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PEARL RIVER BASIN DEVELOPMENT DISTRICT

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

JUNE 30, 2018

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Pearl River Basin Development District,
a component unit of the State of Mississippi
and the State of Mississippi Department of
Finance and Administration, Agent-In-Fact

We have audited the accompanying financial statements of the governmental activities and each major fund of Pearl River Basin Development District, component unit of the State of Mississippi, as of and for the year ended June 30, 2018, 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

Auditor's Responsibility - continued:

includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Pearl River Basin Development District as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis-of-Matter Regarding the District's Discontinued Operations

In accordance with the provisions of House Bill Number 593 adopted by the State of Mississippi Legislature during the 2018 regular session, effective July 1, 2018, the District is to be dissolved and the State of Mississippi Department of Finance and Administration will become the agent-in-fact for the District. All capital assets and related contractual obligations were transferred to the respective county or city in which the asset or obligation existed during the fiscal year ended June 30, 2018. All remaining assets will be transferred to the Department of Finance and Administration to be available to satisfy any remaining obligations of the District subsequent to June 30, 2018. Our opinion is not modified with respect to this matter.

Change in Accounting Principle

As described in Note 9 to the financial statements, in fiscal year 2018, the District adopted new accounting guidance, GASBS No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters***Required Supplementary Information***

Accounting principles generally accepted in the United States of America, require that the management's discussion and analysis, budgetary comparison information, Schedule of Changes in Net Pension Liability and Related Ratios, Schedule of Employer Contributions, Schedule of the District's Proportionate Share of the Net OPEB Liability, and the Schedule of District Contributions on pages 4-8 and 41-51 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

Other Matters - continued:

Required Supplementary Information - continued:

methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2019, on our consideration of Pearl River Basin Development District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Pearl River Basin Development District's internal control over financial reporting and compliance.

Haddox Reed Embark Beth PLLC

Jackson, Mississippi
January 10, 2019

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018**

Our discussion and analysis of Pearl River Basin Development District's financial performance provides an overview of the District's financial activities for the year ended June 30, 2018. Please read it in conjunction with the District's financial statements which begin on page 9.

FINANCIAL HIGHLIGHTS

- During the current fiscal year, the District began the process of ceasing all operations in accordance with State of Mississippi Legislature House Bill Number 593 which was passed during the 2018 Regular Session. As a result of this action, the District realized a \$6,070,867 decrease in net position during the current fiscal year. The decrease is primarily the result of the District transferring land, land improvements and building and improvements to various counties and cities that are to assume ownership and on-going responsibility for the assets and the transfer of all funds held in the Lower Pearl River Restoration Trust Fund, totaling \$3,999,940, to the State of Mississippi Department of Finance and Administration with all obligations of the District under agreements for the project assumed by the State of Mississippi Department of Environmental Quality or other state entity.
- The District realized a decrease of \$(213,353) (28.2%) in total revenues from the prior year, while total expenses decreased \$(350,032) (35.3%).

USING THE ANNUAL REPORT

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

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities report information about the District as a whole and about its activities in a manner that aids in determining if the District as a whole is better off or worse off as a result of the year's activities. These statements include all assets, deferred outflows of resources, liabilities and deferred inflows of resources using the accrual basis of accounting, which is similar to the accounting used by most private-sector

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018**

REPORTING THE DISTRICT AS A WHOLE - CONTINUED:

companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the District's net position and changes in them. The District's net position is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. In the Statement of Net Position and the Statement of Activities, the District reports all activities as governmental activities. The District does not have business-type activities or component units.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

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

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

FINANCIAL ANALYSIS OF THE DISTRICT

The District's combined net position decreased from \$5,677,467 at June 30, 2017 to a deficit in the amount of \$(414,113) at June 30, 2018, as reflected in the following table: (Prior year amounts have not been restated to reflect the effect of the current year prior period adjustment.)

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018**

FINANCIAL ANALYSIS OF THE DISTRICT - CONTINUED:

Condensed Statement of Net Position

	<u>FY 2018</u>	<u>FY 2017</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Current and other assets	\$ 11,326	4,170,282	(4,158,956)	-99.73%
Capital assets	<u>-</u>	<u>1,881,705</u>	<u>(1,881,705)</u>	-100.00%
Total assets	<u>11,326</u>	<u>6,051,987</u>	<u>(6,040,661)</u>	-99.81%
Deferred outflows of resources:				
Pension plan	64,993	116,032	(51,039)	-44.99%
Other postemployment benefits	<u>980</u>	<u>-</u>	<u>980</u>	100.00%
	<u>65,973</u>	<u>116,032</u>	<u>(50,059)</u>	-43.14%
Current liabilities	-	10,641	(10,641)	-100.00%
Noncurrent liabilities	<u>453,004</u>	<u>478,645</u>	<u>(25,641)</u>	-5.36%
Total liabilities	<u>453,004</u>	<u>489,286</u>	<u>(36,282)</u>	-7.42%
Deferred inflows of resources:				
Pension plan	37,349	1,266	36,083	2,850.16%
Other postemployment benefits	<u>1,059</u>	<u>-</u>	<u>1,059</u>	100.00%
	<u>38,408</u>	<u>1,266</u>	<u>37,142</u>	2,933.81%
Net position:				
Net investment in capital assets	-	1,881,705	(1,881,705)	-100.00%
Restricted	-	3,974,136	(3,974,136)	-100.00%
Unrestricted (deficit)	<u>(414,113)</u>	<u>(178,374)</u>	<u>(235,739)</u>	-132.16%
Total net position	<u>\$ (414,113)</u>	<u>5,677,467</u>	<u>(6,091,580)</u>	-107.29%

As shown in the table above, the District realized decreases in its assets, deferred outflows of resources and net position during the fiscal year ended June 30, 2018. Total deferred inflows of resources and liabilities increased during the fiscal year ended June 30, 2018.

Condensed Statement of Activities

	<u>FY 2018</u>	<u>FY 2017</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Operating revenue	\$ 517,885	738,830	(220,945)	-29.90%
Investment income	<u>25,882</u>	<u>18,290</u>	<u>7,592</u>	41.51%
Total revenues	543,767	757,120	(213,353)	-28.18%
Operating expenses	<u>640,099</u>	<u>991,018</u>	<u>(350,919)</u>	(35.41%)
Decrease in net position before special items	(96,332)	(233,898)	137,566	58.81%

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018**

FINANCIAL ANALYSIS OF THE DISTRICT - CONTINUED:

Condensed Statement of Activities - continued:

	<u>FY 2018</u>	<u>FY 2017</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Special items:				
Transfer of funds held in the Lower Pearl River Restoration Fund to the State of Mississippi Department of Finance and Administration	\$ (3,999,940)	-	(3,999,940)	-100.00%
Transfer of cash and cash equivalents to the State of Mississippi Department of Finance and Administration	(150,000)	-	(150,000)	-100.00%
Land, other capital assets and funds transferred to other governmental entities	<u>(1,824,595)</u>	<u>(1,241,994)</u>	<u>(582,601)</u>	-46.91%
Changes in net position	<u>(6,070,867)</u>	<u>(1,475,892)</u>	<u>(4,594,975)</u>	-311.34%
Beginning net position	5,677,467	7,153,359	(1,475,892)	-20.63%
Prior period adjustment	<u>(20,713)</u>	<u>-</u>	<u>(20,713)</u>	-100.00%
Net position at beginning of year, as restated	<u>5,656,754</u>	<u>7,153,359</u>	<u>(1,496,605)</u>	-20.92%
Ending net position	\$ <u>(414,113)</u>	<u>5,677,467</u>	<u>(6,091,580)</u>	-107.29%

While the Statement of Net Position shows the change in financial position, the Statement of Activities provides answers as to the nature and source of these changes. As can be seen from the previous table, total revenues in the amount of \$543,767, operating expenses in the amount of \$640,099, and special items in the amount of \$(5,974,535) resulted in a decrease in net position of \$6,070,867.

BUDGETARY HIGHLIGHTS

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018**

BUDGETARY HIGHLIGHTS - CONTINUED:

For all the District's governmental funds, expenditures on the budgetary basis were \$376,687 less than budgeted expenditures. The District's fund balances reported on the Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds is equal to the fund balances reported on the budget comparison statements.

CAPITAL ASSET AND DEBT ADMINISTRATION

As of June 30, 2018, the District had transferred or disposed of all capital assets including land, land improvements (park grounds and facilities), buildings, machinery and equipment to other governmental entities. There were no additions to capital assets during the year and depreciation for the year was \$50,008. Land, land improvements, buildings and equipment with a net book value of \$1,824,595 were transferred to other governmental entities and machinery and equipment with a net book value of \$7,102 was disposed of during the year.

The District has no outstanding bonds at June 30, 2018.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

In accordance with the provisions of State of Mississippi Legislature House Bill Number 593, the District will be dissolved and the State of Mississippi Department of Finance and Administration will become the agent-in-fact for the District effective July 1, 2018. The District will receive no additional funding and has ceased all operations effective June 30, 2018.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional information, contact the Department of Finance & Administration, 501 N West Street, Suite 1300, Jackson, Mississippi 39201.

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

**STATEMENT OF NET POSITION
JUNE 30, 2018**

	<u>Governmental Activities</u>
<u>ASSETS</u>	
CURRENT ASSETS:	
Cash and cash equivalents	\$ 9,943
Receivables	<u>1,383</u>
Total current assets	<u>11,326</u>
Total assets	<u>11,326</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Pension plan	64,993
Other postemployment benefits	<u>980</u>
Total deferred outflows of resources	<u>65,973</u>
<u>LIABILITIES</u>	
NONCURRENT LIABILITIES:	
Net pension liability	432,208
Net postemployment benefits liability	<u>20,796</u>
Total liabilities	<u>453,004</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Pension plan	37,349
Other postemployment benefits	<u>1,059</u>
Total deferred inflows of resources	<u>38,408</u>
<u>NET POSITION</u>	
Unrestricted (deficit)	<u>(414,113)</u>
Total net position	\$ <u>(414,113)</u>

The accompanying notes are an integral part of this statement.

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

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Total</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>		<u>Governmental Activities</u>
Primary government:						
Governmental activities:						
General government	\$ 541,841	-	-	-	-	(541,841)
Bogue Chitto Water Park	<u>98,258</u>	<u>31,134</u>	<u>-</u>	<u>-</u>	<u>31,134</u>	<u>(67,124)</u>
Total governmental activities	<u>\$ 640,099</u>	<u>31,134</u>	<u>-</u>	<u>-</u>	<u>31,134</u>	<u>(608,965)</u>
General revenues:						
Revenue - member counties						435,123
Interest and investment earnings						25,882
Miscellaneous income						<u>51,628</u>
Total general revenues						512,633
Special items:						
Transfer of funds held in the Lower Pearl River Restoration Fund to the State of Mississippi Department of Finance and Administration						(3,999,940)
Transfer of cash and cash equivalents to the State of Mississippi Department of Finance and Administration						(150,000)
Land, land improvements, buildings and equipment transferred to other governmental entities						<u>(1,824,595)</u>
Total general revenues and special items						<u>(5,461,902)</u>
Change in net position						<u>(6,070,867)</u>
Net position at beginning of year - as previously stated						5,677,467
Prior period adjustment						<u>(20,713)</u>
Net position at beginning of year, as restated						<u>5,656,754</u>
Net position at end of year						\$ <u>(414,113)</u>

The accompanying notes are an integral part of this statement.

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

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018**

	<u>General Fund</u>		<u>Special Revenue Fund</u>	
	<u>Operation and Special Projects Fund</u>	<u>Bogue Chitto Water Park Fund</u>	<u>Lower Pearl River Restoration Trust Fund</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>				
ASSETS:				
Cash and cash equivalents	\$ 9,943	-	-	9,943
Receivables (net, where applicable, of allowance for doubtful accounts)	1,383			1,383
Due from other funds	<u>267,124</u>	<u>-</u>	<u>-</u>	<u>267,124</u>
 Total assets	 \$ <u>278,450</u>	 <u>-</u>	 <u>-</u>	 <u>278,450</u>
<u>LIABILITIES AND FUND BALANCES</u>				
LIABILITIES:				
Due to other funds	\$ <u>-</u>	<u>267,124</u>	<u>-</u>	<u>267,124</u>
Total liabilities	<u>-</u>	<u>267,124</u>	<u>-</u>	<u>267,124</u>
FUND BALANCES:				
Unassigned	<u>278,450</u>	<u>(267,124)</u>	<u>-</u>	<u>11,326</u>
Total fund balances	<u>278,450</u>	<u>(267,124)</u>	<u>-</u>	<u>11,326</u>
 Total liabilities and fund balances	 \$ <u>278,450</u>	 <u>-</u>	 <u>-</u>	 <u>278,450</u>

The accompanying notes are an integral part of this statement.

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

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2018**

TOTAL FUND BALANCES - governmental funds	\$ 11,326
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Amounts reported for governmental activities in the
Statement of Net Position are different because:

Deferred outflows of resources are applicable to
future periods and, therefore, are not reported
in the Governmental Funds Balance Sheet:

Pension plan	64,993
Other postemployment benefits	980

Deferred inflows of resources are applicable to
future periods and, therefore, are not reported
in the Government Funds Balance Sheet:

Pension plan	(37,349)
Other postemployment benefits	(1,059)

Long-term liabilities are not due and payable in the
current period and, therefore, not reported in the
Governmental Funds Balance Sheet:

Net pension liability	(432,208)
Net postemployment benefits liability	<u>(20,796)</u>

NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ <u>(414,113)</u>
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The accompanying notes are an integral part of this statement.

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

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>General Fund</u>		<u>Special Revenue Fund</u>	
	<u>Operation and Special Projects Fund</u>	<u>Bogue Chitto Water Park Fund</u>	<u>Lower Pearl River Restoration Trust Fund</u>	<u>Total Governmental Funds</u>
REVENUES:				
Revenue - member counties	\$ 435,123	-	-	435,123
Interest income	59	19	25,804	25,882
Income from water park	-	31,134	-	31,134
Miscellaneous income	<u>58,730</u>	<u>-</u>	<u>-</u>	<u>58,730</u>
Total revenues	<u>493,912</u>	<u>31,153</u>	<u>25,804</u>	<u>550,869</u>
EXPENDITURES:				
Personal services:				
Salaries, wages, fringe benefits and per diem	121,413	39,739	-	161,152
Travel and subsistence	<u>9,136</u>	<u>-</u>	<u>-</u>	<u>9,136</u>
	<u>130,549</u>	<u>39,739</u>	<u>-</u>	<u>170,288</u>
Contractual services:				
Employee training	975	-	-	975
Communication, transportation and utilities	6,303	16,763	-	23,066
Public information	188	250	-	438
Rents	2,489	623	-	3,112
Repairs and services	20,316	9,650	-	29,966
Fees - professional and other	177,983	1,006	-	178,989
Other contractual services	26,014	5,655	-	31,669
Data processing	<u>418</u>	<u>-</u>	<u>-</u>	<u>418</u>
	<u>234,686</u>	<u>33,947</u>	<u>-</u>	<u>268,633</u>

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

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - CONTINUED:
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>General Fund</u>		<u>Special Revenue Fund</u>	
	<u>Operation and Special Projects Fund</u>	<u>Bogue Chitto Water Park Fund</u>	<u>Lower Pearl River Restoration Trust Fund</u>	<u>Total Governmental Funds</u>
EXPENDITURES - CONTINUED:				
Commodities:				
Maintenance, printing and office supplies and materials	\$ 811	857	-	1,668
Equipment repair, parts and supplies	2,605	1,982	-	4,587
Other supplies and materials	<u>341</u>	<u>3,519</u>	<u>-</u>	<u>3,860</u>
	<u>3,757</u>	<u>6,358</u>	<u>-</u>	<u>10,115</u>
Subsidies, loans and grants to agencies, institutions and political subdivisions:				
Recreation program grants:				
Marion County	14,039	-	-	14,039
Leake County	15,000	-	-	15,000
Walthall County	15,000	-	-	15,000
Pearl River County	11,169	-	-	11,169
Pike County	15,000	-	-	15,000
Scott County	15,000	-	-	15,000
Simpson County	<u>15,000</u>	<u>-</u>	<u>-</u>	<u>15,000</u>
	<u>100,208</u>	<u>-</u>	<u>-</u>	<u>100,208</u>
Total expenditures	<u>469,200</u>	<u>80,044</u>	<u>-</u>	<u>549,244</u>
NET CHANGE IN FUND BALANCES BEFORE SPECIAL ITEM	24,712	(48,891)	25,804	1,625
SPECIAL ITEM:				
Transfer of cash, cash equivalents and investments to the State of Mississippi Department of Finance and Administration	<u>(150,000)</u>	<u>-</u>	<u>(3,999,940)</u>	<u>(4,149,940)</u>
NET CHANGE IN FUND BALANCES	(125,288)	(48,891)	(3,974,136)	(4,148,315)
FUND BALANCES AT BEGINNING OF YEAR	<u>403,738</u>	<u>(218,233)</u>	<u>3,974,136</u>	<u>4,159,641</u>
FUND BALANCES AT END OF YEAR	<u>\$ 278,450</u>	<u>(267,124)</u>	<u>-</u>	<u>11,326</u>

The accompanying notes are an integral part of this statement.

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

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018**

NET CHANGE IN FUND BALANCES - total governmental funds	\$ (4,148,315)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Long-term liabilities that were paid during the year	
Compensated absences	14,220
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	(50,008)
The net effect of other miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position	(7,102)
Capital assets are not reported on the governmental fund statements but are reported on the government-wide statements. The transfer of capital assets to another governmental entity is reflected in the Statement of Activities as a reduction in net position. Transfer of land, land improvements, buildings and and equipment to other governmental entities.	(1,824,595)
Governmental funds report the expense for employee retirement benefits as the amount incurred and due based on the applicable percent of compensation paid during the fiscal year. However, in the Statement of Activities the current year expense is based on the net change in the liability for pension benefits and the change in net deferred outflows and inflows of resources related to the pension plan.	(54,905)
Governmental funds do not report an expense for other post- employment benefits since no funds are currently expended. However, in the Statement of Activities the current year expense is based on the net change in the liability for other postemployment benefits and the change in net deferred outflows and inflows of resources related to the other postemployment benefits.	<u>(162)</u>
CHANGE IN NET POSITION - Statement of Activities	\$ <u>(6,070,867)</u>

The accompanying notes are an integral part of this statement.

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

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Reporting Entity

The Pearl River Basin Development District (the District) was created and exists pursuant to the provisions of Chapter 255, General Laws of Mississippi of 1964, as amended. The District is a component unit of the State of Mississippi for financial reporting purposes. The State of Mississippi has substantive authority to approve and modify the District's budget. The purpose of the District is for the preservation, conservation, storage and regulation of the waters of the Pearl River and its tributaries and their overflow waters for domestic, commercial, municipal, industrial, flood control, timber management, irrigation, navigation, and pollution abatement, and for the preservation, conservation and development of the soil of the Pearl River Basin. The organizational meeting was held on November 13, 1964 and the District officially began business on January 1, 1965. For the fiscal year ended June 30, 2018, the District is comprised of eight member counties located in the Pearl River Basin and is primarily supported by annual revenue from the member counties in an amount equal to a .25 mill tax on the assessed valuation of all property located in each member county. The District is supported by, and is economically dependent upon, payment from its member counties.

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

Seven member counties have complied with the provisions of House Bill Number 1029 and have formally withdrawn from the District as of June 30, 2018. Two of the member counties withdrew effective July 1, 2002. These members were responsible for 4.66% of the support received from all member counties for the 2002 fiscal year. The third member county withdrew effective July 1, 2003. This member county was responsible for 19.83% of the support received from all member counties for the 2003 fiscal year. In addition, a fourth member withdrew from the District effective July 1, 2004. This member county was responsible for 4.18% of the support received from all member counties for the 2004 fiscal year. Effective July 1, 2009, a fifth member county complied with the provisions of the law and formally withdrew from the District. This member county was responsible for 44.83% of the support received from all member counties for the 2009 fiscal year. Another member complied with the provisions of the law and formally withdrew from the District effective July 1, 2016. This member county was responsible for 22.18% of the support received from all member counties for the 2016 fiscal

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

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

A. Description of the Reporting Entity - continued:

year. One additional member has complied with the provisions of the law and formally withdrew from the District effective July 1, 2017. This member county was responsible for 9.05% of the support received from all member counties for the 2017 fiscal year.

With the continued withdrawal of member counties and decrease in revenues the District's board of directors decided to cease all operations and transfer all capital assets and all contractual obligations to other governmental entities during the year ended June 30, 2018. During the 2018 legislative session the State of Mississippi Legislature passed House Bill number 593 which provides for the orderly dissolving of the District and authorizes the State of Mississippi Department of Finance and Administration to be the Agent-In-Fact for the District effective July 1, 2018.

B. Basis of Accounting/Measurement Focus

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

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

Government-Wide Financial Statements

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

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

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

B. Basis of Accounting/Measurement Focus - continued:

Government-Wide Financial Statements - continued:

These statements are presented on an “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all the District’s assets, deferred outflows of resources, liabilities and deferred inflows of resources are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. The types of transactions reported as program revenues for the District are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions. Certain eliminations have been made in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Position have been eliminated.

Governmental Fund Financial Statements

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

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

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

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

B. Basis of Accounting/Measurement Focus - continued:

Governmental Fund Financial Statements - continued:

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

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

Lower Pearl River Restoration Trust Fund - This special revenue fund was established during the year ended June 30, 2000, with principal provided by bond proceeds transferred from the Mississippi Department of Wildlife, Fisheries and Parks (MDWFP). The funds which were to be used to provide for the operation, maintenance, repair, replacement and rehabilitation costs incurred by the District for the Lower Pearl River Restoration Project were transferred to the State of Mississippi Department of Finance and Administration in June, 2018.

C. Deferred Outflows/Inflows of Resources

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

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

D. Cash, Cash Equivalents and Investments

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

**PEARL RIVER BASIN DEVELOPMENT DISTRICT
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**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

D. Cash, Cash Equivalents and Investments - continued:

used for those securities for which market quotations are readily available. For securities that lack readily available market quotations, reasonable estimates of fair value are used based on the market value of similar investments. The District generally holds all investments until maturity or until market values equal or exceed costs.

E. Budget

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

1. Approximately one year before a fiscal year begins, the District prepares a proposed operating budget for that year. The operating budget includes proposed expenditures and the means of financing them.
2. At the beginning of August, this proposed budget for the fiscal year commencing the following July is submitted to the Department of Finance and Administration and the Legislative Budget Office. Budget hearings are conducted resulting in recommendations for changes.

In January, the proposed budget and the recommendations proposed by the Department of Finance and Administration and the Legislative Budget Office are presented to the appropriate legislative committees. These committees make any revisions they deem necessary or appropriate. Prior to March 30, the budget is legally enacted through passage of a statute.

3. The District is authorized to transfer budgeted amounts between major expenditure classifications on a limited basis subject to approval by the Department of Finance and Administration. Also, the District can go before the Legislature in January and request an increase for the current year.

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

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

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

F. Encumbrances

As of June 30, 2018, the District had no encumbered amounts in the Operation and Special Projects Fund that they intended to honor in subsequent years.

G. Capital Assets

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

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

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

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

H. Compensated Absences

The District accrues a liability for employees' rights to receive compensation for future absences when certain conditions are met. These conditions arise primarily from vacation benefits that employees have earned but have not taken. The District uses the LIFO method of accounting for these compensated absences. All compensated absences previously recorded as a liability in the Government-Wide Financial Statements were transferred to other governmental entities or fully paid as of June 30, 2018.

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

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

I. Pensions

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

J. Special Items

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

K. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 – SPECIAL ITEMS - DISSOLUTION OF THE DISTRICT

In accordance with House Bill Number 593 which was passed by the State of Mississippi Legislature during the 2018 session the District is to be effectively dissolved as of July 1, 2018 with the State of Mississippi Department of Finance and Administration becoming the Agent-In-Fact for the District on that date. The legislation provides for the transfer of all the District's assets and obligations to other governmental entities during the fiscal year ended June 30, 2018. All land, land improvement and building and improvement (Parks) were transferred to the various local counties or cities in which the property is located. The District's investment in the office building and related assets located in Hinds County, which served as its primary offices, was transferred to the State of Mississippi Department of Finance and Administration.

The capital assets transferred to other governmental entities during the year ended June 30, 2018 is detailed below:

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

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 2 - DISSOLUTION OF THE DISTRICT - CONTINUED:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Book Value</u>
<u>Capital Assets Transferred</u>			
Land	\$ 636,985	-	636,985
Land improvements	2,612,135	1,841,275	770,860
Buildings and improvements	729,801	354,549	375,252
Machinery and equipment	<u>132,712</u>	<u>91,214</u>	<u>41,498</u>
	<u>\$ 4,111,633</u>	<u>2,287,038</u>	<u>1,824,595</u>

In February 2018, all cash, cash equivalents and investments held in the Lower Pearl River Restoration Trust Fund in the amount of \$3,999,940 was transferred to the State of Mississippi Department of Finance and Administration. In addition, the District transferred \$150,000 of excess cash funds to the Department of Finance and Administration in June 2018.

NOTE 3 - CASH AND CASH EQUIVALENTS

The composition of the District's cash and cash equivalents is as follows at June 30, 2018:

	<u>Primary Government</u>
Deposits in banks	\$ 9,943

The District's cash and cash equivalents for the primary government at June 30, 2018 are reported as follows:

	<u>Governmental Activities</u>
Cash and cash equivalents	\$ 9,943

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

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 3 - CASH AND CASH EQUIVALENTS - CONTINUED:

Deposits

The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the District's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation. Deposits at June 30, 2018 are summarized as follows:

	<u>Reported Amount</u>	<u>Bank Balance</u>
Cash and cash equivalents	\$ 9,943	171,554

The difference of \$161,611 was principally due to outstanding checks. The entire bank balance was covered by Federal Depository Insurance.

Custodial Credit Risk - Deposits - Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2018, none of the District's bank balance of \$171,554 was exposed to custodial credit risk.

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

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

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

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

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 3 - CASH AND CASH EQUIVALENTS - CONTINUED:

Deposits - continued:

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

NOTE 4 - ACCOUNTS RECEIVABLE

Member Counties

Accounts receivable - member counties at June 30, 2018 totaled \$-0-. All receivables due at June 30, 2017 were collected during the current fiscal year along with the annual assessment due during the current fiscal year.

Federal and Local Grants

During the year ended June 30, 2018, the District did not receive any Federal or local grants.

NOTE 5 - CAPITAL ASSETS

The District reports all capital assets in the Government-Wide Statement of Net Position. For the fiscal year ended June 30, 2018, depreciation expense on capital assets was charged to the general government on the Statement of Activities in the amount of \$50,008.

Capital assets of the District for the year ended June 30, 2018 consisted of the following:

	Balance 07-01-17	Increases	Decreases	Balance 06-30-18
Land	\$ 636,985	-	(636,985)	-
Land improvements	2,612,135	-	(2,612,135)	-
Buildings and improvements	729,801	-	(729,801)	-
Machinery and equipment	<u>204,900</u>	<u>-</u>	<u>(204,900)</u>	<u>-</u>
Total capital assets	<u>4,183,821</u>	<u>-</u>	<u>(4,183,821)</u>	<u>-</u>

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

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 5 - CAPITAL ASSETS - CONTINUED:

	<u>Balance</u> <u>07-01-17</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>06-30-18</u>
Less accumulated depreciation for:				
Land improvements	\$ 1,815,775	25,500	(1,841,275)	-
Buildings and improvements	343,481	11,068	(354,549)	-
Machinery and equipment	<u>142,860</u>	<u>13,440</u>	<u>(156,300)</u>	<u>-</u>
Total accumulated depreciation	<u>2,302,116</u>	<u>50,008</u>	<u>(2,352,124)</u>	<u>-</u>
Total Governmental activities capital assets - net	\$ <u>1,881,705</u>	<u>(50,008)</u>	<u>(1,831,697)</u>	<u>-</u>

NOTE 6 - COMPENSATED ABSENCES

The District's policy relating to compensated absences is described in Note 1. As shown in the table below, the total amount outstanding at June 30, 2018 is \$-0-. The entire amount was either paid by the District or transferred to other governmental entities as a result of the District being dissolved effective July 1, 2018.

	<u>Balance</u> <u>07-01-17</u>	<u>Change</u>	<u>Balance</u> <u>06-30-18</u>
Governmental activities:			
Compensated absences	\$ <u>14,220</u>	<u>(14,220)</u>	<u>-</u>

NOTE 7 - INTERFUND BALANCES

Interfund balances at June 30, 2018 consisted of the following amounts:

<u>Due To</u>	<u>Due From</u>	<u>Amount</u>
Operation and Special Projects Fund	Bogue Chitto Water Park Fund	\$ <u>267,124</u>

The interfund balance will be eliminated on July 1, 2018 with the dissolution of the District.

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

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 8 - DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

Plan Description. The District contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005, by calling (601) 359-3589 or 1-800-444-PERS, or by visiting online at www.pers.ms.gov.

Benefits Provided. Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi (the State), state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Members and employers are statutorily required to contribute certain percentages of salaries and wages as specified by the Board of Trustees. A member who terminates employment from all covered employers and who is not eligible to receive monthly retirement benefits may request a full refund of his or her accumulated member contributions plus interest. Upon withdrawal of contributions, a member forfeits service credit represented by those contributions. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. A member may elect a reduced retirement allowance payable for life with the provision that, after death, a beneficiary receives benefits for life or for a specified number of years. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. In the event of death prior to retirement of any

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

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 8 - DEFINED BENEFIT PENSION PLAN - CONTINUED:

General Information about the Pension Plan - continued:

member whose spouse and/or children are not entitled to a retirement allowance, the deceased member's accumulated contributions and interest are paid to the designated beneficiary. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter.

For the year ended June 30, 2018, the District's total payroll for all employees was \$219,127. Total covered payroll was \$167,479. Covered payroll refers to all compensation paid by the District to active employees covered by the Plan.

Contributions: PERS members are required to contribute 9.00% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The rate for the year ended June 30, 2018 was 15.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The District's contributions to PERS for the fiscal years ended June 30, 2018, 2017 and 2016 were \$26,378, \$27,002, and \$27,057, respectively, which equaled the required contributions for each year.

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

At June 30, 2018, the District reported a liability of \$432,208 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2018, the District's proportion was 0.002672 percent, which was an increase of 0.000002 percent from its proportion measured as of June 30, 2017. The net position liability will not be satisfied by the District as a result of the District being dissolved effective July 1, 2018. The liability will be reallocated to other governmental entities participating in PERS during the fiscal year ended June 30, 2019.

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

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 8 - DEFINED BENEFIT PENSION PLAN - CONTINUED:

For the year ended June 30, 2018, the District recognized pension expense of \$81,283. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual results	\$ 5,643	3,154
Changes in assumptions	9,606	800
Net difference between projected and actual earnings on Plan investments	39,282	33,395
District contributions subsequent to the measurement date	<u>10,462</u>	<u>-</u>
Total	\$ <u>64,993</u>	<u>37,349</u>

The deferred outflows of resources and deferred inflows of resources detailed above will be reallocated to other governmental entities during the fiscal year ended June 30, 2019 as a result of the District being dissolved effective July 1, 2018.

Actuarial Assumptions. The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00 percent
Salary increases	3.25-18.50 percent, including inflation
Investment rate of return	7.75 percent, net of Plan investment expense, including inflation

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the four year period ending June 30, 2016. As a result of the experience report which is dated April 18, 2017, the Board of Trustees adopted assumptions for PERS since the last measurement date.

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

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 8 - DEFINED BENEFIT PENSION PLAN - CONTINUED:

In 2015 and later, the expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2022 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015. In 2015, the expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015. Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual and anticipated experience. Finally, the price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75%, respectively.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Broad	27.00%	4.60%
International Equity	18.00%	4.50%
Emerging Markets Equity	4.00%	4.75%
Global	12.00%	4.75%
Fixed Income	18.00%	.75%
Real Estate	10.00%	3.50%
Private Equity	8.00%	5.10%
Emerging Markets	2.00%	2.25%
Cash	<u>1.00%</u>	0%
Total	<u>100.00%</u>	

Discount Rate. The discount rate used to measure the total pension liabilities was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at the current employer contribution rate (15.75%). Based on those assumptions,

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

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 8 - DEFINED BENEFIT PENSION PLAN - CONTINUED:

the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on investments was applied to all periods of projected benefit payments to determine the plan's total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following table presents the District's proportionate share of the net pension liability of PERS based on the June 30, 2017, actuarial valuations, calculated using the discount rate of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent) or one percentage point higher (8.75 percent) than the current rate:

	<u>District's Proportionate Share of Net Pension Liability</u>
1.00% decrease (6.75%)	\$ 566,870
Current discount rate (7.75%)	432,208
1.00% increase (8.75%)	320,410

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

NOTE 9 - POSTEMPLOYMENT BENEFITS

During the current fiscal year beginning July 1, 2017 the District adopted GASB Statement No. 75, *Accounting and Financial Reporting For Postemployment Benefits Other Than Pensions*, which is effective for fiscal years beginning after June 15, 2017. The Statement will improve accounting and financial reporting by state and local government for postemployment benefits other than pensions (OPEB). It also improves information provided by state and local governmental employees about financial support for OPEB that is provided by other entities.

The employees of the District are eligible to participate in the State of Mississippi State and School Employees' Life and Health Insurance Plan (the Plan). The following brief description is provided for general information purposes only. Participants should refer to Title 25 Chapter 15 of the Mississippi statutes as amended or the Plan Document for more complete information.

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

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 9 - POSTEMPLOYMENT BENEFITS - CONTINUED:

The Plan was established by Section 25-15-3 et seq., Mississippi Code Ann. (1972), which may be amended by the State Legislature. The State and School Employees' Health Insurance Management Board (the Board) administers the Plan. The Plan is self-insured and is financed through premiums collected from employers, employees, retirees and COBRA participants. The Plan is maintained solely for the benefit of eligible employees, dependents and retirees. The Plan is a fund of the State of Mississippi (the State).

The 14-member board, which administers the plan, is comprised of the Chairman of the Workers' Compensation Commission; the State Personnel Director; the Commissioner of Insurance; the Commissioner of Higher Education; the State Superintendent of Public Education; the Executive Director of the Department of Finance and Administration; the Executive Director of the Mississippi Community College Board; the Executive Director of the Public Employees Retirement System; two appointees of the governor; the Chairman of the Senate Insurance Committee, or his designee; the Chairman of the House of Representatives Insurance Committee; or his designee; the Chairman of the Senate Appropriations committee, or his designee; and the Chairman of the House of Representatives' Appropriations Committee, or his designee. The Board has a fiduciary responsibility to manage the funds of the Plan. The Plan maintains a budget approved by the Board.

The Plan provides for Other Postemployment Benefits (OPEB) as a multiple-employer defined benefit OPEB plan for units of state government, political subdivisions, community colleges and school districts. A trust was created June 28, 2018 for the OPEB Plan and, while no trust was in place for the June 30, 2017 plan year-end, for purposes of comparability for future periods, terminology used herein is based on the plan being a cost-sharing multiple-employer defined benefit OPEB plan. Benefits of the OPEB Plan consist of an implicit rate subsidy, which is essentially the difference between the average cost of providing health care benefits to retirees under age 65 and the average cost of providing health care benefits to all participants when premiums paid by retirees are not age-adjusted.

Employees' premiums are funded primarily by their employers. Retirees must pay their own premiums, as do active employees for spouse and dependent medical coverage. The Board has the sole authority for setting life and health insurance premiums for the Plan.

Per Section 12-15-15 (10) Mississippi Code Ann. (1972), a retired employee electing to purchase retiree life and health insurance will have the full cost of such insurance premium deducted monthly from his state retirement plan check or direct billed for the cost of the premium if the retirement check is insufficient to pay for the premium. If the Board determined actuarially that the premium paid by the participating retirees adversely affects the overall cost of the Plan to the State, then the Board may impose a premium surcharge, not to exceed 15%,

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

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 9 - POSTEMPLOYMENT BENEFITS - CONTINUED:

upon such participating retired employees who are under the age for Medicare eligibility and who are initially employed before January 1, 2006. For participating retired employees who are under the age for Medicare eligibility and who are initially employed on or after January 1, 2006, the Board may impose a premium surcharge in an amount the Board determined actuarially to cover the full cost of insurance.

Pursuant to the authority granted by Mississippi Statute, the Board has the authority to establish and change premium rates for the participants, employers and other contributing entities. An outside consulting actuary advises the Board regarding changes in premium rates. If premium rates are changed, they generally become effective at the beginning of the next calendar year or next fiscal year.

Plan participants are not subject to supplemental assessment in the event of a premium deficiency. At the time of premium payment, the risk of loss due to incurred benefit costs is transferred from the participant to the Plan. If the assets of the Plan were to be exhausted, participants would not be responsible for the Plan's liabilities.

At June 30, 2017, the Plan provided health coverage to 334 employer units.

At June 30, 2018, the District reported a liability of \$20,796 for its proportionate share of the total net OPEB liability under the Plan. This amount is based on the District having three employees eligible to participate in the Plan. For the year ended June 30, 2018, the District recognized an OPEB expense in the amount of \$1,048. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Difference between expected and actual results	\$ -	-
Changes in assumptions	-	1,059
Net difference between projected and actual earnings on Plan investments	-	-
Changes in proportion and differences between District contributions and proportionate share of contributions	93	-
District contributions subsequent to the measurement date	<u>887</u>	<u>-</u>
Total	\$ <u><u>980</u></u>	<u><u>1,059</u></u>

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

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 9 - POSTEMPLOYMENT BENEFITS - CONTINUED:

The net OPEB liability, deferred outflows of resources and deferred inflows of resources will be reallocated to other governmental entities effective July 1, 2018 as a result of the dissolution of the District on that date.

The requirements of GASB Statement No. 75 incorporate provisions intended to reflect the effects of transactions and events related to OPEB in the measurement of employer liabilities for OPEB and recognition of OPEB expense and deferred outflows of resources related to OPEB.

Actuarial Methods and Assumptions

	<u>June 30, 2016</u>	<u>June 30, 2017</u>
Actuarial valuation date	June 30, 2016	June 30, 2017
Measurement date	June 30, 2016	June 30, 2017
Experience study	April 18, 2017	April 18, 2017
Actuarial assumptions:		
Actuarial cost method	Entry Age Normal	Entry Age Normal
Inflation rate	3.00%	3.00%
Long-term expected rate of return	NA	NA
Discount rate	3.01%	3.56%
Projected cash flows	NA	NA
Projected salary increases	3.25% - 18.50%	3.25% - 18.50%
Retiree health care participation		
Healthcare cost trend rates	7.75% decreasing to 5.00% by 2023	7.75% decreasing to 5.00% by 2023

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision, as actual results are compared to past expectations and new estimates are made about the future.

Discount Rate. The discount rate used to measure the total OPEB liability at June 30, 2016 and June 30, 2017 was based on an average of the Bond Buyer General Obligation 20-year Municipal Bond Index Rates during the month of June published at the end of each week by the Bond Buyer.

Long-term Expected Rate of Return. Since no trust was set up as of June 30, 2017, there is no projection of cash flows for the Plan and no long-term expected rate of return on plan assets.

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

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 9 - POSTEMPLOYMENT BENEFITS - CONTINUED:

Mortality. Both pre-retirement and post-retirement mortality rates were based on the RP 2014 Healthy Annuitant Blue Collar Table projected with Scale BB to 2022, male rates set forward 1 year and adjusted by 106% for males at all ages, and females adjusted to 90% for ages less than 76, 95% for age 76, 105% for age 78 and 110% for ages 79 and greater. Post-disability mortality rates were based on the RP 2014 Disabled Retiree Mortality Table set forward 4 years for males and 3 years for females.

Deferred Inflows of Resources and Deferred Outflows of Resources. Deferred inflows of resources and deferred outflows of resources are calculated at the plan level and are allocated to employers based on their proportionate share. For the measurement period ended June 30, 2017, there were:

- Changes in employer proportion since the prior measurement date (employer specific deferral)
- No differences between expected and actual experience
- Changes of assumptions or other inputs
- No net difference between projected and actual earnings on OPEB plan investments

Changes in employer proportion, an employer specific deferral, is amortized over the average remaining service lives of all plan participants, including retirees, determined as of the beginning of the respective measurement period. The average remaining service life determined as of the beginning of the June 30, 2017 measurement period is 6.7 years. Employers are required to recognize pension expense based on their proportionate share of collectible OPEB expense plus amortization of employer specific deferrals.

Collective OPEB Expense

Service cost	\$ 588
Interest cost on the total OPEB liability and cash flow	649
Current-period benefit changes	-
Expensed portion of current-period difference in expected and actual experience	-
Expense portion of current-period changes in assumptions	(189)
Member contributions	-
Projected earnings on plan investments	-

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

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 9 - POSTEMPLOYMENT BENEFITS - CONTINUED:

Collective OPEB Expense - continued:

Expensed portion of current-period difference between actual and projected earnings on plan investments	\$ -
Administrative expenses	-
Other	-
Recognition of beginning deferred outflows of resources as OPEB expense	-
Recognition of beginning deferred inflows of resources as OPEB expense	-
Collective OPEB expense	<u>\$ 1,048</u>

Health Care Cost Trend Rates

	<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
Net OPEB liability	\$ 19,206	20,796	22,611

Discount Rate Sensitivity

	<u>1% Decrease</u> <u>2.56%</u>	<u>Current</u> <u>Discount</u> <u>Rate 3.56%</u>	<u>1% Increase</u> <u>4.56%</u>
Net OPEB liability	\$ 21,342	20,796	20,384

OPEB Plan Fiduciary Net Position

The fiduciary net position for the OPEB plan was zero as of June 30, 2017, the measurement date. Therefore, no separately issued financials were prepared. Detailed information about the OPEB plan's fiduciary net position for June 30, 2018 and going forward will be available in separately issued financial reports available on the Mississippi Department of Finance and Administration's website.

NOTE 10 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District carries

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

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 10 - RISK MANAGEMENT - CONTINUED:

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

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

NOTE 11 - COMMITMENTS AND CONTINGENCIES

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

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

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

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 11 - COMMITMENTS AND CONTINGENCIES - CONTINUED:

As a result of the District being dissolved effective July 1, 2018 all funds held by the District in the Lower Pearl River Restoration Trust Fund were transferred to the Mississippi Department of Finance and Administration prior to June 30, 2018 and all obligations of the District under agreements for this project have been assumed by the State of Mississippi Department of Environmental Quality or other state entity.

NOTE 12 - NET POSITION

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

Net investment in capital assets - This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets. The District had no capital assets or outstanding debt attributed to capital assets as of June 30, 2018.

Restricted net position - This amount is restricted by creditors, grantors, contributors, or laws or regulations of other governments. The District had no restricted funds as of June 30, 2018.

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

NOTE 13 - FUND BALANCE REPORTING

Authoritative guidance provides for two major types of fund balances, which are nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. Examples of this classification are prepaid items, inventories, and principal (corpus) of an endowment fund. The District has no items included in fund balances that are deemed to be nonspendable.

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

- Restricted: fund balances that are constrained by external parties, constitutional provisions, or enabling legislation.

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

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 13 - FUND BALANCE REPORTING - CONTINUED:

- Committed: fund balances that contain self-imposed constraints of the government from its highest level of decision making authority.
- Assigned: fund balances that contain self-imposed constraints of the government to be used for a particular purpose.
- Unassigned: fund balance of the general fund that is not constrained for any particular purpose.

Amounts for specific purposes by fund and fund balance classifications for the year ended June 30, 2018, are as follows:

<u>Classification/Fund</u>	<u>Amount</u>
Unassigned:	
Operation and Special Projects Fund	\$ 278,450
Bogue Chitto Water Park	<u>(267,124)</u>
	<u>\$ 11,326</u>

NOTE 14 - DEFICIT FUND EQUITY

For the year ended June 30, 2018, the following funds had deficit fund balances:

	<u>Fund Deficit</u>
General Fund:	
Bogue Chitto Water Park Fund	\$ <u>(267,124)</u>

This deficit fund balance is offset by the positive fund balance per the General Fund - Operation and Special Projects Fund. As a result of the dissolution of the District as of July 1, 2018, the deficit fund balance will be satisfied by the positive fund balances in the Operation and Special Projects Fund.

NOTE 15 - PRIOR PERIOD ADJUSTMENT

The District has restated prior year government-wide net position for the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (see Note 9 for additional details regarding the implementation of GASB 75).

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

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 15 - PRIOR PERIOD ADJUSTMENT - CONTINUED:

The following summarizes the prior period adjustments referred to above.

<u>Government-Wide Governmental Activities - Net Position</u>	
Balance, June 30, 2017, as previously reported	\$ 5,677,467
Prior period adjustment for:	
Net liability for other postemployment benefits	(21,531)
Fiscal year 2017 implicit rate subsidy	<u>818</u>
Balance, June 30, 2017, as restated	\$ <u>5,656,754</u>
Total decrease in governmental activities net position	\$ <u>(20,713)</u>

NOTE 16 - SUBSEQUENT EVENTS

The District had no additional subsequent events of a material nature requiring adjustment to or disclosure in the financial statements through January 10, 2019, the date the financial statements were approved by the District's management and thereby available to be issued.

REQUIRED SUPPLEMENTAL INFORMATION
OTHER THAN MD&A

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

**OPERATION AND SPECIAL PROJECTS FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance -</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary Basis</u>	<u>Favorable</u> <u>(Unfavorable)</u>
REVENUES	\$ <u>444,906</u>	<u>444,906</u>	<u>555,138</u>	<u>110,232</u>
EXPENDITURES:				
Current:				
Personal services:				
Salaries, wages, fringe benefits and per diem	127,878	127,878	121,413	6,465
Travel and subsistence	20,000	20,000	9,136	10,864
Contractual services	230,000	230,000	216,487	13,513
Commodities	15,000	15,000	3,757	11,243
Capital outlay:				
Equipment	20,000	20,000	-	20,000
Subsidies, loans, and grants to agencies, institutions and political subdivisions	<u>368,410</u>	<u>368,410</u>	<u>100,208</u>	<u>268,202</u>
Total expenditures	<u>781,288</u>	<u>781,288</u>	<u>451,001</u>	<u>330,287</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES BEFORE SPECIAL ITEM	(336,382)	(336,382)	104,137	440,519
SPECIAL ITEM:				
Transfer of cash, cash equivalents and investments to the State of Mississippi Department of Finance and Administration	<u>-</u>	<u>-</u>	<u>(150,000)</u>	<u>(150,000)</u>
NET CHANGE IN FUND BALANCE	(336,382)	(336,382)	(45,863)	290,519
FUND BALANCE AT BEGINNING OF YEAR	<u>324,313</u>	<u>324,313</u>	<u>324,313</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	\$ <u>(12,069)</u>	<u>(12,069)</u>	<u>278,450</u>	<u>290,519</u>

See accompanying notes to required supplementary information schedules.

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

**BOGUE CHITTO WATER PARK FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance -</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary Basis</u>	<u>Favorable (Unfavorable)</u>
REVENUES	\$ 100,050	100,050	31,153	(68,897)
EXPENDITURES	<u>124,622</u>	<u>124,622</u>	<u>78,222</u>	<u>46,400</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(24,572)	(24,572)	(47,069)	22,497
FUND BALANCE AT BEGINNING OF YEAR	<u>(220,055)</u>	<u>(220,055)</u>	<u>(220,055)</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	\$ <u>(244,627)</u>	<u>(244,627)</u>	<u>(267,124)</u>	<u>22,497</u>

See accompanying notes to required supplementary information schedules.

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

**LOWER PEARL RIVER RESTORATION TRUST FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance -</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary Basis</u>	<u>Favorable (Unfavorable)</u>
REVENUES	\$ _____ -	_____ -	<u>32,831</u>	<u>32,831</u>
EXPENDITURES				
Current:				
Contractual services	_____ -	_____ -	_____ -	_____ -
Total expenditures	_____ -	_____ -	_____ -	_____ -
EXCESS OF REVENUES OVER EXPENDITURES	-	-	32,831	32,831
SPECIAL ITEM:				
Cash, cash equivalents and investments transferred to the State of Mississippi Department of Finance and Administration	_____ -	_____ -	<u>(3,999,940)</u>	<u>(3,999,940)</u>
NET CHANGE IN FUND BALANCE	-	-	<u>(3,967,109)</u>	<u>(3,967,109)</u>
FUND BALANCE AT BEGINNING OF YEAR	<u>3,967,109</u>	<u>3,967,109</u>	<u>3,967,109</u>	_____ -
FUND BALANCE AT END OF YEAR	\$ <u>3,967,109</u>	<u>3,967,109</u>	_____ -	<u>(3,967,109)</u>

See accompanying notes to required supplementary information schedules.

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

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

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
District's proportionate share of the collective net pension liability	*	*	*	*	*	*	\$ 319,719	401,909	464,425	432,208
District's proportion share of the collective net pension liability	*	*	*	*	*	*	.0026%	.0026%	.0026%	.0026%
District's covered payroll	*	*	*	*	*	*	\$ 162,165	171,789	171,438	167,479
District's proportionate share of the collective net pension liability as a percentage of the District's covered payroll	*	*	*	*	*	*	197.16%	233.96%	270.90%	258.07%
PERS fiduciary net position as a percentage of the total pension liability	*	*	*	*	*	*	67.21%	61.70%	57.74%	61.49%

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

** The amounts presented for each fiscal year were determined as of the measurement date of 6/30 of the year prior to the fiscal year presented.

See accompanying notes to required supplementary information schedules.

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

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

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Actuarially determined employer contribution	*	*	*	*	*	*	\$ 25,541	27,057	27,002	26,378
Contributions in relation to the actuarially determined contributions	*	*	*	*	*	*	<u>25,541</u>	<u>27,057</u>	<u>27,002</u>	<u>26,378</u>
Annual contribution deficiency (excess)	*	*	*	*	*	*	\$ <u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered payroll	*	*	*	*	*	*	\$ 162,165	171,789	171,438	167,479
Actual contributions as a percentage of covered payroll	*	*	*	*	*	*	15.75%	15.75%	15.75%	15.75%

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

The amounts presented for each fiscal year were determined as of the employer's fiscal year end.

See accompanying notes to required supplementary information schedules.

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

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
LAST 10 FISCAL YEARS ***

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
District's proportionate share of the net OPEB liability	*	*	*	*	*	*	*	*	*	\$ 20,796
District's proportion share of the net OPEB liability	*	*	*	*	*	*	*	*	*	.0026%
District's covered employee payroll	*	*	*	*	*	*	*	*	*	167,479
District's proportionate share of the net OPEB liability as a percentage of the District's covered employee payroll	*	*	*	*	*	*	*	*	*	12.42%
PERS fiduciary net position as a percentage of the total OPEB liability	*	*	*	*	*	*	*	*	*	0.00%

* Information is unavailable for years prior to the District's implementation of GASB 68 in fiscal year 2018.

** The amounts presented for each fiscal year were determined as of the measurement date of 6/30 of the year prior to the fiscal year presented.

See accompanying notes to required supplementary information schedules.

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

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

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Actuarially determined employer contribution	*	*	*	*	*	*	*	*	*	\$ 887
Contributions in relation to the actuarially determined contributions	*	*	*	*	*	*	*	*	*	<u>887</u>
Annual contribution deficiency (excess)	*	*	*	*	*	*	*	*	*	<u>-</u>
District's covered payroll	*	*	*	*	*	*	*	*	*	167,479
Actual contributions as a percentage of covered payroll	*	*	*	*	*	*	*	*	*	0.53%

* Information is unavailable for years prior to the District's implementation of GASB 68 in fiscal year 2018.

The amounts presented for each fiscal year were determined as of the employer's fiscal year end.

See accompanying notes to required supplementary information schedules.

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

**NOTES TO REQUIRED SUPPLEMENTAL INFORMATION SCHEDULES
YEAR ENDED JUNE 30, 2018**

Budgetary Comparison Schedules

NOTE A - BASIS OF PRESENTATION

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

NOTE B - BUDGET-TO-ACTUAL RECONCILIATION

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

	Operation and Special Projects Fund	Bogue Chitto Water Park	Lower Pearl River Restoration Trust Fund
Fund balance - budgetary basis	\$ 278,450	(267,124)	-
Add accrued revenue for current year	-	-	-
Prepaid expenses	-	-	-
Less: Amounts paid 30 days or more after year end	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - GAAP basis	\$ <u>278,450</u>	<u>(267,124)</u>	<u>-</u>

Pension Schedules

NOTE A - VALUATION DATE

Actuarially determined contribution rates are calculated as of June 30, 2017, twelve months prior to the end of the fiscal year in which the contributions are reported.

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

**NOTES TO REQUIRED SUPPLEMENTAL INFORMATION SCHEDULES
YEAR ENDED JUNE 30, 2018**

Pension Schedules - continued:

NOTE B - CHANGES OF BENEFIT TERMS

None.

NOTE C - CHANGES IN ASSUMPTION

The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Mortality Table projected with Scale BB to 2022. Small adjustments were made to the Mortality Table for disabled lives.

The wage inflation assumption was reduced from 3.75% to 3.25%.

Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.

The percentage of active member disabilities assumed to be in the line of duty was increased from 6% to 7%.

OPEB Schedules

NOTE A - CHANGES OF ASSUMPTIONS

The discount rate was changed from 3.01% for the prior Measurement Date to 3.56% for the current Measurement Date.

NOTE B - CHANGES OF BENEFIT TERMS

None.

NOTE C - METHODS AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS

The actuarially determined contributions rates, as a percentage of payroll, used to determine the actuarially determined contribution amounts in the schedule of employer contributions are calculated as the most recent valuation date. The following actuarial methods and assumptions (from the June 30, 2016 actuarial valuation) were used to determine contribution rates reported in that schedule for the year ending June 30, 2017:

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

**NOTES TO REQUIRED SUPPLEMENTAL INFORMATION SCHEDULES
YEAR ENDED JUNE 30, 2018**

OPEB Schedules - continued:

**NOTE C - METHODS AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY
DETERMINED CONTRIBUTIONS - CONTINUED:**

Actuarial cost method	Entry age
Amortization method	Level dollar
Amortization period	30 years, open
Asset valuation method	Market Value of Assets
Price inflation	3 percent
Salary increases, including wage inflation	3.25 percent to 18.50 percent
Initial health care cost trend rates	
Medicare Supplement Claims	
Pre-Medicare	7.75 percent
Ultimate health care cost trend rates	
Medicare Supplement Claims	
Pre-Medicare	5.00 percent
Year of ultimate trend rates	
Medicare Supplement Claims	
Pre-Medicare	2022
Long-term investment rate of return, net of pension plan investment expense, including price inflation	3.56 percent

SUPPLEMENTAL INFORMATION

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

**SCHEDULE OF SURETY BONDS
YEAR ENDED JUNE 30, 2018***

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

*All bonds were cancelled as of July 1, 2018 upon transfer of all assets and contractual obligations.

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

**SCHEDULE OF REVENUE FROM MEMBER COUNTIES
YEAR ENDED JUNE 30, 2018**

MEMBER COUNTIES:

Leake	\$ 30,281
Lincoln	65,272
Marion	42,020
Pearl River	100,206
Pike	76,244
Scott	41,677
Simpson	53,731
Walthall	<u>25,692</u>
Total	\$ <u>435,123</u>

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

To the Board of Directors of
Pearl River Basin Development District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Pearl River Basin Development District, component unit of the State of Mississippi, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Pearl River Basin Development District's basic financial statements and have issued our report thereon dated January 10, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Pearl River Basin Development District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Pearl River Basin Development District's internal control. Accordingly, we do not express an opinion on the effectiveness of Pearl River Basin Development District's internal control.

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

Internal Control Over Financial Reporting - continued:

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Pearl River Basin Development District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Haddox Reid Embankment PLLC

Jackson, Mississippi
January 10, 2019