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PAT HARRISON WATERWAY DISTRICT
A Component Unit of the State of Mississippi

AUDITED FINANCIAL STATEMENTS

For the Year Ended June 30, 2017

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PAT HARRISON WATERWAY DISTRICT
A Component Unit of the State of Mississippi
DIRECTORS AND MANAGEMENT
June 30, 2017

BOARD OF DIRECTORS

Smith County Representative/President	Don Pittman
Clarke County Representative/Vice President	James Buchanan
Perry County Representative/Treasurer	Larry Wilson
District-at-Large/Secretary	R. Gerald Moore
Covington County Representative	Bob Shoemake
George County Representative	Greg Pitts
Greene County Representative	Ben Johnson
Jones County Representative	Larry E. Griffin
Lauderdale County Representative	Bill Pennington
Newton County Representative	John Walker
Stone County Representative	Ron Purvis
Wayne County Representative	Kenny Mills
District-At-Large	Rex Hiatt
District-At-Large	George Smith

DEPARTMENT HEADS

Executive Director	Hiram Boone
Comptroller	George DeCoux
Human Resources Director	Bernie Hudson
Parks Director/Quality Control	Allen Wright

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TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	7
MANAGEMENT'S DISCUSSION AND ANALYSIS	11
BASIC FINANCIAL STATEMENTS:	
GOVERNMENT-WIDE FINANCIAL STATEMENTS:	
Statement of Net Position	21
Statement of Activities	22
FUND FINANCIAL STATEMENTS:	
GOVERNMENTAL FUNDS FINANCIAL STATEMENTS:	
Balance Sheet - Governmental Funds	27
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	28
Statement of Revenues, Expenditures, and Changes in Fund Balance - Government Funds	29
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	30
PROPRIETARY FUNDS FINANCIAL STATEMENTS:	
Statement of Net Position - Proprietary Funds	33
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds	34
Statement of Cash Flows - Proprietary Funds	35
NOTES TO THE BASIC FINANCIAL STATEMENTS	39
REQUIRED SUPPLEMENTARY INFORMATION:	
Budgetary Comparison Schedule	61
Schedule of the District's Proportionate Share of the Net Pension Liability	62
Schedule of District Contributions	63
Notes to Required Supplementary Information	64
REPORTS ON COMPLIANCE AND INTERNAL CONTROL:	
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	67

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Wolfe • McDuff & Oppie
CERTIFIED PUBLIC ACCOUNTANTS
(A Professional Association)

Michelle Oppie Gist, CPA

K. Jessica Mavromihalis, CPA
Jesse J. Wolfe, CPA (1927-2009)
Grover B. McDuff, CPA (Retired)
Jack A. Oppie, CPA (1960-2014)

3103 Pascagoula Street • Pascagoula, MS 39567 • Phone: 228-762-6348 • Fax: 228-762-4498 • www.wmocpas.com

INDEPENDENT AUDITOR'S REPORT

To the Executive Director and Board of Directors
Pat Harrison Waterway District

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Pat Harrison Waterway District, a component unit of the State of Mississippi, as of and for the year ended June 30, 2017, 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 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, the business-type activities, each major fund, and the aggregate remaining fund information of the Pat Harrison Waterway District, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Membership in:

American Institute of Certified Public Accountants • Mississippi Society of Certified Public Accountants • AICPA Private Companies Practice Section
AICPA Governmental Audit Quality Center • AICPA Center for Audit Quality • AICPA Employee Benefit Plan Audit Quality Center



Independent Auditor's Report
(continued)

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison and pension schedule information on pages 11 - 16 and 63 - 65 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2017, on our consideration of the Pat Harrison Waterway 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 the Pat Harrison Waterway District's internal control over financial reporting and compliance.

Walfe, McDuff + Oppie

Pascagoula, Mississippi
October 17, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

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PAT HARRISON WATERWAY DISTRICT
A Component Unit of the State of Mississippi
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017

The discussion and analysis of the Pat Harrison Waterway District's (the District's) financial performance provides an overall narrative review of the District's financial activities for the year ended June 30, 2017. The intent of this discussion and analysis is to look at the District's performance as a whole; readers should also review the financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance. Information contained in this section is qualified by the more detailed information contained elsewhere in the District's financial statements, notes to financial statements and any accompanying materials. To the extent this discussion contains any forward-looking statements of the District's plans, objectives, expectations, and prospects, the actual results could differ materially from those discussed herein.

FINANCIAL HIGHLIGHTS

- In 2017 and 2016, the District's net position amounted to \$8,633,024 and \$8,573,246, respectively. The net position for governmental activities totaled \$4,205,166 in 2017 and \$4,033,824 in 2016, contributing 49% and 47% of total net position at June 30, 2017 and 2016; business-type activities contributed 51% and 53% at June 30, 2017 and 2016, totaling \$4,427,858 in 2017 and \$4,539,422 in 2016.
- General revenues for 2017 and 2016 were \$31,334 and \$41,588, equaling less than one percent of all revenues for years ending June 30, 2017 and 2016. Program specific revenues in the form of charges for services and grants and contributions were \$4,783,468 and \$5,231,559 for 2017 and 2016, equaling 99% for both years.
- In 2017 and 2016, the District had \$4,755,024 and \$4,867,047 in expenses, respectively; \$4,783,468 and \$5,231,559 of these expenses were offset by program specific charges for services, grants and contributions.
- Capital assets, net of accumulated depreciation, totaled \$5,473,640 in 2017, and \$5,674,372 in 2016.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of the following three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements - The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. These statements are prepared using the accrual basis of accounting and include all assets and liabilities.

The statement of net position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal years.

PAT HARRISON WATERWAY DISTRICT
A Component Unit of the State of Mississippi
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017

The government-wide financial statements outline functions of both the District and business-type activities. The governmental activities of the District include flood control and water management programs as well as debt service. The business-type activities include customer fees for recreational activities and fees collected in association with timber and capital projects.

The government-wide financial statements can be found on pages 21 - 22 of this report.

Fund financial statements - Fund financial statements report how these services were financed in the short term, as well as what remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide financial statements by providing information about the District's most significant funds. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The fund financial statements are comprised of the following funds: governmental and proprietary (enterprise) funds.

Notes to the financial statements - The notes provide additional information that is essential to a user's understanding of the basic financial statements. The notes to the financial statements can be found on pages 39 - 57 of this report.

Other information - In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's budget process and pension information.

The District adopts an annual operating budget for all governmental funds. A budgetary comparison statement has been provided for the general fund. This required supplementary information can be found on pages 61 - 63 of this report.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund financial statements begin on page 27 and provide detailed information about the most significant funds. Some funds are required to be established by State law and bond covenants. However, the District establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants and other money. The District's two major types of funds are discussed below:

Governmental funds - Most of the District's basic services (water management and flood control programs) are reported in governmental funds, which focus on how money flows into and out of those 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 to 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 determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds in the reconciliations found on pages 28 and 30.

Proprietary funds - When the District charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same manner that all activities are reported in the statement of net position and the statement of activities. Major proprietary funds include the Recreation Fund. Other nonmajor proprietary funds include the Timber Fund. These funds are the same as the business-type activities reported in the government-wide financial statements but provide more detail and additional information, such as cash flows. The accrual basis of accounting is used for proprietary funds.

PAT HARRISON WATERWAY DISTRICT
A Component Unit of the State of Mississippi
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position - net position may serve over time as a useful indicator of government's financial position. The following table presents a summary of the District's net position for the fiscal years ended June 30, 2017 and 2016.

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and Other Assets	\$ 4,692,864	4,498,058	4,078,368	4,061,579	8,771,232	8,559,637
Capital Assets	3,178,432	3,296,831	2,295,208	2,377,541	5,473,640	5,674,372
Total Assets	<u>7,871,296</u>	<u>7,794,889</u>	<u>6,373,576</u>	<u>6,439,120</u>	<u>14,244,872</u>	<u>14,234,009</u>
Deferred Outflows of Resources	<u>339,961</u>	<u>289,150</u>	<u>365,826</u>	<u>301,662</u>	<u>705,787</u>	<u>590,812</u>
Long-term Debt Outstanding	1,829,501	1,802,684	1,792,881	1,716,547	3,622,382	3,519,231
Other Liabilities	1,977,054	2,051,269	309,562	289,619	2,286,616	2,340,888
Total Liabilities	<u>3,806,555</u>	<u>3,853,953</u>	<u>2,102,443</u>	<u>2,006,166</u>	<u>5,908,998</u>	<u>5,860,119</u>
Deferred Inflows of Resources	<u>199,536</u>	<u>196,262</u>	<u>209,101</u>	<u>195,194</u>	<u>408,637</u>	<u>391,456</u>
Net Position:						
Invested in capital assets, net of debt	3,083,000	3,155,849	2,295,208	2,377,541	5,378,208	5,533,390
Restricted:						
Debt Services	81,207	81,053	-	-	81,207	81,053
Unrestricted	1,040,959	796,922	2,132,650	2,161,881	3,173,609	2,958,803
Total Net Position	<u>\$ 4,205,166</u>	<u>4,033,824</u>	<u>4,427,858</u>	<u>4,539,422</u>	<u>8,633,024</u>	<u>8,573,246</u>

Investment in capital assets (e.g. land, construction in progress, buildings, equipment, and infrastructure) accounted for 62% and 65% of total net position in 2017 and 2016, respectively.

Net position restricted for debt service reflects amounts restricted for the payment of general long-term debt principal, interest and related costs, other than enterprise debt.

The remaining balance consisted of unrestricted net position, the part of net position used to finance everyday operations without constraints of legal requirements.

PAT HARRISON WATERWAY DISTRICT
A Component Unit of the State of Mississippi
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017

Changes in net position - The District's total revenues for the fiscal years ended June 30, 2017 and 2016 were \$4,814,802 and \$5,273,147, respectively. The total cost of all programs and services was \$4,755,024 and \$4,867,047 for 2017 and 2016, respectively. The following table presents a summary of the changes in net position for the fiscal years ended June 30, 2017 and 2016.

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenue						
Program revenues:						
Charges for Services	\$ -	-	2,610,848	2,782,371	2,610,848	2,782,371
General revenues:						
County Millage	2,172,620	2,449,188	-	-	2,172,620	2,449,188
Investment Income	16,418	47,405	15,306	4,204	31,724	51,609
Other Revenues	-	(155)	(390)	(9,866)	(390)	(10,021)
Total Revenues	<u>2,189,038</u>	<u>2,496,438</u>	<u>2,625,764</u>	<u>2,776,709</u>	<u>4,814,802</u>	<u>5,273,147</u>
Program Expense						
General government	1,617,696	1,828,701	-	-	1,617,696	1,828,701
Culture and recreation	-	-	3,137,328	3,038,346	3,137,328	3,038,346
Total Program Expense	<u>1,617,696</u>	<u>1,828,701</u>	<u>3,137,328</u>	<u>3,038,346</u>	<u>4,755,024</u>	<u>4,867,047</u>
Excess (deficiency) before Transfers	571,342	667,737	(511,564)	(261,637)	59,778	406,100
Transfers	<u>(400,000)</u>	<u>(400,000)</u>	<u>400,000</u>	<u>400,000</u>	<u>-</u>	<u>-</u>
Change in Net Position	171,342	267,737	(111,564)	138,363	59,778	406,100
Net Position - beginning	<u>4,033,824</u>	<u>3,766,087</u>	<u>4,539,422</u>	<u>4,401,059</u>	<u>8,573,246</u>	<u>8,167,146</u>
Net Position - ending	<u>\$ 4,205,166</u>	<u>4,033,824</u>	<u>4,427,858</u>	<u>4,539,422</u>	<u>8,633,024</u>	<u>8,573,246</u>

Governmental Activities

The District's governmental activities generated a change in net position of \$171,342. This represents a decrease of approximately \$96,395 from the previous years. The factors contributing to this increase include:

- County millage was \$2,172,620, an decrease of \$276,568 from the prior year
- County interest income was \$16,418, a decrease of \$30,987 from the prior year

Business-type Activities

The District's business-type activities generated a change in net position of \$(111,564). This represents a decrease of approximately \$249,927 from the previous year. The factors contributing to this decrease include:

- Recreation charges for services revenue was \$2,610,848, a decrease of \$171,523 from the prior year

PAT HARRISON WATERWAY DISTRICT
A Component Unit of the State of Mississippi
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

As the District completed the year, its governmental funds reported a combined fund balance of \$2,816,750, compared to \$2,552,741 in the previous year. Activities within the general fund contributed to 97% and 82% of the fund balances in 2017 and 2016, respectively.

Budgetary Highlights

Over the course of the year, adjustments made in the budget were minor. The changes were due to the following: 1) amendments were made shortly after the beginning of the year, 2) the Directors made changes in the middle of the year to prevent shortages from the addition or extension of service contracts, and 3) Directors approved several increases in appropriations to prevent budget overruns and to recognize receipt of funds not expected.

With these adjustments, the actual expenditures were \$4,580,414 compared to \$7,210,656 of the final budget. A schedule showing the original and final budget amounts compared to the District's actual financial activity for the District is provided on page 61 as required supplementary information.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets - The District's net capital assets for 2017 and 2016 were \$5,473,640 and \$5,674,372, respectively. The District mainly invested in equipment and improvements for the area. The following presents a summary of the District's capital assets (net of depreciation) for the fiscal years ended June 30, 2017 and 2016.

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 1,829,666	1,829,666	4,500	4,500	1,834,166	1,834,166
Buildings and Improvements	1,153,458	1,235,904	1,898,580	1,957,834	3,052,038	3,193,738
Equipment	195,308	231,261	392,128	415,207	587,436	646,468
Totals	\$ 3,178,432	3,296,831	2,295,208	2,377,541	5,473,640	5,674,372

Debt Administration - At June 30, 2017, the District had \$3,786,562 in long-term liabilities of which \$57,406 is due within one year. The following table presents a summary of the District's outstanding long-term liabilities for the fiscal years ended June 30, 2017 and 2016.

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Corp of Engineers Lease	95,432	140,982	-	-	95,432	140,982
Compensated Absences	59,944	59,364	58,686	58,378	118,630	117,742
Net Pension Liability	1,779,619	1,707,252	1,792,881	1,716,547	3,572,500	3,423,799
Total	\$ 1,934,995	1,907,598	1,851,567	1,774,925	3,786,562	3,682,523

The State law limits the District to a debt amount of \$7,000,000 and as of June 30, 2017, the District is well below the State limit. More detailed information about the District's long-term liabilities is presented in Note 7 to the financial statements.

PAT HARRISON WATERWAY DISTRICT
A Component Unit of the State of Mississippi
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The following key economic indicators reflect the current operating environment of the District:

- Perry and Jackson Counties have withdrawn from the District during fiscal year 2017.
- The District has continued to upgrade the parks.
- The District continues to work with remaining counties with flood control projects.
- The District is continuing its timber management program.

The District's Management and Board of Directors considered many factors when setting the fiscal year 2018 budget and fees that will be charged in the business-type activities.

Amounts available for appropriation in the General Fund budget are approximately \$5,952,693, a decrease of approximately 17.45% compared to the final 2017 budget of \$7,210,656.

BUDGET HIGHLIGHTS FOR THE FISCAL YEAR ENDING JUNE 30, 2017

Governmental Activities

Revenues of Pat Harrison Waterway District County Fund are expected to decrease by about \$375,000 due to the withdrawal of the Perry and Jackson counties. The revenues for the remaining counties is expected to increase by about 1%. The District continues to receive 7/8 of a mil from the remaining counties.

Business-type Activities

Pat Harrison Waterway District expects the Recreation Fund to increase about 3%. This is due to the improvements made at the parks. The District does not plan to cut any timber in the coming year, but will continue the forest management plan so that timber sale revenue will be available in future years.

Our recreation expenses are expected to remain steady for fiscal year 2018. At the present time there are no plans for capital expenditures.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our customers, investors, 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 financial information, contact the District's Comptroller's Office at 6081 Highway 49 South, Hattiesburg, MS 39401.

BASIC FINANCIAL STATEMENTS

For the Year Ended June 30, 2017

The basic financial statements include integrated sets of financial statements as required by the Governmental Accounting Standards Board. The sets of statements include:

- ◆ Government-wide financial statements
- ◆ Fund financial statements:
 - Governmental funds
 - Proprietary (enterprise) funds

In addition, the notes to the financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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PAT HARRISON WATERWAY DISTRICT
A Component Unit of the State of Mississippi
STATEMENT OF NET POSITION
June 30, 2017

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,527,968	1,344,120	2,872,088
Receivables, net	-	2,150	2,150
Due from counties	55,831	-	55,831
Inventory	-	21,309	21,309
Internal balances	(9,512)	9,512	-
Investments	3,118,577	2,701,277	5,819,854
Capital assets:			
Land	1,829,666	4,500	1,834,166
Buildings and improvements, net	1,153,458	1,898,580	3,052,038
Equipment, net	195,308	392,128	587,436
Total capital assets	<u>3,178,432</u>	<u>2,295,208</u>	<u>5,473,640</u>
Total assets	<u>7,871,296</u>	<u>6,373,576</u>	<u>14,244,872</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pensions	<u>339,961</u>	<u>365,826</u>	<u>705,787</u>
Total deferred outflows of resources	<u>339,961</u>	<u>365,826</u>	<u>705,787</u>
LIABILITIES			
Accounts payable	3,007	177,016	180,023
Salaries and benefits payable	28,433	37,689	66,122
Accrued interest payable	1,042	-	1,042
County projects payable	1,839,078	-	1,839,078
Deposits payable	-	7,750	7,750
Accrued expenses	-	21,996	21,996
Unearned revenues	-	6,425	6,425
Long-term liabilities:			
Capital related debt:			
Due within one year:			
Corp of Engineers	45,550	-	45,550
Due in more than one year:			
Corp of Engineers	49,882	-	49,882
Noncapital related debt:			
Due within one year:			
Compensated absences	5,987	5,869	11,856
Due in more than one year:			
Compensated absences	53,957	52,817	106,774
Net pension liability	1,779,619	1,792,881	3,572,500
Total liabilities	<u>3,806,555</u>	<u>2,102,443</u>	<u>5,908,998</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pensions	<u>199,536</u>	<u>209,101</u>	<u>408,637</u>
Total deferred inflows of resources	<u>199,536</u>	<u>209,101</u>	<u>408,637</u>
NET POSITION			
Invested in capital assets, net of related debt	3,083,000	2,295,208	5,378,208
Restricted for:			
Debt service	81,207	-	81,207
Unrestricted	1,040,959	2,132,650	3,173,609
Total net position	<u>\$ 4,205,166</u>	<u>4,427,858</u>	<u>8,633,024</u>

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

PAT HARRISON WATERWAY DISTRICT
A Component Unit of the State of Mississippi
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2017

	Program Revenue				Net (expense) revenue and changes in net position		
	Expenses	Fees and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government	<u>\$1,617,696</u>	<u>-</u>	<u>2,172,620</u>	<u>-</u>	<u>554,924</u>	<u>-</u>	<u>554,924</u>
Total governmental activities	<u>1,617,696</u>	<u>-</u>	<u>2,172,620</u>	<u>-</u>	<u>554,924</u>	<u>-</u>	<u>554,924</u>
Business-type activities:							
Recreation	<u>3,137,328</u>	<u>2,610,848</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(526,480)</u>	<u>(526,480)</u>
Total business-type activities	<u>3,137,328</u>	<u>2,610,848</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(526,480)</u>	<u>(526,480)</u>
Total district	<u>\$4,755,024</u>	<u>2,610,848</u>	<u>2,172,620</u>	<u>-</u>	<u>554,924</u>	<u>(526,480)</u>	<u>28,444</u>
GENERAL REVENUES:							
Investment earnings					16,418	15,306	31,724
Gain (loss) on sale of assets					<u>-</u>	<u>(390)</u>	<u>(390)</u>
TOTAL GENERAL REVENUES					<u>16,418</u>	<u>14,916</u>	<u>31,334</u>
Transfers					(400,000)	400,000	-
TOTAL GENERAL REVENUES AND TRANSFERS					<u>(383,582)</u>	<u>414,916</u>	<u>31,334</u>
CHANGE IN NET POSITION					171,342	(111,564)	59,778
Net position - beginning					<u>4,033,824</u>	<u>4,539,422</u>	<u>8,573,246</u>
Net position - ending					<u>\$4,205,166</u>	<u>4,427,858</u>	<u>8,633,024</u>

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

FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUNDS FINANCIAL STATEMENTS

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PAT HARRISON WATERWAY DISTRICT
A Component Unit of the State of Mississippi
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2017

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,521,761	6,207	1,527,968
Due from counties	55,831	-	55,831
Due from other funds	<u>224,726</u>	<u>-</u>	<u>224,726</u>
Total current assets	<u>1,802,318</u>	<u>6,207</u>	<u>1,808,525</u>
Noncurrent assets:			
Investments	<u>3,043,577</u>	<u>75,000</u>	<u>3,118,577</u>
Total noncurrent assets	<u>3,043,577</u>	<u>75,000</u>	<u>3,118,577</u>
 Total assets	 <u>\$ 4,845,895</u>	 <u>81,207</u>	 <u>4,927,102</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 3,007	-	3,007
Salaries and benefits payable	28,433	-	28,433
Compensated absences	5,596	-	5,596
County projects payable	1,839,078	-	1,839,078
Due to other funds	<u>234,238</u>	<u>-</u>	<u>234,238</u>
Total liabilities	<u>2,110,352</u>	<u>-</u>	<u>2,110,352</u>
Fund balances:			
Restricted for:			
Debt service	-	81,207	81,207
Committed for:			
Unassigned:			
Unassigned/Unappropriated	<u>2,735,543</u>	<u>-</u>	<u>2,735,543</u>
Total fund balances	<u>2,735,543</u>	<u>81,207</u>	<u>2,816,750</u>
 Total liabilities and fund balances	 <u>\$ 4,845,895</u>	 <u>81,207</u>	 <u>4,927,102</u>

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

PAT HARRISON WATERWAY DISTRICT
A Component Unit of the State of Mississippi
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
June 30, 2017

Total Governmental Fund Balance	\$	2,816,750
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Amounts reported for governmental activities in the statement of net position 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 lives and reported as depreciation expense.

Governmental capital assets	10,567,262	
Less: Accumulated depreciation	<u>(7,388,830)</u>	3,178,432

Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:

Deferred outflow of resources related to pensions	339,961	
Deferred inflows or resources related to pensions	<u>(199,536)</u>	140,425

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:

Accrued interest payable	(1,042)	
Bonds and notes payable, Corp of Engineers	(95,432)	
Compensated absences	(54,348)	
Net pension liability	<u>(1,779,619)</u>	<u>(1,930,441)</u>

Net Position of Governmental Activities	\$	<u>4,205,166</u>
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The notes to the financial statements are an integral part of this statement.

PAT HARRISON WATERWAY 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, 2017

	<u>General Fund</u>	<u>Other Governmental Fund</u>	<u>Total Governmental Funds</u>
REVENUES			
County millage	\$ 2,172,620	-	2,172,620
Investment earnings	<u>16,264</u>	<u>154</u>	<u>16,418</u>
Total revenues	<u>2,188,884</u>	<u>154</u>	<u>2,189,038</u>
EXPENDITURES			
Personnel:			
Salaries and fringe benefits	788,121	-	788,121
Travel	37,426	-	37,426
Contractual services	326,579	-	326,579
Commodities	3,054	-	3,054
Subsidies loans, and grants:			
Grants and emergency work project	275,823	-	275,823
Other	44,053	-	44,053
Debt service:			
Principal payments	-	45,550	45,550
Interest and fiscal charges	<u>-</u>	<u>4,423</u>	<u>4,423</u>
Total expenditures	<u>1,475,056</u>	<u>49,973</u>	<u>1,525,029</u>
Excess (deficiency) of revenues over (under) expenditures	<u>713,828</u>	<u>(49,819)</u>	<u>664,009</u>
OTHER FINANCING SOURCES (USES)			
Transfers in (out)	<u>(449,973)</u>	<u>49,973</u>	<u>(400,000)</u>
Total other financing uses	<u>(449,973)</u>	<u>49,973</u>	<u>(400,000)</u>
Net change in fund balances	263,855	154	264,009
Fund balance - beginning	<u>2,471,688</u>	<u>81,053</u>	<u>2,552,741</u>
Fund balance - ending	<u>\$ 2,735,543</u>	<u>81,207</u>	<u>2,816,750</u>

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

PAT HARRISON WATERWAY DISTRICT
A Component Unit of the State of Mississippi
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2017

Net Change in Fund Balances - Total Government Funds	\$	264,009
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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:

Depreciation expense	<u>(118,400)</u>	
Excess of capital outlay over depreciation		(118,400)

Governmental funds report pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense:

Pension contributions	195,707	
Cost of benefits earned net of employee contributions (pension expense from pension schedule)	<u>(220,538)</u>	
Excess of pension contribution over cost of benefits		(24,831)

Governmental funds report the entire net sales price (proceeds) from the sale of an asset as revenue. However, the statement of activities reports only the gain or loss on the sale. Thus, the change in net assets differs from the change in fund balance by the net book value of the asset sold.

-

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

45,550

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the funds:

Accrued expenses	<u>5,014</u>	
		<u>5,014</u>

Changes in Net Assets of Governmental Activities	\$	<u>171,342</u>
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The notes to the financial statements are an integral part of this statement.

PROPRIETARY FUNDS FINANCIAL STATEMENTS

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PAT HARRISON WATERWAY DISTRICT
A Component Unit of the State of Mississippi
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
June 30, 2017

	Major Fund		Total Enterprise Fund
	Recreation Fund	Timber Fund	
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,292,631	51,489	1,344,120
Accounts receivable, net	2,150	-	2,150
Due from other funds	256,723	-	256,723
Inventory	21,309	-	21,309
Total current assets	<u>1,572,813</u>	<u>51,489</u>	<u>1,624,302</u>
Noncurrent assets:			
Investments	1,251,277	1,450,000	2,701,277
Capital assets:			
Land	4,500	-	4,500
Buildings and improvements, net	1,898,580	-	1,898,580
Equipment, net	392,128	-	392,128
Total noncurrent assets	<u>3,546,485</u>	<u>1,450,000</u>	<u>4,996,485</u>
Total assets	<u>5,119,298</u>	<u>1,501,489</u>	<u>6,620,787</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pensions	<u>365,826</u>	-	<u>365,826</u>
Total deferred outflows of resources	<u>365,826</u>	-	<u>365,826</u>
LIABILITIES			
Current liabilities:			
Accounts payable	177,016	-	177,016
Salaries and benefits payable	37,689	-	37,689
Deposits payable	7,750	-	7,750
Accrued expenses	21,996	-	21,996
Due to other funds	234,541	12,670	247,211
Compensated absences	5,869	-	5,869
Unearned revenue	6,425	-	6,425
Total current liabilities	<u>491,286</u>	<u>12,670</u>	<u>503,956</u>
Noncurrent liabilities:			
Compensated absences	52,817	-	52,817
Net pension liability	1,792,881	-	1,792,881
Total noncurrent liabilities	<u>1,845,698</u>	-	<u>1,845,698</u>
Total liabilities	<u>2,336,984</u>	<u>12,670</u>	<u>2,349,654</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pensions	<u>209,101</u>	-	<u>209,101</u>
Total deferred inflows of resources	<u>209,101</u>	-	<u>209,101</u>
NET POSITION			
Invested in capital assets, net of related debt	2,295,208	-	2,295,208
Unrestricted	643,831	1,488,819	2,132,650
Total net position	<u>\$ 2,939,039</u>	<u>1,488,819</u>	<u>4,427,858</u>

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

PAT HARRISON WATERWAY DISTRICT
A Component Unit of the State of Mississippi
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2017

	Major Fund		Total Enterprise
	Recreation Fund	Timber Fund	Funds
OPERATING INCOME			
Charges for services	\$ 2,478,894	16,634	2,495,528
Miscellaneous	23,235	-	23,235
Special assessment	4,274	-	4,274
Rents and concessions	87,811	-	87,811
Total operating revenues	<u>2,594,214</u>	<u>16,634</u>	<u>2,610,848</u>
OPERATING EXPENSES			
Personnel services:			
Salaries and fringe benefits	891,021	-	891,021
Travel	888	-	888
Contractual service	1,539,958	27,330	1,567,288
Commodities	411,893	-	411,893
Subsidies, loans and grants	2,702	-	2,702
Depreciation	<u>263,536</u>	<u>-</u>	<u>263,536</u>
Total operating expenses	<u>3,109,998</u>	<u>27,330</u>	<u>3,137,328</u>
Operating income (loss)	<u>(515,784)</u>	<u>(10,696)</u>	<u>(526,480)</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest and investment earnings	9,939	5,367	15,306
Loss from sale of assets	<u>(390)</u>	<u>-</u>	<u>(390)</u>
Total non-operating revenues	<u>9,549</u>	<u>5,367</u>	<u>14,916</u>
TRANSFERS			
Transfers in (out)	<u>400,000</u>	<u>-</u>	<u>400,000</u>
Total transfers	<u>400,000</u>	<u>-</u>	<u>400,000</u>
Change in net position	(106,235)	(5,329)	(111,564)
Total net position - beginning	<u>3,045,274</u>	<u>1,494,148</u>	<u>4,539,422</u>
Total net position - ending	<u>\$ 2,939,039</u>	<u>1,488,819</u>	<u>4,427,858</u>

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

PAT HARRISON WATERWAY DISTRICT
A Component Unit of the State of Mississippi
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2017

	Major Fund		Total Enterprise
	Recreation Fund	Timber Fund	Funds
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	\$ 2,596,958	16,634	2,613,592
Payments to suppliers of goods and services	(1,939,872)	(24,660)	(1,964,532)
Payments to employees for services	<u>(880,655)</u>	<u>-</u>	<u>(880,655)</u>
Net cash provided (used) by operating activities	<u>(223,569)</u>	<u>(8,026)</u>	<u>(231,595)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers from other funds	<u>400,000</u>	<u>-</u>	<u>400,000</u>
Net cash provided by noncapital financing activities	<u>400,000</u>	<u>-</u>	<u>400,000</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Purchase and construction of capital assets	<u>(181,593)</u>	<u>-</u>	<u>(181,593)</u>
Net cash (used) by capital and related financing activities	<u>(181,593)</u>	<u>-</u>	<u>(181,593)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of certificates of deposit	-	(1,250,000)	(1,250,000)
Interest and dividends received	<u>9,939</u>	<u>5,367</u>	<u>15,306</u>
Net cash provided by investing activities	<u>9,939</u>	<u>(1,244,633)</u>	<u>(1,234,694)</u>
Net increase in cash and cash equivalents	4,777	(1,252,659)	(1,247,882)
Cash and cash equivalents:			
Beginning of year	<u>1,287,854</u>	<u>1,304,148</u>	<u>2,592,002</u>
End of year	<u>\$ 1,292,631</u>	<u>51,489</u>	<u>1,344,120</u>

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

PAT HARRISON WATERWAY DISTRICT
A Component Unit of the State of Mississippi
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2017

	<u>Major Fund</u>		<u>Total Enterprise Funds</u>
	<u>Recreation Fund</u>	<u>Timber Fund</u>	
Reconciliation of operating income (loss) to net cash used by operating activities			
Operating income (loss)	\$ (515,784)	(10,696)	(526,480)
Adjustments to reconcile operating income (loss) to net cash:			
Depreciation expense	263,536	-	263,536
(Increase) in current assets:			
Accounts receivable	(531)	-	(531)
Due (to) from other funds	(26,810)	-	(26,810)
Increase (decrease) in current liabilities:			
Accounts payable	41,491	-	41,491
Accrued liabilities	10,946	2,670	13,616
Unearned revenues	3,275	-	3,275
Compensated absences	<u>308</u>	<u>-</u>	<u>308</u>
Net cash provided (used) by operating activities	<u>\$ (223,569)</u>	<u>(8,026)</u>	<u>(231,595)</u>

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

NOTES TO BASIC FINANCIAL STATEMENTS

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PAT HARRISON WATERWAY DISTRICT
A Component Unit of the State of Mississippi
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Pat Harrison Waterway District's (the District) financial statements are prepared in accordance with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989 have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For enterprise funds, GASB Statement No's. 20 and 34 provide the District with the option of electing to apply FASB pronouncements issued after that date. The District has chosen not to apply those pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

A. Financial Reporting Entity

The District is a state agency reported as a component unit of the State of Mississippi. The District was created by an act of the Mississippi Legislature to bring about the full beneficial use of the surface and overflow waters of the Pascagoula River Basin. The counties comprising the District are Clarke, Covington, George, Greene, Jackson, Jones, Lauderdale, Newton, Perry, Smith, Stone, and Wayne counties. Through preservation, conservation, storage, and regulation of these waters, the District's objectives of flood control, water supply, economic development, irrigation, pollution abatement, timber development, and recreation are to be achieved.

Funding for the District is primarily provided by the twelve (12) member counties through millage assessments along with revenues generated by its water parks and related services, and interest earnings generated by its investments. As of the District's fiscal year ended June 30, 2017, funding from all counties was provided by a millage assessment of .875 mills for District operations except Jackson County which is .2 mills.

The District does not have any component units as defined by Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, an *Amendment of GASB Statement No. 14*.

B. Basis of Presentation

Government-Wide Financial Statements

The statement of net position and statement of activities display information about the reporting government as a whole. They included all funds of the reporting entity except for fiduciary funds or component units that are fiduciary in nature. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The District does not allocate indirect expenses to function in the statement of activities. Program revenues include 1) charges to customer or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not included among program revenues are reported as general revenues. Internally dedicated resources are reported as general revenues rather than as program revenues.

PAT HARRISON WATERWAY DISTRICT
A Component Unit of the State of Mississippi
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Financial Statements

Financial statements of the reporting entity are organized into funds each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, liabilities, net position/fund equity, revenues, and expenditures/expenses.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Fund liabilities are assigned to the fund from which they will be liquidated. The District reports the difference between its governmental fund assets and its liabilities and deferred inflows and outflows of resources as fund balance.

Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. The proprietary funds are classified as enterprise funds.

Funds are organized as major funds or non-major funds within the governmental and proprietary statements. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

1. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are a least 10 percent of the corresponding total for all funds of that category or type, and
2. The same element of the individual governmental fund or enterprise fund that met the 10 percent test is a least 5 percent of the corresponding total for all governmental and enterprise funds combined.
3. In addition, any other governmental or enterprise fund that the District believes is particularly important to financial statement users may be reported as a major fund.

The District reports the following major funds:

Major Governmental Funds

- ◆ General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

Major Enterprise Funds

- ◆ Recreation and Timber funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that all costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purpose.

PAT HARRISON WATERWAY DISTRICT
A Component Unit of the State of Mississippi
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The District reports the following non-major funds:

Non-Major Governmental Funds

- ◆ Debt service funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for the payment of general long-term debt principal, interest and related costs, other than enterprise debt. Currently, there is one debt service fund.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide Financial Statements

The government-wide statement of net position and statement of activities are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Property taxes are recognized as revenues in the year for which they are levied. Taxes receivable for the following year are recorded as receivables and unearned revenue. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met. Special assessments are recorded as revenue when earned. Unbilled receivables are recorded as revenues when services are provided.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt, claims, judgments, compensated absences, and pension expenditures, which are recorded as a fund liability when expected to be paid with expendable available financial resources.

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded when the exchange takes place and in the fiscal year in which the resources are measurable and become available. Intergovernmental aids and grants are recognized as revenues in the period the District is entitled to the resources and the amounts are available. Amounts owed to the District which are not available are recorded as receivables and deferred revenues. Amounts received prior to the entitlement period are also recorded as deferred revenues.

PAT HARRISON WATERWAY DISTRICT
A Component Unit of the State of Mississippi
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The District reports unearned revenues on its governmental funds balance sheet. Unearned revenues arise from taxes levied in the current year which are for subsequent year's operations. For governmental fund financial statements, unearned revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenues also arise when resources are received before the District has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and revenue is recognized.

Proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as described previously in this note.

The enterprise funds follow all pronouncements of the Governmental Accounting Standards Board. The proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Fund Equity

Cash and Cash Equivalents

The District deposits excess funds in the financial institution selected by the Board of Directors. For purposes of cash flows, the District considers all highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents. All cash and cash equivalents are reported at their carrying amounts, which reasonably approximates fair value.

Receivables

All county, notes, and other receivables are shown at their net realizable value. Management expects to collect entire amounts due and therefore has not established an allowance for uncollectible accounts.

Notes receivable in governmental funds consist of amounts that are not due to be collected in their entirety within the subsequent year.

Interfund Balances

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/interfund payables." These amounts are eliminated in the governmental and business-type activities columns of the statement of net position, except for any net residual amounts due between governmental and business-type activities, which are reclassified and presented as internal balances.

PAT HARRISON WATERWAY DISTRICT
A Component Unit of the State of Mississippi
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

The District's inventories consist of purchased supplies and are valued at cost using the first-in/first-out (FIFO) method. The cost of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

Capital Assets

General capital assets are those capital assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in governmental funds. The District reports these assets in the governmental activities column of the government-wide statement of net position but does not report these assets in the governmental fund financial statements. Capital position utilized by enterprise funds are reported both in the business-type activities column of the government-wide statement of net position and in the enterprise funds' statement of net position.

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

All reported capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	5 -30 years
Building improvements	5 - 25 years
Improvements other than buildings	5 - 50 years
Equipment	5 - 20 years
Capital leases	15 - 50 years

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report 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 and so will not be recognized as an outflow of resources (expense) until then. The District has a deferred outflow which is presented as a deferred outflow for pension.

In addition to liabilities, the statement of financial position will sometimes report 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 and so will not be recognized as an inflow of resources (revenue) until then. The District has a deferred inflow which is presented as a deferred inflow for pension.

PAT HARRISON WATERWAY DISTRICT
A Component Unit of the State of Mississippi
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Leases

Leases that substantially transfer all of the risks and benefits of ownership are accounted for as capital leases. Capital leases are included in capital assets and, where appropriate, are amortized over the shorter of their economic useful lives or lease terms. The related capital lease obligations are included in long-term liabilities in the government-wide statements.

Compensated Absences

Vacation benefits and sick leave are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means.

All compensated absences liabilities include salary-related payments, where applicable.

The District accrues accumulated unpaid vacation leave at the end of the fiscal year. The total compensated absence liability is reported on the government-wide financial statements. Proprietary funds report the total compensated liability in each individual fund at the fund reporting level. Governmental funds report the compensated liability at the fund reporting level only "when due". The non-current portion (the amount estimated to be used beyond the next fiscal year) for governmental funds is maintained separately and represents a reconciling item between the fund and government-wide presentations.

The District's policy allows employees to accumulate unused sick leave on an unlimited basis and vacation leave up to two years before reaching their vacation 'cap'. Upon termination, any accumulated vacation will be paid to the employee up to 240 hours. Any earned vacation hours in excess of 240 hours is certified and sent to the Public Employees Retirement System (PERS). Sick leave is not paid upon termination, however, any unused sick time is also certified and sent to PERS.

Accrued Liabilities and Long-term Obligations

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of these funds. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are "due for payment" during the current year. Capital leases are recognized as a liability in the governmental fund financial statements when due.

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issues is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

PAT HARRISON WATERWAY DISTRICT
A Component Unit of the State of Mississippi
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Position/Fund Equity

Fund equity at the governmental fund financial reporting level is classified as "fund balance." Fund equity for all other reporting is classified as "net position."

In the Government-Wide financial statements, the difference between the District's total assets and deferred outflows of resources, total liabilities and deferred inflows of resources represents net position. Net position displays three components:

1. Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings attributable to the acquisition, constructions or improvement of those assets.
2. Restricted net position - Consists of net position with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or law through constitutional provisions or enabling legislation.
3. Unrestricted net position - All other net position not meeting the definition of "restricted" or "invested in capital assets, net of related debt." Unrestricted net position represents the net position available for future operations.

Additionally, the District has adopted the provisions of GASB Statement No. 54, Fund Balance Reporting and Government Fund Type Definitions.

Generally, governmental fund balances represent the difference between assets and deferred outflows of resources, liabilities and deferred inflows of resources. Fund balances for governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are classified as follows:

- ◆ Nonspendable - Includes fund balance amounts that cannot be spent. This includes amounts that are either not in a spendable form (inventories, prepaid amounts, long-term portion of loans/notes receivable, or property held for resale unless the proceeds from the collection of those receivables or from the sale of those properties are restricted, committed or assigned) or amounts that are legally or contractually required to be maintained intact, such as a principal balance of a permanent fund.
- ◆ Restricted - Includes amounts that have constraints placed upon the use of the resources either by external party such as creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through a constitutional provision or enabling legislation.
- ◆ Committed - Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action at the highest level of decision making authority. The Board of Directors, through formal action approved in the board minutes, commits fund balance amounts for the District.

PAT HARRISON WATERWAY DISTRICT
A Component Unit of the State of Mississippi
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- ◆ Assigned - Includes spendable amounts that are constrained to be used for a specific purpose, but are neither restricted nor committed. Fund balance is assigned through formal action by the Board of Directors for specific purposes. For governmental funds, other than the general fund, this is the residual amount within the fund that is not classified as nonspendable and is neither restricted nor committed.
- ◆ Unassigned - Is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds if expenditures incurred for specific purposes exceeded the amounts restricted, committed or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) resources are available, it is the District's general policy to use restricted resources first. When expenditures are incurred for purposes for which unrestricted (committed, assigned and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the District's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

The District does not have a minimum fund balance policy.

Revenues

Substantially all governmental fund revenues are accrued.

Expenditures

Expenditures are recognized when the related fund liability is incurred.

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after the non-operating revenues/expenses section in the proprietary funds. Repayments from the funds responsible for particular expenditures or expenses to the funds that initially paid for them are not presented on the financial statements (i.e., they are netted).

Transfers between governmental and business-type activities on the government-wide statement of activities are reported as general revenues. Transfers between funds reported in the governmental activities column are eliminated. Transfers between funds reported in the business-type activities column are eliminated.

Estimates

The preparation of the financial statement in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

PAT HARRISON WATERWAY DISTRICT
A Component Unit of the State of Mississippi
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Deposits and Investments Laws and Regulations

State law requires that all deposits in excess of FDIC insurance limits be 105% collateralized by U.S. Government obligations or by state municipal obligations that have a market value of not less than the principal amount of the deposits. The collateral for public entities' deposits in financial institutions are held in the name of the State Treasurer under a program established by the Mississippi State legislature and is governed by Section 27-1-5-5 Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial Institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation.

The District's deposits were fully collateralized as required by statutes at June 30, 2017.

NOTE 3. DEPOSITS AND INVESTMENTS

Deposits and investments are separately held by several funds of the District. Investments consist of certificates of deposit. The District deposits funds in financial institutions selected by the Board in accordance with Mississippi statutes.

Deposits (demand deposits and certificate of deposits) at June 30, 2017, are as follows:

	<u>Governmental Funds</u>	<u>Proprietary Funds</u>	<u>Government- Wide Statement of Net Assets</u>
Cash on hand	\$ -	1,964	1,964
Petty cash	-	1,300	1,300
Bank deposits	1,527,968	1,340,856	2,868,824
Investments	3,118,577	2,701,277	5,819,854
Total	<u>\$ 4,646,545</u>	<u>4,045,397</u>	<u>8,691,942</u>

The carrying amount of the District's deposits was \$8,688,678 and the bank balance was \$8,769,000. The bank balance is categorized as follows:

Amount collateralized with securities held in the State of Mississippi collateral pool on behalf of the District	\$ 6,098,608
Amounts held at various financial institutions covered under Federal Depository Insurance	<u>2,670,392</u>
	<u>\$ 8,769,000</u>

PAT HARRISON WATERWAY DISTRICT
A Component Unit of the State of Mississippi
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 3. DEPOSITS AND INVESTMENTS (continued)

At June 30, 2017, the District holds certificate of deposits, classified above as investments, as follows:

1st State Bank of Waynesboro, Laurel, Mississippi; matures November 7, 2017; interest at .25%	\$ 206,531
1st State Bank of Waynesboro, Laurel, Mississippi; matures December 31, 2017; interest at 1.01%	200,663
1st State Bank of Waynesboro, Laurel, Mississippi; matures February 8, 2018; interest at 1.01%	321,023
Bank of Wiggins, Wiggins, Mississippi; matures October 30, 2017; interest at .20%	100,000
Bank of Wiggins, Wiggins, Mississippi; matures November 9, 2017; interest at .35%	71,277
Citizens National Bank, Richton, Mississippi; matures September 22, 2017; interest at .24%	500,000
Community Bank, Hattiesburg, Mississippi; matures October 19, 2017; interest at .35%	210,000
Newton County Bank, Newton, Mississippi; matures June 6, 2018; interest at .30%	50,000
Newton County Bank, Newton, Mississippi; matures June 6, 2018; interest at .30%	200,000
Priority One Bank, Collins, Mississippi; matures February 1, 2018; interest at .15%	300,000
Regions, Hattiesburg, Mississippi; matures August 22, 2017; interest at .05%	255,000
Richton Bank & Trust, Richton, Mississippi; matures September 7, 2017; interest at .20%	75,000
The First, Wiggins, Mississippi; matures March 3, 2018; interest at 1.00%	600,000
The First, Wiggins, Mississippi; matures March 3, 2018; interest at 1.00%	1,250,000
The First, Wiggins, Mississippi; matures May 6, 2018; interest at 1.00%	525,000
The First, Wiggins, Mississippi; matures June 18, 2018; interest at 1.00%	750,000
Trustmark, Jackson, Mississippi; matures February 7, 2018; interest at .10%	<u>205,360</u>
Total certificate of deposits	<u>\$ 5,819,854</u>

In total, \$5,819,854, of funds were set aside for investment purposes in the form of certificates of deposit. \$655,000 has been designated as a maintenance reserve fund. \$1,608,323 has been designated as a reserve for county projects. \$706,531 is reserved for the County fund, \$200,000 for the Timber Fund, and \$75,000 for debt service. The remaining \$2,575,000 invested is available for recreational activities.

NOTE 4. CONCENTRATIONS OF CREDIT RISK

Credit Risk

Pat Harrison Waterway District's investment policy, in compliance with State statutes, authorizes the Treasurer to invest monies in the following:

- Negotiable certificates of deposit
- Obligations of federal agencies or U.S. government-sponsored enterprises
- Obligations of the U.S. Treasury
- Repurchase and reverse repurchase agreements

As mentioned above, at June 30, 2017, the District only holds certificates of deposit.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of the failure of a financial institution, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. The District does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the District. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the District.

PAT HARRISON WATERWAY DISTRICT
A Component Unit of the State of Mississippi
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017, was as follows:

	Primary Government			
	Beginning Balances	Increases	Decreases / Adjustments	Ending Balances
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 1,829,666	-	-	1,829,666
Capital assets being depreciated:				
Buildings and improvements	6,713,464	-	-	6,713,464
Equipment	<u>2,024,130</u>	<u>-</u>	<u>-</u>	<u>2,024,130</u>
Total capital assets being depreciated	<u>8,737,594</u>	<u>-</u>	<u>-</u>	<u>8,737,594</u>
Less accumulated depreciation for:				
Buildings and improvements	5,477,560	82,446	-	5,560,006
Equipment	<u>1,792,869</u>	<u>35,953</u>	<u>-</u>	<u>1,828,822</u>
Total accumulated depreciation	<u>7,270,429</u>	<u>118,399</u>	<u>-</u>	<u>7,388,828</u>
Total capital assets being depreciated, net	<u>1,467,165</u>	<u>(118,399)</u>	<u>-</u>	<u>1,348,766</u>
Total governmental activities capital assets, net	<u>\$ 3,296,831</u>	<u>(118,399)</u>	<u>-</u>	<u>3,178,432</u>
Business-type Activities:				
Capital assets not being depreciated:				
Land	\$ 4,500	-	-	4,500
Capital assets being depreciated:				
Buildings and improvements	12,220,732	125,406	-	12,346,138
Equipment	<u>1,625,840</u>	<u>56,187</u>	<u>(2,895)</u>	<u>1,679,132</u>
Total capital assets being depreciated:	<u>13,846,572</u>	<u>181,593</u>	<u>(2,895)</u>	<u>14,025,270</u>
Less accumulated depreciation for:				
Buildings and improvements	10,262,898	184,660	-	10,447,558
Equipment	<u>1,210,633</u>	<u>78,876</u>	<u>(2,505)</u>	<u>1,287,004</u>
Total accumulated depreciation	<u>11,473,531</u>	<u>263,536</u>	<u>(2,505)</u>	<u>11,734,562</u>
Total capital assets being depreciated, net	<u>2,373,041</u>	<u>(81,943)</u>	<u>(390)</u>	<u>2,290,708</u>
Total business-type activities capital assets, net	<u>\$ 2,377,541</u>	<u>(81,943)</u>	<u>(390)</u>	<u>2,295,208</u>
Primary Government				
Total capital assets, net	<u>\$ 5,674,372</u>	<u>(200,342)</u>	<u>(390)</u>	<u>5,473,640</u>

Depreciation expense was charged to programs for the year ended June 30, 2017, as follows:

Governmental activities:	
General government	\$ 118,400
Business-type activities:	
Recreation	<u>263,536</u>
Total depreciation expense	<u>\$ 381,936</u>

PAT HARRISON WATERWAY DISTRICT
A Component Unit of the State of Mississippi
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 6. ACCOUNTS PAYABLE

Payables are composed of amounts due to vendors within 60 days of year end and accrued salaries and benefits.

NOTE 7. LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2017, is shown as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Governmental Activities:					
Capital leases	\$ 140,982	-	45,550	95,432	45,550
Compensated absences	59,364	580	-	59,944	5,987
Net pension liability	<u>1,707,252</u>	<u>72,367</u>	<u>-</u>	<u>1,779,619</u>	<u>-</u>
Total governmental activities long-term liabilities	<u>\$ 1,907,598</u>	<u>72,947</u>	<u>45,550</u>	<u>1,934,995</u>	<u>51,537</u>
Business-Type Activities					
Compensated absences	\$ 58,378	308	-	58,686	5,869
Net pension liability	<u>1,716,547</u>	<u>76,334</u>	<u>-</u>	<u>1,792,881</u>	<u>-</u>
Total business-type activities long-term liabilities	<u>\$ 1,774,925</u>	<u>76,642</u>	<u>-</u>	<u>1,851,567</u>	<u>5,869</u>

Description of Debt

At June 30, 2017, long-term liabilities consisted of the following individual issues:

	<u>General Long-Term Debt</u>
Governmental activities:	
Capital lease:	
Corp of Engineers Lease, payable in annual installments, bearing interest at 3.137%, maturing in 2018	\$ 49,882
Compensated absences:	53,957
Net pension liability	<u>1,779,619</u>
Total governmental activities long-term liabilities	<u>\$ 1,883,458</u>
Business-type activities:	
Compensated absences:	\$ 52,817
Net pension liability	<u>1,792,881</u>
Total business-type activities long-term liabilities	<u>\$ 1,845,698</u>

PAT HARRISON WATERWAY DISTRICT
A Component Unit of the State of Mississippi
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 7. LONG-TERM LIABILITIES (continued)

The annual debt service requirements to maturity, including principal and interest, for capital leases as of June 30, 2017, are as follows:

	Governmental Activities	
	Capital Lease	
	Principal	Interest
2018	\$ 46,979	2,994
2019	48,453	1,520
2020	-	-
2021	-	-
2022	-	-
Total	\$ 95,432	4,514

NOTE 8. CAPITAL LEASES

During May of 1965 the District entered into contract with the Corps of Engineers to participate in the construction and maintenance of the Okatibbee water supply reservoir, which is located in Lauderdale County, Mississippi. This contract requires the District to pay \$49,973 annually for fifty years maturing in 2018. The total to be paid under this contract will be \$1,296,920 of principal and \$1,201,706 in interest.

Interest payments for the District's capital lease for 2017 amounted to \$4,423. The amount of interest costs incurred and charged to expense amounted to \$4,423.

See annual requirements to amortize capital lease obligation as of June 30, 2017 at Note 7 - Long-Term Liabilities. Annual amortization expense is included in depreciation expense.

NOTE 9. INTERFUND BALANCES

Interfund balances at June 30, 2017, consisted of the following:

DUE TO :					
	Governmental Activities		Business-Type Activities		
		Other		Other	
	General Fund	Governmental Funds	Recreation Fund	Enterprise Funds	Total
DUE FROM:					
Governmental Activities:					
General Fund	\$ 99,945	-	134,293	-	234,238
Business-Type Activities:					
Recreation Fund	124,781	-	109,760	-	234,541
Timber Fund	-	-	12,670	-	12,670
Total	\$ 224,726	-	256,723	-	481,449

PAT HARRISON WATERWAY DISTRICT
A Component Unit of the State of Mississippi
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 10. INTERFUND TRANSFERS

Transfers are used to (a) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and to (b) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

At June 30, 2017, transfers to/from other funds consist of the following:

Transfer from County Fund to Recreation Fund for expenditures paid on behalf of the Recreation Fund	\$ 400,000
Transfer from County Fund to the Debt Service Fund for the principal and interest paid on long-term debt during fiscal year 2017.	49,973
Total Transfers to/from other funds	\$ 449,973

NOTE 11. PENSION PLAN

Public Employees' Retirement System of Mississippi (PERS)

Plan Description

Pat Harrison Waterway District contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. Section 25-11-1 et seq., (1972, as amended) and may be amended only by the Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

Benefits Provided

Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, 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 of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year

PAT HARRISON WATERWAY DISTRICT
A Component Unit of the State of Mississippi
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 11. PENSION PLAN (continued)

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. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

Contributions

PERS members are required to contribute 9.00% of their annual covered salary and Pat Harrison Waterway District is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2017 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.

Pat Harrison Waterway District's contribution to PERS for the year ended June 30, 2017, 2016, and 2015 was \$195,707, \$201,515 and \$217,942, respectively, equal to the required contributions for each year.

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

At June 30, 2017, the District reported a liability of \$3,572,500 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, 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 employers, actuarially determined. At June 30, 2016, the District's proportion was 0.02 percent, which did not change from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$250,449. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experiences	\$ 99,647	-
Changes of assumptions	168,415	9,493
Net difference between projected and actual earnings on pension plan investments	242,018	-
Changes in proportion and differences between District contributions and proportionate share of contributions	-	399,144
District contributions subsequent to the measurement date	195,707	-
Total	\$ 705,787	408,637

PAT HARRISON WATERWAY DISTRICT
A Component Unit of the State of Mississippi
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 11. PENSION PLANS (continued)

\$195,707 reported as deferred outflows of resources related to pensions resulting from the Districts's contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30, :		
2018	\$	(7,179)
2019		(28,330)
2020		66,378
2021		70,574
2022		-
Thereafter		-
Total	\$	<u>101,443</u>

Actuarial assumptions

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	3.75 - 19.00%, average, including inflation
Investment rate of return	7.75%, net of pension plan investments expense, including inflation

Mortality rates were based on the RP-2014 Healthy Annuitant Blue Collar Table with Scale BB to 2016, set forward one year for males.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2014. The experience report is dated May 4, 2015.

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

PAT HARRISON WATERWAY DISTRICT
A Component Unit of the State of Mississippi
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 11. PENSION PLANS (continued)

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2016, are summarized in the following table:

Asset class	Target Allocation	Long-term expected real rate of return
U.S. 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	1.00	(0.50)
Total	100.00 %	

Discount Rate

The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00%) and that employer contributions will be made at the current employer contribution rate (15.75%). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.75%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	4,580,745	3,572,500	2,735,982

Pension plan fiduciary net position

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

PAT HARRISON WATERWAY DISTRICT
A Component Unit of the State of Mississippi
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 12. RAINCHECKS

Pat Harrison Waterway District offers rainchecks to campers and visitors upon request. Rainchecks have an expiration date of one year from the date of issuance. The District has not included the effects of outstanding rainchecks in the accompanying financial statements. The total outstanding rainchecks at June 30, 2017, was \$40,587. It is the experience of the District that approximately thirty-five percent (35%) of outstanding rainchecks will be presented for usage. As such, the District expects rainchecks totaling approximately \$14,205 to be presented during the next fiscal period.

NOTE 13. COMMITMENTS AND CONTINGENCIES

Related Party Transactions

No known transaction requiring disclosure occurred between the District and its employees or elected officials.

Litigation

Various claims and lawsuits are pending against the District. While the District cannot predict the results of any litigation, legal counsel for the District believes that it has meritorious defenses for those actions, proceedings, and claims, or they are without merit or are of such kind, or involve such amounts, that unfavorable dispositions are not covered by insurance resulting from such litigation would not materially affect the financial position of Pat Harrison Waterway District.

The District has filed suit against Forrest and Jasper Counties in the Chancery Court of Forrest County. The suit is for the withdrawal amounts owed by both counties pursuant to Section 51-15-118 for the Mississippi Code Annotated 1972. No exposure is identified.

Contractual Obligations

The District has entered multiple contracts with the United States Department of the Interior and the United States Department of Agriculture that require the District to operate and maintain its recreational parks in perpetuity or until the parks are no longer useful. The District estimates the future cost to operate and maintain the parks in perpetuity will exceed \$100,000,000. These costs will be expensed as incurred.

The District is committed under various operating leases for office equipment. Lease expenditures for copier machines for the year ended June 30, 2017 amounted to approximately \$4,308. Future minimum base lease payments for these leases are approximately as follows:

Fiscal Year Ending June 30,	Minimum Equipment Lease Payment
2018	\$ 4,308
2019	3,444
2020	497
2021	
2022	-
Total	\$ 8,249

PAT HARRISON WATERWAY DISTRICT
A Component Unit of the State of Mississippi
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 14. OTHER NOTES

Operating Leases in Statement of Lessors

The District leases various properties to several lessors during the year. These lease arrangements are classified as operating leases for accounting purposes and paid on a monthly and yearly basis with corresponding renewal options. The leased properties have a cost of \$3,284,785 with a carrying value of \$974,131.

The future minimum lease rentals are as follows:

Fiscal Year Ending June 30,	Minimum Lease Rental
2018	\$ 84,000
2019	84,000
2020	84,000
2021	84,000
2022	84,000
Total	\$ 420,000

Effect of Deferred Amounts on Net Position

The unrestricted net position amount of \$3,173,609 includes the effect of deferring the recognition of expenses and revenue associated with the net position liability and related account balances.

Risk Management

The State of Mississippi has elected to retain most exposure to risk, including health and life benefits, tort liability, unemployment benefits and workers compensation benefits. The District contributes to the State's internal service risk management fund based on actuarially determined assessments and premiums charged by the State.

NOTE 15. SUBSEQUENT EVENTS

Events that occur after the statement of net assets date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the statement of net position date are recognized in the accompanying financial statements. Subsequent events that provide evidence about conditions that existed after the statement of net position date require disclosure in the accompanying notes. Management of the District evaluated the activity of the entity through October 17, 2017, the date of issuance of the financial statements and has not noted the following events:

- ◆ The Mississippi counties of Perry and Jackson notified the District of their withdrawal from the Pat Harrison Waterway District effective June 30, 2017, and March 6, 2017, respectively. The District plans to file lawsuits against both counties for the withdrawal amounts owed by both counties pursuant to Section 51-15-118 for the Mississippi Code Annotated 1972.
- ◆ In September 2017, the Board of Directors of the District voted to approve the settlement of the District's lawsuit against Forrest County for approximately \$1.35 million.

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REQUIRED SUPPLEMENTARY INFORMATION

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PAT HARRISON WATERWAY DISTRICT
A Component Unit of the State of Mississippi
BUDGETARY COMPARISON SCHEDULE
ALL FUNDS
For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Over (Under)
REVENUES				
Recreation	\$ 2,613,592	2,613,592	2,610,848	(2,744)
County millage	2,322,097	2,322,097	2,172,620	(149,477)
Other revenues	<u>2,274,967</u>	<u>2,274,967</u>	<u>31,334</u>	<u>(2,243,633)</u>
Total revenues	<u>7,210,656</u>	<u>7,210,656</u>	<u>4,814,802</u>	<u>(2,395,854)</u>
EXPENDITURES				
Personnel services:				
Salaries and fringe benefits	2,909,521	2,909,521	1,679,142	1,230,379
Travel	41,310	41,310	38,314	2,996
Contractual services	1,943,541	1,943,541	1,893,867	49,674
Commodities	684,603	684,603	414,947	269,656
Capital outlay				
Other than equipment	500,000	500,000	125,406	374,594
Equipment	157,464	157,464	56,187	101,277
Vehicles	90,000	90,000	-	90,000
Subsidies, loans, and grants	<u>884,217</u>	<u>884,217</u>	<u>372,551</u>	<u>511,666</u>
Total expenditures	<u>7,210,656</u>	<u>7,210,656</u>	<u>4,580,414</u>	<u>2,630,242</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>234,388</u>	<u>234,388</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	400,000	400,000
Transfers out	<u>-</u>	<u>-</u>	<u>(400,000)</u>	<u>(400,000)</u>
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance			234,388	<u>\$ 234,388</u>
Fund balance - beginning			<u>7,092,163</u>	
Fund balance - ending			<u>\$ 7,326,551</u>	
<u>Differences between budgetary and GAAP fund balance:</u>				
Fund Balance, end of year (Budgetary Basis)			\$ 7,326,551	
Depreciation on GAAP basis			(263,536)	
Capital outlay on budgetary basis			<u>181,593</u>	
Fund Balance, end of year (GAAP)			<u>\$ 7,244,608</u>	

The notes to required supplementary information are an integral part of this schedule.

PAT HARRISON WATERWAY DISTRICT
A Component Unit of the State of Mississippi
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY*
Public Employees Retirement System of Mississippi
Last 10 Fiscal Years (Only 4 Years Shown)**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability (asset)	0.02 %	0.02 %	0.02 %	0.03 %
District's proportionate share of the net pension liability (asset)	\$ 3,572,500	\$ 3,423,766	3,019,976	4,068,242
District's covered-employee payroll	<u>1,242,581</u>	<u>1,279,453</u>	<u>1,383,755</u>	<u>1,520,289</u>
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	<u>287.51 %</u>	<u>267.60 %</u>	<u>218.24 %</u>	<u>267.60 %</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>57.47 %</u>	<u>61.70 %</u>	<u>67.21 %</u>	<u>61.02 %</u>

*The amounts presented for each fiscal year were determined as of the measurement date of June 30 of the prior year to the fiscal year presented.

**This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

The notes to required supplementary information are an integral part of this schedule.

PAT HARRISON WATERWAY DISTRICT
A Component Unit of the State of Mississippi
SCHEDULE OF DISTRICT CONTRIBUTIONS*
Public Employees Retirement System of Mississippi
Last 10 Fiscal Years (Only 4 Years Shown)**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 195,707	\$ 201,515	217,942	239,445
Contributions in relation to the contractually required contribution	<u>(195,707)</u>	<u>(201,515)</u>	<u>(217,942)</u>	<u>(239,445)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>
 District's covered-employee payroll	 \$ 1,242,581	 \$ 1,279,453	 1,383,755	 1,520,289
 Contributions as a percentage of covered-employee payroll	 <u>15.75 %</u>	 <u>15.75 %</u>	 <u>15.75 %</u>	 <u>15.75 %</u>

*The amounts presented for each fiscal year were determined as of the measurement date of June 30 of the prior year to the fiscal year presented.

**This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

The notes to required supplementary information are an integral part of this schedule.

PAT HARRISON WATERWAY DISTRICT
A Component Unit of the State of Mississippi
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2017

NOTE 1. BUDGETS AND BUDGETARY ACCOUNTING

A. Budgets and Budgetary Accounting

Statutory requirements dictate how and when the District's budget is to be prepared. Specifically, section 51-15-158 Mississippi Code, Annotated (1972) states "On or before the fifteenth (15th) day of July of each year, the board of directors of the District shall prepare and file with the clerk of the board of supervisors of each member county at least two (2) copies of a budget of estimated expenditures for the support, maintenance and operations of the District for the fiscal year commencing on July 1st of the succeeding year.". The completed budget for the fiscal year includes for all funds every source of revenue, each general item of expenditure, and unencumbered cash and investment balances. On a periodic basis, as required by changing conditions, the budgeted amounts are amended.

The District's budget is prepared principally on the cash basis of accounting. All appropriations lapse at year-end, and there are no encumbrances to budget because state law does not require that funds be available when goods or services are ordered, only when payment is made.

The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP, Cash Basis) presents the original legally adopted budget, the final legally adopted budget, actual amounts on a budgetary (Non-GAAP, Cash Basis) and variance between the final budget and the actual amounts. The schedule is presented for all funds of the District. The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP, Cash Basis) is a part of required supplemental information.

B. Excess of Expenditures over Appropriations (Budget)

There were no expenditures in excess of appropriations (budget) for the fiscal year ended June 30, 2017.

NOTE 2. PENSION SCHEDULES

A. Changes of Benefit Terms

None.

B. Changes of Assumptions

None.

REPORTS ON COMPLIANCE AND INTERNAL CONTROL

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Wolfe • McDuff & Oppie
CERTIFIED PUBLIC ACCOUNTANTS
(A Professional Association)

Michelle Oppie Gist, CPA

K. Jessica Mavromihalis, CPA
Jesse J. Wolfe, CPA (1927-2009)
Grover B. McDuff, CPA (Retired)
Jack A. Oppie, CPA (1960-2014)

3103 Pascagoula Street • Pascagoula, MS 39567 • Phone: 228-762-6348 • Fax: 228-762-4498 • www.wmocpas.com

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 Executive Director and Board of Directors
Pat Harrison Waterway 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, the business-type activities, each major fund, and the aggregate remaining fund information of Pat Harrison Waterway District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Pat Harrison Waterway District's basic financial statements, and have issued our report thereon dated October 17, 2017.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Pat Harrison Waterway 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*.

Membership in:

American Institute of Certified Public Accountants • Mississippi Society of Certified Public Accountants • AICPA Private Companies Practice Section
AICPA Governmental Audit Quality Center • AICPA Center for Audit Quality • AICPA Employee Benefit Plan Audit Quality Center



America Counts on CPAs

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* (continued)

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.

Walfe, McDuff & Oppa

Pascagoula, MS
October 17, 2017