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

AUDITED FINANCIAL STATEMENTS

For the Year Ended June 30, 2022

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PAT HARRISON WATERWAY DISTRICT
A Component Unit of the State of Mississippi
DIRECTORS AND MANAGEMENT
June 30, 2022

BOARD OF DIRECTORS

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

DEPARTMENT HEADS

Executive Director	Hiram Boone
Comptroller	George DeCoux
Human Resources Director	Lisa Clark
Parks Director/Quality Control	Allen Wright

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

Michelle Oppie Gist, CPA

Julia Whitley Johnson, CPA

Jesse J. Wolfe, CPA (1927-2009)

Grover B. McDuff, CPA (1923-2016)

Jack A. Oppie, CPA (1960-2014)

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

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Pat Harrison Waterway District, a component unit of the State of Mississippi, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Pat Harrison Waterway District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of Pat Harrison Waterway District, as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Pat Harrison Waterway District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

Membership in:
AICPA Governmental Audit Quality Center • AICPA Center for Audit Quality • AICPA Employee Benefit Plan Audit Quality Center

Independent Auditor's Report (continued)

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- ◆ Exercise professional judgment and maintain professional skepticism throughout the audit.
- ◆ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- ◆ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Pat Harrison Waterway District's internal control. Accordingly, no such opinion is expressed.
- ◆ Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- ◆ Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Pat Harrison Waterway District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 11 - 16 and 67 - 75 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2022, on our consideration of Pat Harrison Waterway District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Pat Harrison Waterway District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Pat Harrison Waterway District's internal control over financial reporting and compliance.



Pascagoula, Mississippi
September 20, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

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PAT HARRISON WATERWAY DISTRICT
A Component Unit of the State of Mississippi
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2022
UNAUDITED

The discussion and analysis of the Pat Harrison Waterway District's (the District's) financial performance provides an overall narrative review of the District's financial activities for the year ended June 30, 2022. The intent of this discussion and analysis is to look at the District's performance as a whole; readers should also review the financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance. Information contained in this section is qualified by the more detailed information contained elsewhere in the District's financial statements, notes to financial statements and any accompanying materials. To the extent this discussion contains any forward-looking statements of the District's plans, objectives, expectations, and prospects, the actual results could differ materially from those discussed herein.

FINANCIAL HIGHLIGHTS

- In 2022 and 2021, the District's net position amounted to \$10,144,174 and \$9,822,289, respectively. The net position for governmental activities totaled \$5,851,810 in 2022 and \$5,519,162 in 2021, contributing 58% and 56% of total net position at June 30, 2022 and 2021; business-type activities contributed 42% and 44% at June 30, 2022 and 2021, totaling \$4,292,364 in 2022 and \$4,303,127 in 2021.
- General revenues for 2022 and 2021 were \$2,209,702 and \$2,285,107, equaling 59% and 42% of all revenues for years ending June 30, 2022 and 2021. Program specific revenues in the form of charges for services and grants and contributions were \$3,165,543 and \$3,115,154 for 2022 and 2021, equaling 59% and 57% for both years.
- In 2022 and 2021, the District had \$5,053,360 and \$5,143,001 in expenses, respectively; \$3,165,543 and \$3,115,154 of these expenses were offset by program specific charges for services, grants and contributions.
- Capital assets, net of accumulated depreciation, totaled \$5,340,504 in 2022, and \$5,338,346 in 2021.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

PAT HARRISON WATERWAY DISTRICT
A Component Unit of the State of Mississippi
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2022
UNAUDITED

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

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

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

Notes to the financial statements - The notes provide additional information that is essential to a user's understanding of the basic financial statements. The notes to the financial statements can be found on pages 39 - 63 of this report.

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

The District adopts an annual operating budget for all governmental funds. A budgetary comparison statement has been provided for the all funds. This required supplementary information can be found on pages 67 of this report.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

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

Governmental funds - Most of the District's basic services (water management and flood control programs) are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds in the reconciliations found on pages 28 and 30.

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

PAT HARRISON WATERWAY DISTRICT
A Component Unit of the State of Mississippi
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2022
UNAUDITED

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position - net position may serve over time as a useful indicator of government's financial position. The following table presents a summary of the District's net position for the fiscal years ended June 30, 2022 and 2021.

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Current and Other Assets	\$ 7,226,064	6,765,617	4,294,310	4,192,059	11,520,374	10,957,676
Capital Assets	2,731,744	2,798,779	2,608,760	2,539,567	5,340,504	5,338,346
Total Assets	<u>9,957,808</u>	<u>9,564,396</u>	<u>6,903,070</u>	<u>6,731,626</u>	<u>16,860,878</u>	<u>16,296,022</u>
Deferred Outflows of Resources	<u>216,640</u>	<u>199,607</u>	<u>262,455</u>	<u>243,017</u>	<u>479,095</u>	<u>442,624</u>
Long-term Debt Outstanding	-	-	1,151	-	1,151	-
Other Liabilities	3,856,163	4,192,955	2,069,986	2,605,786	5,926,149	6,798,741
Total Liabilities	<u>3,856,163</u>	<u>4,192,955</u>	<u>2,071,137</u>	<u>2,605,786</u>	<u>5,927,300</u>	<u>6,798,741</u>
Deferred Inflows of Resources	<u>466,475</u>	<u>51,886</u>	<u>802,024</u>	<u>65,730</u>	<u>1,268,499</u>	<u>117,616</u>
Net Position:						
Invested in capital assets, net of debt	2,731,744	2,798,779	2,608,760	2,539,567	5,340,504	5,338,346
Unrestricted	3,120,066	2,720,383	1,683,604	1,763,560	4,803,670	4,483,943
Total Net Position	<u><u>\$ 5,851,810</u></u>	<u><u>5,519,162</u></u>	<u><u>4,292,364</u></u>	<u><u>4,303,127</u></u>	<u><u>10,144,174</u></u>	<u><u>9,822,289</u></u>

Investment in capital assets (e.g. land, construction in progress, buildings, equipment, and infrastructure) accounted for 53% and 54% of total net position in 2022 and 2021, respectively.

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

PAT HARRISON WATERWAY DISTRICT
A Component Unit of the State of Mississippi
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2022
UNAUDITED

Changes in net position - The District's total revenues for the fiscal years ended June 30, 2022 and 2021 were \$5,375,245 and \$5,446,564, respectively. The total cost of all programs and services was \$5,053,360 and \$5,143,001 for 2022 and 2021, respectively. The following table presents a summary of the changes in net position for the fiscal years ended June 30, 2022 and 2021.

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Revenue						
Program revenues:						
Charges for Services	\$ -	-	3,165,543	3,115,154	3,165,543	3,115,154
Capital Grants and Contributions	-	-	-	6,703	-	6,703
General revenues:						
County Millage	2,177,243	1,980,307	-	-	2,177,243	1,980,307
Investment Income	37,716	64,966	4,546	16,575	42,262	81,541
Other Revenues	(1,298)	-	(8,505)	262,859	(9,803)	262,859
Total Revenues	<u>2,213,661</u>	<u>2,045,273</u>	<u>3,161,584</u>	<u>3,401,291</u>	<u>5,375,245</u>	<u>5,446,564</u>
Program Expense						
General government	1,478,663	1,554,380	-	-	1,478,663	1,554,380
Culture and recreation	-	-	3,574,697	3,588,621	3,574,697	3,588,621
Total Program Expense	<u>1,478,663</u>	<u>1,554,380</u>	<u>3,574,697</u>	<u>3,588,621</u>	<u>5,053,360</u>	<u>5,143,001</u>
Excess (deficiency) before Transfers	734,998	490,893	(413,113)	(187,330)	321,885	303,563
Transfers	<u>(402,350)</u>	<u>(400,000)</u>	<u>402,350</u>	<u>400,000</u>	<u>-</u>	<u>-</u>
Change in Net Position	332,648	90,893	(10,763)	212,670	321,885	303,563
Net Position - beginning	<u>5,519,162</u>	<u>5,428,269</u>	<u>4,303,127</u>	<u>4,090,457</u>	<u>9,822,289</u>	<u>9,518,726</u>
Net Position - ending	<u>\$ 5,851,810</u>	<u>5,519,162</u>	<u>4,292,364</u>	<u>4,303,127</u>	<u>10,144,174</u>	<u>9,822,289</u>

Governmental Activities

The District's governmental activities generated a change in net position of \$332,648. This represents an increase of approximately \$241,755 from the previous year. The factors contributing to this increase include:

- County millage was \$2,177,243, an increase of \$196,936 from the prior year.
- General government program expense was \$1,478,663, a decrease of \$(75,717) from the prior year.

Business-type Activities

The District's business-type activities generated a change in net position of \$(10,763). This represents a decrease of approximately \$(223,433) from the previous year. The factors contributing to this increase include:

- Recreation other revenue was \$(8,505), a decrease of \$(271,364) from the prior year

PAT HARRISON WATERWAY DISTRICT
A Component Unit of the State of Mississippi
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2022
UNAUDITED

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

As the District completed the year, its governmental funds reported a combined unassigned fund balance of \$4,781,313, compared to \$4,361,469 in the previous year. Activities within the general fund contributed to 100% and 100% of the fund balances in 2022 and 2021, respectively.

Budgetary Highlights

Over the course of the year, no adjustments were made to the budget. Actual expenditures were \$5,016,935 compared to \$5,700,472 of the final budget. A schedule showing the original and final budget amounts compared to the District's actual financial activity for the District is provided on page 67 as required supplementary information.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets - The District's net capital assets for 2022 and 2021 were \$5,340,504 and \$5,338,346, respectively. the District mainly invested in equipment and improvements for the area. The following presents a summary of the District's capital assets (net of depreciation) for the fiscal years ended June 30, 2022 and 2021.

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Land	\$ 1,829,666	1,829,666	73,167	4,500	1,902,833	1,834,166
Buildings and Improvements	770,184	833,570	2,061,383	2,094,085	2,831,567	2,927,655
Equipment	131,894	135,543	474,210	440,982	606,104	576,525
Totals	\$ 2,731,744	2,798,779	2,608,760	2,539,567	5,340,504	5,338,346

Debt Administration - At June 30, 2022, the District had \$3,224,477 in long-term liabilities of which \$20,493 is due within one year. The following table presents a summary of the District's outstanding long-term liabilities for the fiscal years ended June 30, 2022 and 2021.

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Lease payable	-	-	5,824	-	5,824	-
Compensated Absences	\$ 45,513	42,634	52,158	54,928	97,671	97,562
Net Pension Liability	1,338,447	1,751,868	1,617,640	2,119,899	2,956,087	3,871,767
Net OPEB Liability	73,189	91,048	91,706	118,011	164,895	209,059
Total	\$ 1,457,149	1,885,550	1,767,328	2,292,838	3,224,477	4,178,388

The State law limits the District to a debt amount of \$7,000,000 and as of June 30, 2022, the District is well below the State limit. More detailed information about the District's long-term liabilities is presented in Note 8 to the financial statements.

PAT HARRISON WATERWAY DISTRICT
A Component Unit of the State of Mississippi
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2022
UNAUDITED

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

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

- Perry and Jackson Counties have withdrawn from the District during fiscal year 2017 and the District continues working with each county to reach a withdrawal settlement.
- The District has continued to upgrade the parks with a new paving project at Maynor Creek.
- The District continues to work with remaining counties with flood control projects.
- The District is continuing its timber management program.
- The District has resumed operation of the water slide at Flint Creek as of September 2019.

The District's Management and the Board of Directors consider many factors when setting the fiscal year 2023 budget and the fees that will be charged in the business-related activities. The District may update the rates at the parks in the future because of continued inflation.

BUDGET HIGHLIGHTS FOR THE FISCAL YEAR ENDING JUNE 30, 2021

Governmental Activities

Revenues of Pat Harrison Waterway District County Fund are expected to increase by about 2% for fiscal year 2023. The District continues to receive 7/8 of a mil from the remaining counties.

Business-type Activities

Pat Harrison Waterway District expects the Recreation Fund to increase about 3%. This is due to the improvements made at the parks. The District plans to cut timber in at least one park in the coming year and will continue the forest management plan so that more timber sale revenue will be available in future years.

Our recreation expenses are expected to increase by about three percent for fiscal year 2023. At the present time there are plans in place to build new campsites and cabins at several of the parks.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our customers, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the District's Comptroller's Office at 17 JM Tatum Industrial Drive, Suite 120, Hattiesburg, Mississippi 39401.

BASIC FINANCIAL STATEMENTS

For the Year Ended June 30, 2022

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

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

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

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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PAT HARRISON WATERWAY DISTRICT
A Component Unit of the State of Mississippi
STATEMENT OF NET POSITION
June 30, 2022

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 2,452,362	2,578,545	5,030,907
Receivables, net	-	7,880	7,880
Lease receivable	-	244,641	244,641
Due from counties	46,240	-	46,240
Internal balances	(6,382)	6,382	-
Investments	4,690,987	1,451,277	6,142,264
Right to use leased assets, net of amortization	42,857	5,585	48,442
Capital assets:			
Land	1,829,666	73,167	1,902,833
Buildings and improvements, net	770,184	2,061,383	2,831,567
Equipment, net	131,894	474,210	606,104
Total capital assets	<u>2,731,744</u>	<u>2,608,760</u>	<u>5,340,504</u>
Total assets	<u>9,957,808</u>	<u>6,903,070</u>	<u>16,860,878</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows - pensions	202,581	244,839	447,420
Deferred outflows - OPEB	14,059	17,616	31,675
Total deferred outflows of resources	<u>216,640</u>	<u>262,455</u>	<u>479,095</u>
LIABILITIES			
Accounts payable	2,893	204,488	207,381
Salaries and benefits payable	44,933	51,483	96,416
County projects payable	2,351,188	-	2,351,188
Deposits payable	-	5,675	5,675
Accrued expenses	-	25,313	25,313
Unearned revenues	-	16,850	16,850
Long-term liabilities:			
Capital related debt:			
Due within one year:			
Leases payable	-	4,673	4,673
Due in more than one year:			
Leases payable	-	1,151	1,151
Noncapital related debt:			
Due within one year:			
Compensated absences	2,880	5,216	8,096
Net OPEB liability	2,942	4,782	7,724
Due in more than one year:			
Compensated absences	42,633	46,942	89,575
Net pension liability	1,338,447	1,617,640	2,956,087
Net OPEB liability	70,247	86,924	157,171
Total liabilities	<u>3,856,163</u>	<u>2,071,137</u>	<u>5,927,300</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources - pensions	426,555	515,532	942,087
Deferred inflows of resources - OPEB	39,920	50,020	89,940
Deferred inflows of resources - leases	-	236,472	236,472
Total deferred inflows of resources	<u>466,475</u>	<u>802,024</u>	<u>1,268,499</u>
NET POSITION			
Invested in capital assets, net of related debt	2,731,744	2,608,760	5,340,504
Unrestricted	3,120,066	1,683,604	4,803,670
Total net position	<u>\$ 5,851,810</u>	<u>4,292,364</u>	<u>10,144,174</u>

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

PAT HARRISON WATERWAY DISTRICT
A Component Unit of the State of Mississippi
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2022

	<u>Expenses</u>	<u>Program Revenue</u>			<u>Net (expense) revenue and changes in net position</u>		
		<u>Fees and Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
Governmental activities:							
General government	\$1,478,663	-	-	-	(1,478,663)	-	(1,478,663)
Total							
governmental activities	1,478,663	-	-	-	(1,478,663)	-	(1,478,663)
Business-type activities:							
Recreation	3,574,697	3,165,543	-	-	-	(409,154)	(409,154)
Total business- type activities	3,574,697	3,165,543	-	-	-	(409,154)	(409,154)
Total district	\$5,053,360	3,165,543	-	-	(1,478,663)	(409,154)	(1,887,817)
GENERAL REVENUES:							
County ad valorem					2,177,243	-	2,177,243
Investment earnings					37,716	4,546	42,262
Gain (loss) on sale of assets					(1,298)	(8,505)	(9,803)
TOTAL GENERAL REVENUES					2,213,661	(3,959)	2,209,702
Transfers					(402,350)	402,350	-
TOTAL GENERAL REVENUES AND TRANSFERS					1,811,311	398,391	2,209,702
CHANGE IN NET POSITION					332,648	(10,763)	321,885
Net position - beginning					5,479,562	4,234,682	9,714,244
Prior Period Adjustment, Note 16					39,600	68,445	108,045
Net position - beginning, restated					5,519,162	4,303,127	9,822,289
Net position - ending					\$ 5,851,810	4,292,364	10,144,174

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

FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUNDS FINANCIAL STATEMENTS

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PAT HARRISON WATERWAY DISTRICT
A Component Unit of the State of Mississippi
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2022

	<u>General Fund</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 2,452,362
Due from counties	<u>46,240</u>
Total current assets	<u>2,498,602</u>
Noncurrent assets:	
Investments	<u>4,690,987</u>
Total noncurrent assets	<u>4,690,987</u>
Total assets	<u><u>\$ 7,189,589</u></u>
LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable	\$ 2,893
Salaries and benefits payable	44,933
Compensated absences	2,880
County projects payable	2,351,188
Due to other funds	<u>6,382</u>
Total liabilities	<u>2,408,276</u>
Fund balances:	
Unassigned:	
Unassigned/Unappropriated	<u>4,781,313</u>
Total fund balances	<u>4,781,313</u>
Total liabilities and fund balances	<u><u>\$ 7,189,589</u></u>

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

PAT HARRISON WATERWAY DISTRICT
A Component Unit of the State of Mississippi
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
June 30, 2022

Total Governmental Fund Balance	\$	4,781,313
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Amounts reported for governmental activities in the statement of net position are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated lives and reported as depreciation expense.

Governmental capital assets	10,231,205	
Less: Accumulated depreciation	<u>(7,499,461)</u>	2,731,744

Right to use leased assets used in governmental activities are not current financial resources and therefore are not reported in the fund

Right to use assets at historical cost	100,000	
Less: Accumulated depreciation	<u>(57,143)</u>	42,857

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

Deferred outflows of resources related to pensions	202,581	
Deferred inflows or resources related to pensions	<u>(426,555)</u>	(223,974)

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

Deferred outflows of resources related to OPEB	14,059	
Deferred inflows of resources related to OPEB	<u>(39,920)</u>	(25,861)

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

Compensated absences	(42,633)	
Net OPEB liability	(73,189)	
Net pension liability	<u>(1,338,447)</u>	(1,454,269)

Net Position of Governmental Activities	\$	<u>5,851,810</u>
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The notes to the financial statements are an integral part of this statement.

PAT HARRISON WATERWAY DISTRICT
A Component Unit of the State of Mississippi
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2022

	<u>General Fund</u>
REVENUES	
County millage	\$ 2,177,243
Investment earnings	<u>37,716</u>
Total revenues	<u>2,214,959</u>
EXPENDITURES	
Personnel:	
Salaries and fringe benefits	637,274
Travel	33,970
Contractual services	404,867
Commodities	9,175
Subsidies, loans, and grants:	
Grants and emergency work project	<u>349,429</u>
Total expenditures	<u>1,434,715</u>
Excess (deficiency) of revenues over (under) expenditures	<u>780,244</u>
OTHER FINANCING SOURCES (USES)	
Proceeds from sale of capital assets	2,350
Transfers in (out)	<u>(402,350)</u>
Total other financing uses	<u>(400,000)</u>
Net change in fund balances	380,244
Fund balance - beginning	<u>4,361,469</u>
Prior period adjustment, Note 16	<u>39,600</u>
Fund balance - beginning, restated	<u>4,401,069</u>
Fund balance - ending	<u><u>\$ 4,781,313</u></u>

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

PAT HARRISON WATERWAY DISTRICT
A Component Unit of the State of Mississippi
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2022

Net Change in Fund Balances - Total Government Funds	\$	380,244
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

Capital outlay	-	
Depreciation expense	(63,386)	
Excess of capital outlay over depreciation		(63,386)

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

(3,648)

Governmental funds report pension contributions as expenditures. However, the Statement of Activities reports pension expense and other activity related to net pension liability:

Pension contributions for governmental funds	(56,398)	
Pension expense for governmental funds	81,058	
		24,660

Governmental funds report OPEB contributions as expenditures. However, the Statement of Activities reports OPEB expense and other activity related to net OPEB liability:

OPEB contributions for governmental funds	870	
OPEB expense for governmental funds	8,194	
		9,064

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

Right to use assets depreciation	(14,286)	
		(14,286)

Changes in Net Assets of Governmental Activities	\$	<u>332,648</u>
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The notes to the financial statements are an integral part of this statement.

PROPRIETARY FUNDS FINANCIAL STATEMENTS

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PAT HARRISON WATERWAY DISTRICT
A Component Unit of the State of Mississippi
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
June 30, 2022

	Major Fund		Total Enterprise Funds
	Recreation Fund	Timber Fund	
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,239,935	1,338,610	2,578,545
Accounts receivable, net	7,880	-	7,880
Lease receivable	95,491	-	95,491
Due from other funds	6,382	-	6,382
Total current assets	<u>1,349,688</u>	<u>1,338,610</u>	<u>2,688,298</u>
Noncurrent assets:			
Investments	1,251,277	200,000	1,451,277
Lease receivable	149,150	-	149,150
Right to use leased assets, net of amortization	5,585	-	5,585
Capital assets:			
Land and construction in progress	73,167	-	73,167
Buildings and improvements, net	2,061,383	-	2,061,383
Equipment, net	<u>474,210</u>	<u>-</u>	<u>474,210</u>
Total noncurrent assets	<u>4,014,772</u>	<u>200,000</u>	<u>4,214,772</u>
Total assets	<u>5,364,460</u>	<u>1,538,610</u>	<u>6,903,070</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources - pensions	244,839	-	244,839
Deferred outflows of resources - OPEB	<u>17,616</u>	<u>-</u>	<u>17,616</u>
Total deferred outflows of resources	<u>262,455</u>	<u>-</u>	<u>262,455</u>
LIABILITIES			
Current liabilities:			
Accounts payable	204,488	-	204,488
Salaries and benefits payable	51,483	-	51,483
Deposits payable	5,675	-	5,675
Accrued expenses	25,313	-	25,313
Compensated absences	5,216	-	5,216
Unearned revenue	16,850	-	16,850
Net OPEB liability	4,782	-	4,782
Leases payable	<u>4,673</u>	<u>-</u>	<u>4,673</u>
Total current liabilities	<u>318,480</u>	<u>-</u>	<u>318,480</u>
Noncurrent liabilities:			
Leases payable	1,151	-	1,151
Compensated absences	46,942	-	46,942
Net pension liability	1,617,640	-	1,617,640
Net OPEB liability	<u>86,924</u>	<u>-</u>	<u>86,924</u>
Total noncurrent liabilities	<u>1,752,657</u>	<u>-</u>	<u>1,752,657</u>
Total liabilities	<u>2,071,137</u>	<u>-</u>	<u>2,071,137</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources - pensions	515,532	-	515,532
Deferred inflows of resources - OPEB	50,020	-	50,020
Deferred inflows of resources - leases	<u>236,472</u>	<u>-</u>	<u>236,472</u>
Total deferred inflows of resources	<u>802,024</u>	<u>-</u>	<u>802,024</u>
NET POSITION			
Invested in capital assets, net of related debt	2,608,760	-	2,608,760
Unrestricted	<u>144,994</u>	<u>1,538,610</u>	<u>1,683,604</u>
Total net position	<u>\$ 2,753,754</u>	<u>1,538,610</u>	<u>4,292,364</u>

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

PAT HARRISON WATERWAY DISTRICT
A Component Unit of the State of Mississippi
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2022

	Major Fund		Total Enterprise
	Recreation Fund	Timber Fund	Funds
OPERATING INCOME			
Charges for services	\$ 2,996,576	3,558	3,000,134
Special assessment	12,255	-	12,255
Rents and concessions	109,173	-	109,173
Miscellaneous	43,981	-	43,981
Total operating revenues	<u>3,161,985</u>	<u>3,558</u>	<u>3,165,543</u>
OPERATING EXPENSES			
Personnel services:			
Salaries and fringe benefits	815,615	-	815,615
Travel	867	-	867
Contractual service	1,776,585	-	1,776,585
Commodities	671,947	-	671,947
Subsidies, loans and grants	5,776	-	5,776
Depreciation and amortization	<u>303,907</u>	<u>-</u>	<u>303,907</u>
Total operating expenses	<u>3,574,697</u>	<u>-</u>	<u>3,574,697</u>
Operating income (loss)	<u>(412,712)</u>	<u>3,558</u>	<u>(409,154)</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest and investment earnings	3,379	1,167	4,546
Loss from sale of assets	<u>(8,505)</u>	<u>-</u>	<u>(8,505)</u>
Total non-operating revenues	<u>(5,126)</u>	<u>1,167</u>	<u>(3,959)</u>
TRANSFERS			
Transfers in (out)	<u>402,350</u>	<u>-</u>	<u>402,350</u>
Total transfers	<u>402,350</u>	<u>-</u>	<u>402,350</u>
Change in net position	(15,488)	4,725	(10,763)
Total net position - beginning	<u>2,700,797</u>	<u>1,533,885</u>	<u>4,234,682</u>
Prior period adjustments, Note 16	<u>68,445</u>	<u>-</u>	<u>68,445</u>
Total net position - beginning, restated	<u>2,769,242</u>	<u>1,533,885</u>	<u>4,303,127</u>
Total net position - ending	<u>\$ 2,753,754</u>	<u>1,538,610</u>	<u>4,292,364</u>

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

PAT HARRISON WATERWAY DISTRICT
A Component Unit of the State of Mississippi
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2022

	<u>Major Fund</u>		<u>Total Enterprise Funds</u>
	<u>Recreation Fund</u>	<u>Timber Fund</u>	
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	\$ 2,918,244	3,558	2,921,802
Payments to suppliers of goods and services	(2,429,707)	-	(2,429,707)
Payments to employees for services	<u>(675,483)</u>	<u>-</u>	<u>(675,483)</u>
Net cash provided (used) by operating activities	<u>(186,946)</u>	<u>3,558</u>	<u>(183,388)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers from other funds	<u>402,350</u>	<u>-</u>	<u>402,350</u>
Net cash provided by noncapital financing activities	<u>402,350</u>	<u>-</u>	<u>402,350</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Proceeds from sale of assets	4,075	-	4,075
Purchase and construction of capital assets	<u>(385,440)</u>	<u>-</u>	<u>(385,440)</u>
Net cash (used) by capital and related financing activities	<u>(381,365)</u>	<u>-</u>	<u>(381,365)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest and dividends received	<u>3,379</u>	<u>1,167</u>	<u>4,546</u>
Net cash provided by investing activities	<u>3,379</u>	<u>1,167</u>	<u>4,546</u>
Net increase in cash and cash equivalents	(162,582)	4,725	(157,857)
Cash and cash equivalents:			
Beginning of year	<u>1,402,517</u>	<u>1,333,885</u>	<u>2,736,402</u>
End of year	<u>\$ 1,239,935</u>	<u>1,338,610</u>	<u>2,578,545</u>

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

PAT HARRISON WATERWAY DISTRICT
A Component Unit of the State of Mississippi
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2022

	<u>Major Fund</u>		<u>Total Enterprise Funds</u>
	<u>Recreation Fund</u>	<u>Timber Fund</u>	
Reconciliation of operating income (loss) to net cash used by operating activities			
Operating income (loss)	\$ (412,712)	3,558	(409,154)
Adjustments to reconcile operating income (loss) to net cash:			
Depreciation expense	303,907	-	303,907
(Increase) in current assets:			
Accounts receivable	(248,141)	-	(248,141)
Due (to) from other funds	(6,382)	-	(6,382)
Increase (decrease) in current liabilities:			
Accounts payable	30,983	-	30,983
Accrued liabilities	143,769	-	143,769
Unearned revenues	4,400	-	4,400
Compensated absences	<u>(2,770)</u>	<u>-</u>	<u>(2,770)</u>
Net cash provided (used) by operating activities	<u>\$ (186,946)</u>	<u>3,558</u>	<u>(183,388)</u>

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

NOTES TO BASIC FINANCIAL STATEMENTS

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PAT HARRISON WATERWAY DISTRICT
A Component Unit of the State of Mississippi
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Financial Reporting Entity

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

Funding for the District is primarily provided by the ten (10) member counties through millage assessments along with revenues generated by its water parks and related services, and interest earnings generated by its investments. As of the District's fiscal year ended June 30, 2022, funding from all counties was provided by a millage assessment of .875 mills for District operations.

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

B. Basis of Presentation

Government-Wide Financial Statements

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

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

PAT HARRISON WATERWAY DISTRICT
A Component Unit of the State of Mississippi
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Financial Statements

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

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

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

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

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

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

The District reports the following major funds:

Major Governmental Funds

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

Major Enterprise Funds

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

PAT HARRISON WATERWAY DISTRICT
A Component Unit of the State of Mississippi
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

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

Unearned revenues arise when resources are received before the District has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and revenue is recognized.

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

PAT HARRISON WATERWAY DISTRICT
A Component Unit of the State of Mississippi
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Cash and Cash Equivalents

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

Receivables

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

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

Lease Receivable

The District's lease receivable is measured at the present value of lease payments expected to be received during the lease term.

A deferred inflow of resources is recorded for the lease. The deferred inflow of resources is recorded at the initiation of the lease in the amount equal to the initial recording of the lease receivable. The deferred inflow of resources is amortized on a straight-line basis over the term of the lease.

Interfund Balances

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

PAT HARRISON WATERWAY DISTRICT
A Component Unit of the State of Mississippi
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets

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

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

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

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

Right to Use Assets

The District has recorded the right to use lease assets as a result of implementing GASB 87. The right to use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right to use assets are amortized on a straight-line basis over the life of the related lease.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until then. The District has deferred outflows which is presented as deferred outflows for pension and OPEB.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until then. The District has deferred inflow which is presented as deferred inflows for pension, OPEB and leases.

PAT HARRISON WATERWAY DISTRICT
A Component Unit of the State of Mississippi
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Leases

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

Compensated Absences

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

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

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

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

Accrued Liabilities and Long-term Obligations

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

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

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

PAT HARRISON WATERWAY DISTRICT
A Component Unit of the State of Mississippi
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Postemployment Benefits Other than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the State and School Employees' Life and Health Plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB Plan. Fiduciary net position was \$1,044,424 as of the measurement date of June 30, 2021. For this purpose, the OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms.

Net Position/Fund Equity

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

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

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

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

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

- ◆ Nonspendable - Includes fund balance amounts that cannot be spent. This includes amounts that are either not in a spendable form (inventories, prepaid amounts, long-term portion of loans/notes receivable, or property held for resale unless the proceeds from the collection of those receivables or from the sale of those properties are restricted, committed or assigned) or amounts that are legally or contractually required to be maintained intact, such as a principal balance of a permanent fund.

PAT HARRISON WATERWAY DISTRICT
A Component Unit of the State of Mississippi
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- ◆ Restricted - Includes amounts that have constraints placed upon the use of the resources either by external party such as creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through a constitutional provision or enabling legislation.
- ◆ Committed - Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action at the highest level of decision making authority. The Board of Directors, through formal action approved in the board minutes, commits fund balance amounts for the District.
- ◆ Assigned - Includes spendable amounts that are constrained to be used for a specific purpose, but are neither restricted nor committed. Fund balance is assigned through formal action by the Board of Directors for specific purposes. For governmental funds, other than the general fund, this is the residual amount within the fund that is not classified as nonspendable and is neither restricted nor committed.
- ◆ Unassigned - Is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds if expenditures incurred for specific purposes exceeded the amounts restricted, committed or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

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

The District does not have a minimum fund balance policy.

Revenues

Substantially all governmental fund revenues are accrued.

Expenditures

Expenditures are recognized when the related fund liability is incurred.

Interfund Activity

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

PAT HARRISON WATERWAY DISTRICT
A Component Unit of the State of Mississippi
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Estimates

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

New GASB Pronouncements

The Governmental Accounting Standards Board has issued new pronouncements that the District has reviewed for application to their accounting and reporting.

GASB Statement No. 87, *Leases*, is effective for the periods beginning after December 15, 2019. However, implementation was delayed by GASB Statement No. 97 until June 15, 2021. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The District has implemented this reporting requirement for the year ended June 30, 2022.

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Deposits and Investments Laws and Regulations

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

The District's deposits were fully collateralized as required by statutes at June 30, 2022.

PAT HARRISON WATERWAY DISTRICT
A Component Unit of the State of Mississippi
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE 3. DEPOSITS AND INVESTMENTS

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

Deposits (demand deposits and certificate of deposits) at June 30, 2022, are as follows:

	Governmental Funds	Proprietary Funds	Government- Wide Statement of Net Assets
Cash on hand	\$ -	1,600	1,600
Petty cash	-	1,000	1,000
Bank deposits	2,452,362	2,575,945	5,028,307
Investments	4,690,987	1,451,277	6,142,264
Total	<u>\$ 7,143,349</u>	<u>4,029,822</u>	<u>11,173,171</u>

The carrying amount of the District's deposits was \$11,170,571 and the bank balance was \$11,149,359. The bank balance is categorized as follows:

Amount collateralized with securities held in the State of Mississippi collateral pool on behalf of the District	\$ 8,806,883
Amounts held at various financial institutions covered under Federal Depository Insurance	<u>2,342,476</u>
	<u>\$ 11,149,359</u>

At June 30, 2022, the District holds certificate of deposits, classified above as investments, as follows:

First State Bank, Laurel, Mississippi; matures November 7, 2022; interest at 0.35%	\$ 206,531
First State Bank, Laurel, Mississippi; matures February 8, 2023; interest at 0.35%	200,663
First State Bank, Laurel, Mississippi; matures February 8, 2023; interest at 0.35%	321,023
Bank of Wiggins, Wiggins, Mississippi; matures October 26, 2022; interest at 0.25%	100,000
Bank of Wiggins, Wiggins, Mississippi; matures November 9, 2022; interest at 0.25%	71,277
First Bank, McComb, Mississippi; matures October 2, 2022; interest at 0.15%	500,000
Community Bank, Hattiesburg, Mississippi; matures October 14, 2022; interest at 0.16%	210,000
Bank First, Columbus, Mississippi; matures October 6, 2022; interest at 0.25%	50,000
Bank First, Columbus, Mississippi; matures October 6, 2022; interest at 0.25%	200,000
Priority One Bank, Collins, Mississippi; matures January 28, 2023; interest at 0.15%	300,000
First State Bank, Laurel, Mississippi; matures February 8, 2023; interest at 0.35%	255,000
The First, Wiggins, Mississippi; matures March 12, 2023; interest at 0.20%	610,005
The First, Wiggins, Mississippi; matures May 6, 2023; interest at 0.25%	525,000
The First, Wiggins, Mississippi; matures June 18, 2023; interest at 0.25%	750,000
First Bank, McComb, Mississippi; matures February 27, 2024; interest at 0.15%	1,631,566
Trustmark, Jackson, Mississippi; matures July 7, 2023; interest at 0.04%	<u>211,199</u>
Total certificate of deposits	<u>\$ 6,142,264</u>

PAT HARRISON WATERWAY DISTRICT
A Component Unit of the State of Mississippi
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE 3. DEPOSITS AND INVESTMENTS (continued)

In total, \$6,142,264, of funds were set aside for investment purposes in the form of certificates of deposit. \$655,000 has been designated as a maintenance reserve fund. \$1,614,162 has been designated as a reserve for county projects. \$1,631,566 has been designated as a reserve for the potential purchase of an office building at the end of the District's current lease. \$706,531 is reserved for the County fund, and \$200,000 for the Timber Fund. The remaining \$1,335,005 invested is available for recreational activities.

NOTE 4. CONCENTRATIONS OF CREDIT RISK

Credit Risk

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

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

As mentioned above, at June 30, 2022, the District only holds certificates of deposit.

Custodial Credit Risk - Deposits

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

NOTE 5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2022, was as follows:

	Primary Government		
	Beginning Balances	Increases	Decreases / Adjustments
			Ending Balances
Governmental Activities:			
Capital assets not being depreciated:			
Land	\$ 1,829,666	-	-
Capital assets being depreciated:			
Buildings and improvements	6,496,866	-	-
Equipment	1,941,147	-	(36,476)
Total capital assets being depreciated	8,438,013	-	(36,476)
Less accumulated depreciation for:			
Buildings and improvements	5,663,296	63,386	-
Equipment	1,805,604	-	(32,827)
Total accumulated depreciation	7,468,900	63,386	(32,827)
Total capital assets being depreciated, net	969,113	(63,386)	(3,649)
Total governmental activities capital assets, net	\$ 2,798,779	(63,386)	(3,649)

PAT HARRISON WATERWAY DISTRICT
A Component Unit of the State of Mississippi
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE 5. CAPITAL ASSETS (Continued)

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases / Adjustments</u>	<u>Ending Balances</u>
Business-type Activities:				
Capital assets not being depreciated:				
Land	\$ 4,500	-	-	4,500
Construction in progress	-	68,667	-	68,667
Capital assets being depreciated:				
Buildings and improvements	12,708,950	135,842	-	12,844,792
Equipment	<u>1,848,642</u>	<u>175,588</u>	<u>(122,585)</u>	<u>1,901,645</u>
Total capital assets being depreciated:	<u>14,557,592</u>	<u>311,430</u>	<u>(122,585)</u>	<u>14,746,437</u>
Less accumulated depreciation for:				
Buildings and improvements	10,614,865	168,544	-	10,783,409
Equipment	<u>1,407,660</u>	<u>129,780</u>	<u>(110,005)</u>	<u>1,427,435</u>
Total accumulated depreciation	<u>12,022,525</u>	<u>298,324</u>	<u>(110,005)</u>	<u>12,210,844</u>
Total capital assets being depreciated, net	<u>2,535,067</u>	<u>13,106</u>	<u>(12,580)</u>	<u>2,535,593</u>
 Total business-type activities capital assets, net	 <u>\$ 2,539,567</u>	 <u>81,773</u>	 <u>(12,580)</u>	 <u>2,608,760</u>
 Primary Government				
Total capital assets, net	 <u>\$ 5,338,346</u>	 <u>18,387</u>	 <u>(16,229)</u>	 <u>5,340,504</u>

Depreciation expense was charged to programs for the year ended June 30, 2022, as follows:

Governmental activities:	
General government	\$ 63,386
Business-type activities:	
Recreation	<u>303,907</u>
Total depreciation expense	<u>\$ 367,293</u>

A summary of construction-in-progress transactions for the year ended June 30, 2022, follows:

<u>Construction In-Progress</u>	<u>Expended through June 30, 2022</u>	<u>Remaining Commitment</u>
Governmental Activities:		
Business-type Activities:		
Flint Creek Horse Trail	\$ 68,667	521,016
Total business-type activities	<u>\$ 68,667</u>	<u>521,016</u>

PAT HARRISON WATERWAY DISTRICT
A Component Unit of the State of Mississippi
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE 6. RIGHT TO USE LEASED ASSETS

The District has recorded seven right to use leased assets. The assets are right to use assets for office buildings and leased copiers. The office buildings rent was prepared in advance and, therefore, there is no related liability. The related leases are discussed in the Leases subsection of Note 8. The right to use leased assets are amortized on a straight-line basis over the terms of the related leases.

Right to use asset activity for the year ended June 30, 2022, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases / Adjustments</u>	<u>Ending Balances</u>
Governmental Activities:				
Right to use assets				
Office building	\$ -	-	100,000	100,000
Total right to use assets	-	-	100,000	100,000
Less accumulated amortization for:				
Office building	-	-	(57,143)	(57,143)
Total accumulated amortization	-	-	(57,143)	(57,143)
Right to use assets, net	<u>\$ -</u>	<u>-</u>	<u>42,857</u>	<u>42,857</u>
Business-type Activities:				
Right to use assets				
Leased copiers	\$ -	-	11,168	11,168
Total right to use assets	-	-	11,168	11,168
Less accumulated amortization for:				
Leased copiers	-	-	(5,583)	(5,583)
Total accumulated amortization	-	-	(5,583)	(5,583)
Right to use assets, net	<u>\$ -</u>	<u>-</u>	<u>5,585</u>	<u>5,585</u>

NOTE 7. ACCOUNTS PAYABLE

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

PAT HARRISON WATERWAY DISTRICT
A Component Unit of the State of Mississippi
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE 8. LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2022, is shown as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Governmental Activities:					
Compensated absences	\$ 42,634	2,879	-	45,513	2,880
Net pension liability	1,751,868	-	413,421	1,338,447	-
Net OPEB liability	<u>91,048</u>	<u>-</u>	<u>17,859</u>	<u>73,189</u>	<u>2,942</u>
Total governmental activities long-term liabilities	<u>\$ 1,885,550</u>	<u>2,879</u>	<u>431,280</u>	<u>1,457,149</u>	<u>5,822</u>
Business-Type Activities					
Lease payable	\$ -	11,168	5,344	5,824	4,673
Compensated absences	54,928	-	2,770	52,158	5,216
Net pension liability	2,119,899	-	502,259	1,617,640	-
Net OPEB liability	<u>118,011</u>	<u>-</u>	<u>26,305</u>	<u>91,706</u>	<u>4,782</u>
Total business-type activities long-term liabilities	<u>\$ 2,292,838</u>	<u>11,168</u>	<u>536,678</u>	<u>1,767,328</u>	<u>14,671</u>

Leases Payable

The District has entered into agreements to lease copiers. The lease agreements qualify as other than short-term leases under GASB 87 and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

The first agreement was executed on April 1, 2019, to lease a copier and requires 48 monthly payments of \$90. There are no variable payment components of the lease. The lease liability is measured at a discount rate of 10.52%, which is the implicit rate received from the lessor. As a result of the lease, the District has recorded a right to use asset with a net book value of \$743 at June 30, 2022. The right to use asset is discussed in more detail in Note 1.

The second agreement was executed on April 1, 2019, to lease a copier and requires 48 monthly payments of \$291. There are no variable payment components of the lease. The lease liability is measured at a discount rate of 10.52%, which is the implicit rate received from the lessor. As a result of the lease, the District has recorded a right to use asset with a net book value of \$2,403 at June 30, 2022. The right to use asset is discussed in more detail in Note 1.

The third agreement was executed on November 1, 2019, to lease a copier and requires 48 monthly payments of \$25. There are no variable payment components of the lease. The lease liability is measured at a discount rate of 10.52%, which is the implicit rate received from the lessor. As a result of the lease, the District has recorded a right to use asset with a net book value of \$354 at June 30, 2022. The right to use asset is discussed in more detail in Note 1.

The fourth agreement was executed on November 1, 2019, to lease a copier and requires 48 monthly payments of \$61. There are no variable payment components of the lease. The lease liability is measured at a discount rate of 10.52%, which is the implicit rate received from the lessor. As a result of the lease, the District has recorded a right to use asset with a net book value of \$871 at June 30, 2022. The right to use asset is discussed in more detail in Note 1.

PAT HARRISON WATERWAY DISTRICT
A Component Unit of the State of Mississippi
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE 8. LONG-TERM LIABILITIES (Continued)

The fifth agreement was executed on February 1, 2021, to lease a copier and requires 48 monthly payments of \$23. There are no variable payment components of the lease. The lease liability is measured at a discount rate of 10.52%, which is the implicit rate received from the lessor. As a result of the lease, the District has recorded a right to use asset with a net book value of \$607 at June 30, 2022. The right to use asset is discussed in more detail in Note 1.

The sixth agreement was executed on February 1, 2021, to lease a copier and requires 48 monthly payments of \$23. There are no variable payment components of the lease. The lease liability is measured at a discount rate of 10.52%, which is the implicit rate received from the lessor. As a result of the lease, the District has recorded a right to use asset with a net book value of \$607 at June 30, 2022. The right to use asset is discussed in more detail in Note 1.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2022, were as follows:

Year ended June 30, :	Principal Payments	Interest Payments	Total
2023	\$ 4,673	347	5,020
2024	835	70	905
2025	316	11	327
Total	<u>\$ 5,824</u>	<u>428</u>	<u>6,252</u>

NOTE 9. INTERFUND BALANCES

Interfund balances at June 30, 2022, consisted of the following:

DUE TO :					
Governmental Activities		Business-Type Activities			
Other		Other			
General Fund	Governmental Funds	Recreation Fund	Enterprise Funds		Total
DUE FROM:					
Governmental Activities:					
General Fund	\$ -	-	6,382	-	6,382
Total	<u>\$ -</u>	<u>-</u>	<u>6,382</u>	<u>-</u>	<u>6,382</u>

NOTE 10. INTERFUND TRANSFERS

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

At June 30, 2022, transfers to/from other funds consist of the following:

Transfer from Recreation Fund to General Fund for expenditures paid on behalf of the Recreation Fund	\$ 402,350
Total Transfers to/from other funds	<u>\$ 402,350</u>

PAT HARRISON WATERWAY DISTRICT
A Component Unit of the State of Mississippi
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE 11. PENSION PLAN

Public Employees' Retirement System of Mississippi (PERS)

Plan Description

Pat Harrison Waterway District contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. Section 25-11-1 et seq., (1972, as amended) and may be amended only by the Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report is available at www.pers.ms.gov.

Benefits Provided

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

Contributions

PERS members are required to contribute 9.00% of their annual covered salary and Pat Harrison Waterway District is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2022 was 17.40% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature.

Pat Harrison Waterway District's contribution to PERS for the year ended June 30, 2022, 2021, and 2020 was \$172,683, \$188,962 and \$197,957, respectively, equal to the required contributions for each year.

PAT HARRISON WATERWAY DISTRICT
A Component Unit of the State of Mississippi
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE 11. PENSION PLAN (continued)

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

At June 30, 2022, the District reported a liability of \$2,956,087 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2021, the District's proportion was 0.02 percent, which did not change from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the District recognized pension expense of \$56,398 in the governmental activities and \$64,711 in business-type activities for a total pension expense of \$121,109. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experiences	\$ 47,268	-
Changes of assumptions	227,469	-
Net difference between projected and actual earnings on pension plan investments	-	890,248
Changes in proportion and differences between District contributions and proportionate share of contributions	-	51,839
District contributions subsequent to the measurement date	172,683	-
Total	\$ 447,420	942,087

\$172,683 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30, :		
2023	\$	(131,438)
2024		(121,829)
2025		(148,794)
2026		(265,289)
2027		-
Thereafter		-
Total	\$	(667,350)

PAT HARRISON WATERWAY DISTRICT
A Component Unit of the State of Mississippi
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE 11. PENSION PLANS (continued)

Actuarial assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2020 and a measurement date determined as of June 30, 2021 using standard rollforward techniques, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40%
Salary increases	2.65 - 17.90%, average, including inflation
Investment rate of return	7.55%, net of pension plan investments expense, including inflation

Mortality rates were based on the PubS.H-2010(B) Retiree Table with the following adjustments: For males, 95% of male rates up to age 60, 110% for ages 61 to 75 and 101% for ages above 77. For females, 84% of female rates up to age 72 and 100% for ages above 76. Mortality rates for disability retirees were based on the PubG.H-2010 Disabled Table adjusted 134% for males and 121% for females. Mortality rates for Contingent Annuitants were based on the PubS.H-2010(B) Contingent Annuitant Table, adjusted 97% for males and 110% for females. Mortality rates will be projected generationally using the MP-2020 projection scale to account for future improvements in life expectancy.

The actuarial assumptions used for the purposes of determining the TPL were based on the results of an actuarial experience study for the period July 1, 2016 to June 30, 2020. The experience report is dated April 20, 2021.

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

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2021, are summarized in the following table:

Asset class	Target Allocation	Long-term expected real rate of return
Domestic equity	27.00 %	4.60
International equity	22.00	4.50
Global equity	12.00	4.80
Debt securities	20.00	(0.25)
Real estate	10.00	3.75
Private equity	8.00	6.00
Cash equivalents	1.00	(1.00)
Total	100.00 %	

PAT HARRISON WATERWAY DISTRICT
A Component Unit of the State of Mississippi
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE 11. PENSION PLANS (continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.55%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00%) and that employer contributions will be made at the current employer contribution rate (17.40%). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

	1% Decrease (6.55%)	Current Discount Rate (7.55%)	1% Increase (8.55%)
District's proportionate share of the net pension liability	\$ 4,186,513	2,956,087	1,942,119

Pension plan fiduciary net position

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

NOTE 12. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

General Information about the OPEB Plan

Plan description

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

PAT HARRISON WATERWAY DISTRICT
A Component Unit of the State of Mississippi
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE 12. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

Benefits provided

The Plan was formed by the State Legislature to provide group health and life benefits to full-time active and retired employees of the State, agencies, universities, community/junior colleges, public school districts and public libraries. In addition, the spouse and/or children of covered employees and retirees, as well as surviving spouses and COBRA participants, may be eligible for health insurance coverage under the Plan. Benefits of the OPEB Plan consist of an implicit rate subsidy, which is essentially the difference between the average cost of providing health care benefits to retirees under age 65 and the average cost of providing health care benefits to all participants when premiums paid by retirees are not age adjusted. Employees' premiums are funded primarily by their employers. Retirees must pay their own premiums, as do active employees for spouse and dependent medical coverage. The Board has the sole authority for setting life and health insurance premiums for the Plan. Per Section 12-15-15 (10) Mississippi Code Ann. (1972), a retired employee electing to purchase retiree life and health insurance must pay the full cost of such insurance premium. If the Board determined actuarially that the premium paid by the participating retirees adversely affects the overall cost of the Plan to the State, then the Board may impose a premium surcharge, not to exceed 15%, upon such participating retired employees who are under the age for Medicare eligibility and who are initially employed before January 1, 2006. For participating retired employees who are under the age for Medicare eligibility and who are initially employed on or after January 1, 2006, the Board may impose a premium surcharge in an amount the Board determined actuarially to cover the full cost of insurance. The Plan offers a Base option and a Select option for health benefits for non-Medicare participants. The Plan includes a separate coverage level for Medicare eligible retirees, Medicare Eligible surviving spouses, and Medicare eligible dependents of retirees and surviving spouses.

Contributions

The Board has the sole authority for setting life and health insurance premiums for the Plan. The required premiums vary based on the plan selected and the type of participant. Employers pay no premiums for retirees while employees' premiums are funded primarily by their employer. Pat Harrison Waterway District's contribution to OPEB for the year ended June 30, 2022, 2021, and 2020 was \$4,782, \$6,628, and \$8,337, respectively, equal to the required contributions for each year.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB

At June 30, 2022, the District reported a liability of \$164,895 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The basis for the District's proportion is determined by comparing the employer's average monthly employees participating in the Plan with the total average employees participating in the Plan in the fiscal year of all employers. The allocation was utilized because the level of premiums contributed by each employer is the same for any employee regardless of plan participation elections made by the employee. At the measurement date of June 30, 2021, the District's proportion was 0.0256 percent. This was a decrease of 0.0012 percent from the proportionate share as of the measurement date of June 30, 2020.

For the year ended June 30, 2022, the District recognized OPEB expense of \$(9,064) in the governmental activities and \$(16,023) in business-type activities for a total OPEB expense of \$(25,087). At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

PAT HARRISON WATERWAY DISTRICT
A Component Unit of the State of Mississippi
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE 12. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 179	51,560
Changes of assumptions	26,706	5,577
Net difference between projected and actual earnings on OPEB plan investments	8	-
Changes in proportion and differences between District contributions and proportionate share of contributions	-	32,803
District contributions subsequent to the measurement date	4,782	-
Total	<u>\$ 31,675</u>	<u>89,940</u>

\$4,782 reported as deferred outflows of resources related to OPEB resulting from district contributions subsequent to the measurement date will be recognized as a reduction to the net OPEB liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,:		
2023	\$	(18,439)
2024		(17,050)
2025		(12,001)
2026		(10,027)
2027		(5,530)
Thereafter		-
Total	<u>\$</u>	<u>(63,047)</u>

Actuarial assumptions

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

Inflation	2.40%
Salary increases	2.65-17.90%, including wage inflation
Municipal Bond Index Rate	
Measurement Date	2.13%
Prior Measurement Date	2.19%
Year FNP is projected to be depleted	
Measurement Date	2021
Prior Measurement Date	2020
Single Equivalent Interest Rate, net of OPEB plan investment expense, including inflation	
Measurement Date	2.13%
Prior Measurement Date	2.19%

PAT HARRISON WATERWAY DISTRICT
A Component Unit of the State of Mississippi
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE 12. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

Health Care Cost Trends

Medicare Supplement Claims
Pre-Medicare

6.50% for 2022 decreasing to an ultimate rate of 4.50%
by 2030

Mortality rates were based on PubS H-2010(b) Retiree Table with the following adjustments: For males, 95% of male rates up to age 60, 110% for ages 61 to 75, and 101% for ages above 77. For females, 84% of the female rates up to age 72 and 100% for ages above 76. Mortality rates for disability retirees were based on the PubG.H-2010 Disabled Table adjusted 134% for males and 121% for females. Mortality rates for Contingent Annuitants were based on the PubS.H-2010(B) Contingent Annuitant Table, adjusted 97% for males and 110% for females. Mortality rates will be projected generationally using the MP-2020 projection scale to account for future improvements in life expectancy.

The demographic actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study dated April 20, 2021.

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

Discount rate

The discount rate used to measure the total OPEB liability at June 30, 2021 was 2.13%. Since the Prior Measurement Date, the Discount Rate has changed from 2.19% to 2.13%.

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

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

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

	1% Decrease (1.13%)	Discount Rate (2.13%)	1% Increase (3.13%)
Net OPEB liability	\$ 182,515	164,895	149,871

PAT HARRISON WATERWAY DISTRICT
A Component Unit of the State of Mississippi
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE 12. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the healthcare cost trend rates

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

	Healthcare Cost Trend Rates		
	1% Decrease	Current	1% Increase
Net OPEB liability	\$ 152,735	164,895	178,656

OPEB plan fiduciary net position

The fiduciary net position for the OPEB plan was \$1,044,424 as of June 30, 2021, the measurement date. Detailed information about the OPEB plan's fiduciary net position is available in the separately issued OPEB financial report.

NOTE 13. RAINCHECKS

Pat Harrison Waterway District offers rainchecks to campers and visitors upon request. Rainchecks have an expiration date of one year from the date of issuance. The District has not included the effects of outstanding rainchecks in the accompanying financial statements. The total outstanding rainchecks at June 30, 2022, was \$33,827. It is the experience of the District that approximately thirty-five percent (35%) of outstanding rainchecks will be presented for usage. As such, the District expects rainchecks totaling approximately \$11,839 to be presented during the next fiscal period.

NOTE 14. COMMITMENTS AND CONTINGENCIES

Related Party Transactions

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

Litigation

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

Contractual Obligations

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

PAT HARRISON WATERWAY DISTRICT
A Component Unit of the State of Mississippi
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE 15. OTHER NOTES

Lease Receivable

In January 2014, the District entered into a lease with a campground vendor. Under the lease, the campground vendor pays the District an escalating amount per month, as defined in the lease agreement, for 10 years in exchange for operating its business at Little Black Creek. The lease receivable is measured as the present value of the future minimum rent payments expected to be received during the lease term at a discount rate of 3.24%, which is the applied rate in the agreement.

In the fiscal year 2022, the District recognized \$93,960 of lease revenue and \$9,209 of interest revenue under the lease.

Effect of Deferred Amounts on Net Position

The unrestricted net position amount of \$4,803,670 includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. A portion of the deferred outflows of resources related to pension in the amount of \$172,683 resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. The \$274,737 balance of deferred outflow of resources, at June 30, 2022 will be recognized as an expense and will decrease the unrestricted net position over the next three years.

The unrestricted net position amount of \$4,803,670 includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$942,087 balance of the deferred inflow of resources at June 30, 2022 will be recognized as revenue and increase unrestricted net position over the next four years.

The unrestricted net position amount of \$4,803,670 includes the effect of deferring the recognition of expenses resulting from a deferred outflow from OPEB. A portion of the deferred outflows of resources related to OPEB in the amount of \$4,782 resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2023. The \$26,893 balance of deferred outflow of resources, at June 30, 2022 will be recognized as an expense and will decrease the unrestricted net position over the next six years.

The unrestricted net position amount of \$4,803,670 includes the effect of deferring the recognition of revenue resulting from a deferred inflow from OPEB. The \$89,940 balance of deferred inflow of resources at June 30, 2022 will be recognized as a revenue and will increase the unrestricted net position over the next six years.

The unrestricted net position amount of \$4,803,670 includes the effect of deferring the recognition of revenue resulting from a deferred inflow from leases. The \$236,472 balance of deferred inflow of resources at June 30, 2022 will be recognized as a revenue and will increase the unrestricted net position over the next two years.

PAT HARRISON WATERWAY DISTRICT
A Component Unit of the State of Mississippi
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE 15. OTHER NOTES (Continued)

Risk Management

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

Uncertainties

The global response to the pandemic caused by the outbreak of Coronavirus has significantly impacted many businesses and the economy. While the situation is evolving rapidly, and the full impact is not yet known, the disruption caused by the Coronavirus is affecting business and consumer activities worldwide - including disruption to major financial markets, supply chains, interruption of production, limited personnel, facility and store closures, and decreased demand from both business customers and consumers. Currently, the uncertainty caused by the Coronavirus is far-reaching and the ultimate effects of this event is unknown.

NOTE 16. PRIOR PERIOD ADJUSTMENT

A prior period adjustment of \$108,045 was made to correct June 30, 2021 net assets related to the following:

Net position, June 30, 2021, as originally presented	\$ 9,714,244
To correct the understatement of cash	<u>108,045</u>
Net position, June 30, 2021, as restated	<u><u>\$ 9,822,289</u></u>

NOTE 17. SUBSEQUENT EVENTS

Events that occur after the statement of net assets date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the statement of net position date are recognized in the accompanying financial statements. Subsequent events that provide evidence about conditions that existed after the statement of net position date require disclosure in the accompanying notes. Management of the District evaluated the activity of the entity through September 20, 2022, the date of issuance of the financial statements and did not note any events to disclose.

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REQUIRED SUPPLEMENTARY INFORMATION

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PAT HARRISON WATERWAY DISTRICT
A Component Unit of the State of Mississippi
BUDGETARY COMPARISON SCHEDULE
ALL FUNDS
For the Year Ended June 30, 2022
UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Over (Under)
REVENUES				
Recreation	\$ 4,305,896	4,305,896	3,165,543	(1,140,353)
County millage	1,098,562	1,098,562	2,177,243	1,078,681
Other revenues	<u>296,014</u>	<u>296,014</u>	<u>36,107</u>	<u>(259,907)</u>
Total revenues	<u>5,700,472</u>	<u>5,700,472</u>	<u>5,378,893</u>	<u>(321,579)</u>
EXPENDITURES				
Personnel services:				
Salaries and fringe benefits	1,713,134	1,713,134	1,452,889	(260,245)
Travel	41,310	41,310	34,837	(6,473)
Contractual services	2,000,000	2,000,000	2,181,452	181,452
Commodities	684,604	684,604	681,122	(3,482)
Capital outlay				
Other than equipment	150,000	150,000	135,842	(14,158)
Equipment	157,464	157,464	175,588	18,124
Subsidies, loans, and grants	<u>953,960</u>	<u>953,960</u>	<u>355,205</u>	<u>(598,755)</u>
Total expenditures	<u>5,700,472</u>	<u>5,700,472</u>	<u>5,016,935</u>	<u>(683,537)</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>361,958</u>	<u>361,958</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	402,350	402,350
Transfers out	<u>-</u>	<u>-</u>	<u>(402,350)</u>	<u>(402,350)</u>
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>-</u>	<u>361,958</u>	<u>361,958</u>
Fund balance - beginning			<u>8,704,196</u>	
Fund balance - ending			<u>\$ 9,066,154</u>	
<u>Differences between budgetary and GAAP fund balance:</u>				
Fund Balance, end of year (Budgetary Basis)			\$	9,066,154
Depreciation on GAAP basis				(303,907)
Capital outlay on budgetary basis				<u>311,430</u>
Fund Balance, end of year (GAAP)			<u>\$</u>	<u>9,073,677</u>

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

PAT HARRISON WATERWAY DISTRICT
A Component Unit of the State of Mississippi
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY*
Public Employees Retirement System of Mississippi
Last 10 Fiscal Years (Only 8 Years Shown)**
UNAUDITED

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability (asset)	0.02 %	0.02 %	0.02 %	0.02 %	0.02 %	0.02 %	0.02 %	0.03 %
District's proportionate share of the net pension liability (asset)	\$2,956,087	3,871,767	3,518,395	3,326,594	3,324,679	3,572,500	3,423,766	3,019,976
District's covered payroll	\$1,085,989	1,137,689	1,119,035	1,198,310	1,242,581	1,279,453	1,383,755	1,520,289
District's proportionate share of the collective net pension liability as a percentage of its covered payroll	272.20 %	340.32 %	314.41 %	277.61 %	267.56 %	279.22 %	247.43 %	198.64 %
Plan fiduciary net position as a percentage of the total pension liability	70.44 %	58.97 %	61.59 %	62.54 %	57.47 %	57.47 %	61.70 %	67.21 %

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

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

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

PAT HARRISON WATERWAY DISTRICT
A Component Unit of the State of Mississippi
SCHEDULE OF DISTRICT CONTRIBUTIONS - PERS
Public Employees Retirement System of Mississippi
Last 10 Fiscal Years (Only 8 Years Shown)**
UNAUDITED

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 172,683	188,962	197,957	176,248	188,734	195,707	201,515	217,942
Contributions in relation to the contractually required contribution	<u>(172,683)</u>	<u>(188,962)</u>	<u>(197,957)</u>	<u>(176,248)</u>	<u>(188,734)</u>	<u>(195,707)</u>	<u>(201,515)</u>	<u>(217,942)</u>
Contribution deficiency (excess)	<u><u>\$ -</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
District's covered payroll	\$ 992,432	1,137,689	1,137,689	1,119,035	1,198,310	1,242,581	1,279,453	1,383,755
Contributions as a percentage of covered payroll	17.40 %	16.61 %	17.40 %	15.75 %	15.75 %	15.75 %	15.75 %	15.75 %

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

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

PAT HARRISON WATERWAY DISTRICT
A Component Unit of the State of Mississippi
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET OPEB LIABILITY*
Last 10 Fiscal Years (Only 5 Years Shown)**
UNAUDITED

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
District's proportion of the net OPEB liability (asset)	0.0256 %	0.0269 %	0.0272 %	0.0301 %	0.0317 %
District's proportionate share of the net OPEB liability (asset)	\$ 164,895	209,059	222,566	223,449	237,805
District's covered-employee payroll	\$ 1,085,989	1,137,689	1,119,035	1,198,310	1,242,581
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	15.18 %	18.38 %	19.89 %	18.65 %	19.14 %
Plan fiduciary net position as a percentage of the total OPEB liability	0.16 %	0.12 %	0.12 %	0.13 %	- %

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

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

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

PAT HARRISON WATERWAY DISTRICT
A Component Unit of the State of Mississippi
SCHEDULE OF DISTRICT CONTRIBUTIONS - OPEB
Last 10 Fiscal Years (Only 5 Years Shown)**
UNAUDITED

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 4,782	6,628	8,337	9,225	10,589
Contributions in relation to the contractually required contribution	<u>(4,782)</u>	<u>(6,628)</u>	<u>(8,337)</u>	<u>(9,225)</u>	<u>(10,589)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 District's covered-employee payroll	 \$ 992,432	 1,085,989	 1,137,689	 1,119,035	 1,198,310
 Contributions as a percentage of covered-employee payroll	 0.48 %	 0.61 %	 0.73 %	 0.82 %	 0.88 %

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

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

PAT HARRISON WATERWAY DISTRICT
A Component Unit of the State of Mississippi
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2022

NOTE 1. BUDGETS AND BUDGETARY ACCOUNTING

A. Budgets and Budgetary Accounting

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

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

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

B. Excess of Expenditures over Appropriations (Budget)

There were no expenditures in excess of appropriations (budget) for the fiscal year ended June 30, 2022.

NOTE 2. PENSION SCHEDULES

A. Changes of assumptions

2018: None

2019: The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments:

- For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119.
- For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119.
- Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.

PAT HARRISON WATERWAY DISTRICT
A Component Unit of the State of Mississippi
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2022

NOTE 2. PENSION SCHEDULES(Continued)

A. Changes of assumptions(continued)

The expectation of disabled mortality was changed to PubT.H-2010 Disabled Retiree Table for disabled retirees with the following adjustments:

- For males, 137% of male rates at all ages.
- For females, 115% of female rates at all ages.
- Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.

The price inflation assumption was reduced from 3.00% to 2.75%.

The wage inflation assumption was reduced from 3.25% to 3.00%.

2020: None

2021: The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments:

- For males, 95% of male rates up to age 60, 110% for ages 61 to 75, and 101% for ages above 77.
- For females, 84% of female rates up to age 72, 100% for ages above 76.
- Projection scale MP-2020 will be used to project future improvements in life expectancy generationally.

The expectation of disabled mortality was changed to PubG.H-2010 Disabled Table for disabled retirees with the following adjustments:

- For males, 134% of male rates at all ages.
- For females, 121% of female rates at all ages.
- Projection scale MP-2020 will be used to project future improvements in life expectancy generationally.

The expectation of contingent annuitant mortality was based on the PubS.H-2010(B) Contingent Annuitant Table with the following adjustments:

- For males, 97% of male rates at all ages.
- For females, 110% of female rates at all ages.
- Projection scale MP-2020 will be used to project future improvements in life expectancy generationally.

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

The wage inflation assumption was reduced from 3.00% to 2.65%.

The investment rate of return assumption was changed from 7.75% to 7.55%.

The assumed load for administrative expenses was increased from 0.25% to 0.28% of payroll.

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

The percentage of active member disabilities assumed to be in the line of duty was increased from 9% to 12%.

The percentage of active member deaths assumed to be in in the line of duty was decrease from 6% to 4%.

PAT HARRISON WATERWAY DISTRICT
A Component Unit of the State of Mississippi
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2022

NOTE 2. PENSION SCHEDULES (Continued)

B. Changes in Benefit Provisions

2017-2021: None

C. Method and assumptions used in calculations of actuarially determined contributions

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported (June 30, 2019 valuation for the June 30, 2021 fiscal year end). The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

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

NOTE 3. OPEB SCHEDULES

A. Changes of assumptions

2017: The discount rate was changed from 3.01% for the prior Measurement Date to 3.56% for the current Measurement Date.

2018: The discount rate was changed from 3.56% for the prior Measurement Date to 3.89% for the current Measurement Date.

2019: The discount rate was changed from 3.89% for the prior Measurement Date to 3.50% for the current Measurement Date.

2020: The discount rate was changed from 3.50% for the prior Measurement Date to 2.19% for the current Measurement Date.

2021: The discount rate was changed from 2.19% for the prior Measurement Date to 2.13% for the current Measurement Date.

PAT HARRISON WATERWAY DISTRICT
A Component Unit of the State of Mississippi
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2022

NOTE 3. OPEB SCHEDULES (Continued)

B. Changes in Benefit Provisions

2017: None.

2018: None.

2019: None.

2020: The schedule of monthly retiree contributions was increased as of January 1, 2021. In addition, the deductibles and coinsurance maximums were increased for the Select coverage and the coinsurance maximums were increased for the Base Coverage beginning January 1, 2021.

2021: The schedule of monthly retiree contributions was increased as of January 1, 2022. In addition, the in-network medical deductible was increased for the Select coverage beginning January 1, 2022.

C. Methods and assumptions used in calculations of Actuarially Determined Contributions (continued)

The Actuarially Determined Contributions rates, as a percentage of payroll, used to determine the Actuarially Determined Contribution amounts in the Schedule of Employer Contributions are calculated as of the most recent Valuation Date. The following actuarial methods and assumptions (from the June 30, 2020 actuarial valuation) were used to determine contribution rates reported in that schedule for the year ending June 30, 2021:

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

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REPORTS ON COMPLIANCE AND INTERNAL CONTROL

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

Michelle Oppie Gist, CPA

Julia Whitley Johnson, CPA

Jesse J. Wolfe, CPA (1927-2009)

Grover B. McDuff, CPA (1923-2016)

Jack A. Oppie, CPA (1960-2014)

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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Pat Harrison Waterway District, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Pat Harrison Waterway District's basic financial statements, and have issued our report thereon dated September 20, 2022.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Membership in:

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



Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* (continued)

Purpose of this Report

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

Walke, McDuff + Oppa

Pascagoula, MS
September 20, 2022