,672)</u>	<u>10,946</u>

See accompanying notes to required supplementary information schedules.

**PEARL RIVER BASIN DEVELOPMENT DISTRICT
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**JACKSON CLEARING PROJECT MAINTENANCE FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance -</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary Basis</u>	<u>Favorable</u> <u>(Unfavorable)</u>
REVENUES	\$ -	-	227	227
EXPENDITURES	-	-	-	-
EXCESS OF REVENUES OVER EXPENDITURES BEFORE TRANSFERS	-	-	227	227
SPECIAL ITEM: TRANSFER TO OTHER GOVERNMENTAL ENTITY	-	(322,372)	(322,372)	-
NET CHANGE IN FUND BALANCE	-	(322,372)	(322,145)	227
FUND BALANCE AT BEGINNING OF YEAR	<u>341,306</u>	<u>341,306</u>	<u>341,306</u>	-
FUND BALANCE AT END OF YEAR	<u>\$ 341,306</u>	<u>18,934</u>	<u>19,161</u>	<u>227</u>

See accompanying notes to required supplementary information schedules.

**PEARL RIVER BASIN DEVELOPMENT DISTRICT
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**MITIGATION LANDS CAPITALIZED MANAGEMENT FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance -</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary Basis</u>	<u>Favorable</u> <u>(Unfavorable)</u>
REVENUES	\$ -	-	61	61
EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES OVER EXPENDITURES BEFORE TRANSFERS	-	-	61	-
SPECIAL ITEM: TRANSFER TO OTHER GOVERNMENTAL ENTITY	<u>-</u>	<u>(86,632)</u>	<u>(86,632)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	-	(86,632)	(86,571)	61
FUND BALANCE AT BEGINNING OF YEAR	<u>86,571</u>	<u>86,571</u>	<u>86,571</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	\$ <u>86,571</u>	<u>(61)</u>	<u>-</u>	<u>61</u>

See accompanying notes to required supplementary information schedules.

**PEARL RIVER BASIN DEVELOPMENT DISTRICT
(A COMPONENT UNIT OF THE STATE OF MISSISSIPPI)**

**LOWER PEARL RIVER RESTORATION TRUST FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance -</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary Basis</u>	<u>Favorable</u> <u>(Unfavorable)</u>
REVENUES	\$ <u> -</u>	<u> 16,592</u>	<u> 17,969</u>	<u> 1,327</u>
EXPENDITURES				
Capital outlay:				
Other than equipment	<u> -</u>	<u> -</u>	<u> -</u>	<u> -</u>
Total expenditures	<u> -</u>	<u> -</u>	<u> -</u>	<u> -</u>
EXCESS OF REVENUES OVER EXPENDITURES	-	16,592	17,969	1,377
FUND BALANCE AT BEGINNING OF YEAR	<u>3,958,201</u>	<u>3,958,201</u>	<u>3,958,201</u>	<u> -</u>
FUND BALANCE AT END OF YEAR	\$ <u>3,958,201</u>	<u>3,974,793</u>	<u>3,976,170</u>	<u> 1,377</u>

See accompanying notes to required supplementary information schedules.

**PEARL RIVER BASIN DEVELOPMENT DISTRICT
(A COMPONENT UNIT OF THE STATE OF MISSISSIPPI)**

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
LAST 10 FISCAL YEARS ***

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
District's proportionate share of the collective net pension liability	*	*	*	*	*	*	*	*	\$ 319,719	401,909
District's covered employee payroll	*	*	*	*	*	*	*	*	\$ 162,165	171,789
District's proportionate share of the collective net pension liability as a percentage of the District's covered payroll	*	*	*	*	*	*	*	*	197.16%	233.96%
PERS fiduciary net position as a percentage of the total pension liability	*	*	*	*	*	*	*	*	67.21%	61.70%

* Information is unavailable for years prior to the District's implementation of GASB 68 in fiscal year 2015.

See accompanying notes to required supplementary information schedules.

**PEARL RIVER BASIN DEVELOPMENT DISTRICT
(A COMPONENT UNIT OF THE STATE OF MISSISSIPPI)**

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
LAST 10 FISCAL YEARS ***

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Actuarially determined employer contribution	*	*	*	*	*	*	*	*	\$ 25,541	27,057
Contributions in relation to the actuarially determined contributions	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>25,541</u>	<u>27,057</u>
Annual contribution deficiency (excess)	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>\$ -</u>	<u>-</u>
District's covered-employee payroll	*	*	*	*	*	*	*	*	\$ 162,165	171,789
Actual contributions as a percentage of covered-employer payroll	*	*	*	*	*	*	*	*	15.75%	15.75%

* Information is unavailable for years prior to the District's implementation of GASB 68 in fiscal year 201

See accompanying notes to required supplementary information schedules.

**PEARL RIVER BASIN DEVELOPMENT DISTRICT
(A COMPONENT UNIT OF THE STATE OF MISSISSIPPI)**

**NOTES TO REQUIRED SUPPLEMENTAL INFORMATION SCHEDULES
YEAR ENDED JUNE 30, 2016**

Budgetary Comparison Schedules

NOTE A - BASIS OF PRESENTATION

The District's annual budget is prepared principally on the modified cash basis utilizing encumbrance accounting. Encumbrances represent executed but unperformed purchase orders. Encumbrances are recorded as expenditures for budgetary purposes if presented for payment in the 60-day lapse period immediately following the end of the fiscal year and as reservations of fund balance in the Governmental Fund Balance Sheet. Unexpended appropriations at June 30 are available for subsequent expenditure only to the extent that encumbrances have been established and they are presented for payment during the succeeding 60-day lapse period. All revenue is accounted for under the cash basis.

NOTE B - BUDGET-TO-ACTUAL RECONCILIATION

The following schedule reconciles the fund balances on the budgetary basis to the GAAP basis:

	<u>Operation and Special Projects Fund</u>	<u>Bogue Chitto Water Park</u>	<u>Jackson Clearing Project Maintenance Fund</u>	<u>Mitigation Lands Capitalized Management Fund</u>	<u>Lower Pearl River Restoration Trust Fund</u>
Fund balance - budgetary basis	\$ 405,153	(194,672)	19,161	-	3,976,170
Add accrued revenue for					
current year	74,510	-	-	-	6,833
Prepaid expenses	23,954	1,745	-	-	-
Less: Amounts paid 30 days or more after year end	<u>-</u>	<u>-</u>	<u>(19,161)</u>	<u>-</u>	<u>-</u>
Fund balance - GAAP basis	\$ <u>503,617</u>	<u>(192,927)</u>	<u>-</u>	<u>-</u>	<u>3,983,003</u>

Pension Schedules

NOTE A - VALUATION DATE

Actuarially determined contribution rates are calculated as of June 30, one year prior to the end of the fiscal year in which contributions are reported.

NOTE B - CHANGES OF BENEFIT TERMS

None.

**PEARL RIVER BASIN DEVELOPMENT DISTRICT
(A COMPONENT UNIT OF THE STATE OF MISSISSIPPI)**

**NOTES TO REQUIRED SUPPLEMENTAL INFORMATION SCHEDULES - CONTINUED:
YEAR ENDED JUNE 30, 2016**

Pension Schedules - continued:

NOTE C - CHANGES OF ASSUMPTIONS

None.

NOTE D - DATA AVAILABLE AND PRESENTED

The required supplementary pension schedules are presented to illustrate the requirement to show information for ten years, as required by GASB 68. GASB 68 was implemented during the fiscal year ended June 30, 2015, and only reflects data for years which trend information is available.

SUPPLEMENTAL INFORMATION

**PEARL RIVER BASIN DEVELOPMENT DISTRICT
(A COMPONENT UNIT OF THE STATE OF MISSISSIPPI)**

**SCHEDULE OF SURETY BONDS
YEAR ENDED JUNE 30, 2016**

<u>Name</u>	<u>Insurance Company</u>	<u>Amount</u>
DIRECTORS:		
Robert Jones, President	Tylertown Insurance	\$ 50,000
Pat Brown, Vice-President	Joe Rankin Insurance Co.	50,000
Hugh Jack Stubbs, Secretary/Treasurer	Palmer Insurance Co.	50,000
Vernetta Barton	RLI Insurance	10,000
Bob Bracey	Lampton-Rushing	10,000
Joe Bracey	Southgroup-Columbia Insurance	10,000
Bruce Brackin	State Farm Fire & Casualty	10,000
Fred Buhner	RLI Surety	10,000
Chris Burt	Travelers Insurance	10,000
Vince Bynum	Rural Insurance Agency	10,000
Larry Castle	CNA Surety	10,000
James D. Culliver	State Farm Insurance	10,000
Gregory D. Dossett	RLI Insurance	10,000
Harold Gary	Old South Insurance Group, Inc.	10,000
Benton Gibson	Travelers Insurance	10,000
Stan Long	Old South Insurance Group, Inc.	10,000
Bennett Massey	FCCI Insurance	10,000
Richard McInnis	State Farm Insurance	10,000
Kimsey O'Neal	Travelers Insurance	10,000
Charles Rimes	Travelers Insurance	10,000
Kent Robbins	Thigpen Insurance	10,000
Lee Seal	CNA Insurance	10,000
William Floyd Seal	State Farm Insurance	10,000
Roy White	Philadelphia Security Insurance Co.	10,000
EMPLOYEES:		
District employees	Travelers Casualty and Surety Company of America	100,000

**PEARL RIVER BASIN DEVELOPMENT DISTRICT
(A COMPONENT UNIT OF THE STATE OF MISSISSIPPI)**

**SCHEDULE OF REVENUE FROM MEMBER COUNTIES
YEAR ENDED JUNE 30, 2016**

MEMBER COUNTIES:

Hancock	\$ 129,141
Leake	29,714
Lincoln	62,842
Marion	41,944
Neshoba	42,224
Pearl River	90,298
Pike	72,610
Scott	38,165
Simpson	50,141
Walthall	<u>25,156</u>
Total	\$ <u>582,235</u>

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

To the Board of Directors of
Pearl River Basin Development District

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 and each major fund of Pearl River Basin Development District, component unit of the State of Mississippi, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Pearl River Basin Development District's basic financial statements and have issued our report thereon dated October 10, 2016.

Internal Control Over Financial Reporting

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

Internal Control Over Financial Reporting - continued:

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 Pearl River Basin Development 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.

Haddox Reid Embank Better PLLC

Jackson, Mississippi
October 10, 2016