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FINANCIAL REPORT
TOMBIGBEE RIVER VALLEY WATER
MANAGEMENT DISTRICT

Tupelo, Mississippi

June 30, 2015

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Tombigbee River Valley Water
Management District
Tupelo, Mississippi

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities of Tombigbee River Valley Water Management District, a component unit of the State of Mississippi, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Tombigbee River Valley Water Management District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tombigbee River Valley Water Management District as of June 30, 2015, and the changes in its financial position and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the schedule of required supplementary information included in Schedule 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during the audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements. The supporting schedules 1 through 5 are presented for purposes of additional analysis and are not a required part of the basic financial statements of Tombigbee River Valley Water Management District.

The supporting schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supporting schedules are fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 2, 2015, on our consideration of Tombigbee River Valley Water Management District's internal control

over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Nail McKinney Professional Association

Amory, Mississippi
September 2, 2015

BASIC FINANCIAL STATEMENTS

TOMBIGBEE RIVER VALLEY WATER MANAGEMENT DISTRICT

STATEMENT OF NET POSITION

June 30, 2015

ASSETS

Cash (Note 6)	\$ 6,642,545
Investments (Note 6)	2,000,792
Accounts receivable	111,982
Taxes receivable, member counties	43,482
Capital assets, net of accumulated depreciation (Note 5)	<u>2,397,831</u>
Total assets	<u>11,196,632</u>

DEFERRED OUTFLOWS OF RESOURCES

Collective deferred outflows of resources related to pensions (Note 2)	<u>123,845</u>
------------------------------------------------------------------------	----------------

LIABILITIES

Accounts payable	258,311
Accrued compensated absences	70,894
Pension liability (Note 2)	<u>1,340,661</u>
Total liabilities	<u>1,669,866</u>

DEFERRED INFLOWS OF RESOURCES

Collective deferred inflows of resources related to pensions (Note 2)	<u>197,913</u>
-----------------------------------------------------------------------	----------------

NET POSITION

Invested in capital assets	2,397,831
Unrestricted	<u>7,054,867</u>
Total net position	<u>\$ 9,452,698</u>

The accompanying notes are an integral part of this financial statement.

TOMBIGBEE RIVER VALLEY WATER MANAGEMENT DISTRICT

STATEMENT OF ACTIVITIES

Year ended June 30, 2015

EXPENSES

Personal service:	
Salaries, wages, and fringe benefits	\$ 890,284
Travel and subsistence	60,602
Contractual services	170,573
Commodities	164,800
Project costs and other outlays	395,942
Depreciation	223,288
	<u>1,905,489</u>
Total expenses	<u>1,905,489</u>

REVENUES

Tax revenue, member counties	1,589,846
Interest income	9,061
Reimbursements:	
Nonfederal	<u>346,593</u>
Total revenues	<u>1,945,500</u>
Change in net position	<u>40,011</u>
Net position, beginning - as previously stated	10,839,549
Cumulative effect of applying GASB 68 (Note 7)	<u>(1,426,862)</u>
Net position, beginning - as restated	<u>9,412,687</u>
Net position, ending	<u>\$ 9,452,698</u>

The accompanying notes are an integral part of this financial statement.

TOMBIGBEE RIVER VALLEY WATER MANAGEMENT DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2015

ASSETS

Cash (Note 6)	\$ 6,642,545
Investments (Note 6)	2,000,792
Accounts receivable	111,982
Taxes receivable, member counties	<u>43,482</u>
Total assets	<u>\$ 8,798,801</u>

LIABILITIES

Accounts payable	<u>\$ 258,311</u>
Total liabilities	<u>258,311</u>

FUND BALANCES

Committed (Note 4)	835,797
Unassigned	<u>7,704,693</u>
	<u>8,540,490</u>
Total liabilities and fund balances	<u>\$ 8,798,801</u>

The accompanying notes are an integral part of this financial statement.

TOMBIGBEE RIVER VALLEY WATER MANAGEMENT DISTRICT
RECONCILIATION OF GOVERNMENTAL FUND BALANCE TO NET POSITION
June 30, 2015

Fund balances - Governmental Fund (Exhibit C)	\$	8,540,490
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		2,397,831
Collective deferred outflows related to pensions that are not a current use of funds and therefore are not reported in the governmental funds		123,845
The pension liability is not payable from current resources and therefore is not reported in the governmental funds		(1,340,661)
Collective deferred inflows of resources related to pensions that are not a current resource of funds and therefore are not reported in the governmental funds		(197,913)
Accrued compensated absences are not due and payable in the current year and therefore are not reported in the governmental funds.		(70,894)
Net position of governmental activities (Exhibit B)	\$	<u>9,452,698</u>

The accompanying notes are an integral part of this financial statement.

TOMBIGBEE RIVER VALLEY WATER MANAGEMENT DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-
GOVERNMENTAL FUNDS

Year ended June 30, 2015

REVENUES

Tax revenue, member counties	\$ 1,589,846
Interest on investments	9,061
Proceeds from sales of equipment	8,241
Reimbursements:	
Federal	-
Nonfederal	338,352
	<u>1,945,500</u>
Total revenues	<u>1,945,500</u>

EXPENSES

Personal service:	
Salaries, wages, and fringe benefits	900,649
Travel and subsistence	60,602
Contractual services	170,573
Commodities	164,801
Project costs and other outlays	395,942
Machinery and equipment	21,475
Other infrastructure	46,700
	<u>1,760,742</u>
Total expenditures	<u>1,760,742</u>
Excess of revenues over expenditures	184,758
Fund balance, beginning	<u>8,355,732</u>
Fund balance, ending	<u>\$ 8,540,490</u>

The accompanying notes are an integral part of this financial statement.

TOMBIGBEE RIVER VALLEY WATER MANAGEMENT DISTRICT
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE TO STATEMENT OF ACTIVITIES

Year ended June 30, 2015

Net change in fund balances - Total Governmental Funds (Exhibit E) \$ 184,758

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 as depreciation expense. This is the amount by which depreciation differed from capital outlays in the current period. Also, delivery and installation costs are included in the depreciable cost on the government-wide basis. The reclassification of these contractual and commodity expenditures is also included in this amount. (155,112)

Some expenses reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. 10,365

Change in net position of governmental activities (Exhibit B) \$ 40,011

The accompanying notes are an integral part of this financial statement.

TOMBIGBEE RIVER VALLEY WATER MANAGEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Tombigbee River Valley Water Management District was organized in 1963, as authorized by the Legislature of the State of Mississippi, for the purpose of developing and conserving the human and natural resources of Mississippi counties in which the Tombigbee River or any of its tributaries lie. The twelve member counties are Alcorn, Chickasaw, Clay, Itawamba, Kemper, Lee, Lowndes, Monroe, Noxubee, Pontotoc, Prentiss, and Tishomingo. The District is a component unit of the State of Mississippi.

A. Use of Estimates in the Preparation of Financial Statements

In preparing financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

B. Basis of Presentation, Measurement Focus, and Basis of Accounting

Government-Wide Financial Statements: The Statement of Net Position and the Statement of Activities display information about a reporting government as a whole. In the District's case, the reporting government consists entirely of a single fund, a governmental general fund. Government-wide financial statements are presented 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 recognized when the liability is incurred or when economic assets are used.

Fund Financial Statements: The Balance Sheet-Governmental Funds and the Statement of Revenues, Expenditures and Changes in Fund Balance-Governmental Funds display information about individual funds, which are separate accounting entities, each of which has a separate set of self-balancing accounts that constitute the fund's assets, liabilities, fund equity, revenues and expenditures/expenses. The District has only one fund. This general operating fund is used to account for all current financial resources of the District. Fund financial statements of governmental funds are presented using the current financial resources measurement focus and the modified accrual basis. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures, including capital outlays, are recorded when the related fund liability is incurred.

Other Financial Statements: The Budgetary Comparison Statement presents the District's originally and finally approved budget compared to actual revenues and expenditures. Actual revenues and expenditures are presented on the District's budgetary basis of accounting, the cash basis of accounting. The District's budget procedures are described below.

NOTES TO FINANCIAL STATEMENTS - (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

C. Capital Assets and Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the District. When purchased, such assets are recorded as expenditures in the governmental fund and capitalized. The valuation basis for general capital assets is historical cost.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives are as follows: Buildings, 20 to 40 years; machinery and equipment, 4 to 10 years.

D. Budgets

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Approximately one year before a fiscal year begins, the agency prepares a proposed operating budget for that year. The operating budget includes proposed expenditures and the means of financing them.
2. During August, this proposed budget for the fiscal year, commencing the following July, is submitted to the Fiscal Management Board and the Legislative Budget Office. Budget hearings are conducted resulting in recommendations for changes or approval of the request as submitted.
3. In January, the proposed budget and any recommendations proposed by the Legislative Budget Commission, are presented to the legislature. The legislature makes any revisions it deems necessary or appropriate. Prior to March 30, the budget is legally enacted through passage of a statute.
4. The District is authorized to transfer budgeted amounts between major expenditure classifications on a limited basis subject to approval by the Fiscal Management Board. The final amended budget is used for budget comparison purposes in this report.
5. The budget for the General Fund is adopted on a cash basis. Exhibit G compares actual expenditures on the budgetary basis to original and final budgets and reconciles revenues and expenditures for the year from the budgetary basis to a modified accrual basis used in governmental fund financial statements.

E. Compensated Absences

Section 25-3-97, Miss. Code Ann. (1972), authorizes payment for a maximum of 30 days accrued personal leave in a lump sum upon termination of employment. No payment is authorized for accrued major medical leave unless the employee presents medical evidence that his or her physical condition is such that he or she can no longer work in a capacity of state government.

NOTES TO FINANCIAL STATEMENTS - (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The liability for compensated absences reported in the government-wide Statement of Net Assets consists of unpaid, accumulated annual personal leave balances. The District has not classified any of the liability for compensated absences as current due to the immateriality of the amount.

F. Risk

The District participates in the State of Mississippi Tort Claims Board insurance pool and purchases commercial insurance in order to limit its exposure to risk.

G. Evaluation of Subsequent Events

In preparing these financial statements, the District has evaluated events and transactions for potential recognition or disclosure through the date of the Independent Auditors' Report, which is the date the financial statements were available to be issued.

H. Fund Balance Reporting in Governmental Funds

Nonspendable fund balances reported in the governmental fund balance sheet are associated with assets that are not in spendable form, such as inventories, prepaid items, and the long-term portion of loans and notes receivable, or items that are legally required to be maintained intact.

Spendable fund balances in the governmental fund balance sheet are classified as restricted, committed, assigned or unassigned based upon the extent to which the District is bound to observe constraints imposed on the use of the resources reported in the governmental funds. Restricted fund balances represent amounts that are constrained by external parties, such as creditors, grantors, or contributors, or through constitutional provisions or enabling legislation. Committed fund balances represent amounts that are usable only for specific purposes by formal action of the District's board of directors. Assigned fund balances represent amounts that are intended to be used for specific purposes, but are neither restricted nor committed. Unassigned fund balances represent the residual classification for the District.

I. Pensions

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

NOTE 2. PENSION PLAN

A. General Information about the Pension Plan

Plan description

The Public Employee's Retirement System of Mississippi (PERS or the System) was created with

NOTES TO FINANCIAL STATEMENTS - (Continued)

NOTE 2. PENSION PLAN – (Continued)

the purpose to provide pension benefits for all state and public education employees, sworn officers of the Mississippi Highway Safety Patrol, or other public employees whose employers have elected to participate in the System and elected members of the State Legislature and the President of the Senate. The System administers a cost-sharing, multiple employer defined benefit pension plan as defined in Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans*.

Benefits provided

For the cost-sharing plan 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 2.00% 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 2.50% for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. A member may elect a reduced retirement allowance payable for life with a provision that, after death, a beneficiary receives benefits for life or for a specified number of years. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. In the event of death prior to retirement of any member whose spouse and/or children are not entitled to a retirement allowance, the deceased member's accumulated contributions and interest are paid to the designated beneficiary.

Contributions

Pursuant to Miss. Code Ann. § 25-11-123 (1972, as amended), the Board of Trustees of the Public Employees' Retirement System of Mississippi is authorized to set the contribution rates for both employee and employer contributions based on the basis of the liabilities of the retirement system as shown by the actuarial valuation. Effective July 1, 2010 and continuing thereafter until amended by the Board of Trustees of the Public Employees' Retirement System of Mississippi, the employee contribution rate was fixed at 9.00 percent of earned compensation. The District's contractually required contribution rate, effective July 1, 2013 and continuing thereafter until amended by the Board of Trustees of the Public Employees' Retirement System of Mississippi, was fixed at 15.75 percent of earned compensation. Contributions to the pension plan from the District were \$ 102,931 for the year ended June 30, 2015.

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

At June 30, 2015, the District reported a liability of \$ 1,340,661 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, 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 the ratio of the District's actual contribution to the System's total actual contributions as of and for the System's fiscal year

NOTES TO FINANCIAL STATEMENTS - (Continued)

NOTE 2. PENSION PLAN – (Continued)

ended June 30, 2014. At June 30, 2014, the District's proportion was 0.01105%, which was an increase of .00002% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$ 106,297. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Differences between expected and actual experience	\$ 20,914	\$ -
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	194,339
Changes in proportion and differences between District contributions and proportionate share of contributions		3,574
District contributions subsequent to the measurement date	<u>102,931</u>	<u>-</u>
	<u>\$ 123,845</u>	<u>\$ 197,913</u>

Deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of net pension liability in the following fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years ended June 30,	
2016	\$ (42,008)
2017	(42,008)
2018	(43,663)
2019	(49,321)
2020	-
Therafter	<u>-</u>
	<u>\$ (177,000)</u>

Actuarial assumptions

The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.5%
Salary increases	4.25% - 19.50%, average, including inflation
Investment rate of return	8.00%, net of pension plan investment expense, including inflation

NOTES TO FINANCIAL STATEMENTS - (Continued)

NOTE 2. PENSION PLAN – (Continued)

Mortality rates were based on the RP-2000 Combined Mortality Table Projected with Scale AA to 2025, set forward two years for males.

The actuarial assumptions used in the June 30, 2014 were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2012. The experience report is dated June 12, 2013.

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, 2014, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Expected Real Rate of Return</u>
U. S. Broad	34.00 %	5.20 %
International equity	19.00	5.00
Emerging markets equity	8.00	5.45
Fixed income	20.00	0.25
Real assets	10.00	4.00
Private equity	8.00	6.15
Cash	1.00	(0.50)
	<u>100.00 %</u>	

Discount rate

The discount rate used to measure the total pension liability was 8.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made at the current employer contribution rate. 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 member. 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 table presents the District's proportionate share of the net pension liability calculated using the discount rate of 8.00%, as well as what the plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

NOTES TO FINANCIAL STATEMENTS - (Continued)

NOTE 2. PENSION PLAN – (Continued)

	<u>1%</u> <u>Decrease</u>	<u>Discount</u> <u>Rate</u>	<u>1%</u> <u>Increase</u>
District's proportionate share of the net pension liability	\$ 1,827,720	\$ 1,340,661	\$ 934,380

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report, which can be obtained at www.pers.ms.gov.

NOTE 3. CHANGES IN NONCURRENT LIABILITIES

Noncurrent liabilities (excluding the pension liability described in Note 2) consisted entirely of accrued compensated absences which increased by \$ 1,768 compared to the July 1, 2014, balance of \$ 69,126.

NOTE 4. COMMITMENTS AND COMMITTED FUND BALANCE

Projects of a Local Nature

In accordance with House Bill No. 179 enacted by the Mississippi Legislature in 1962, the District receives ad valorem taxes from each participating county. The District is obligated to spend for projects of a local nature in each participating county an amount based on that county's 1965 ad valorem tax assessment. The total amount of unexpended project costs for which the District was obligated by this Bill at June 30, 2015 was \$ 21,704. Also, in 2010 and 2011, the District was repaid for bonds redeemed on behalf of Yellow Creek Port Authority. The District's Board of Directors voted to commit these funds to be added to projects of a local nature. The balance of these committed funds as of June 30, 2015 was \$ 814,093. Projects are to be financed out of ad valorem taxes of the participating counties during the period they are members of the District. The total of these commitments by the District's Board of Directors of \$ 835,797 is included in committed fund balances in the balance sheet-governmental funds.

The District has entered into several agreements with the Natural Resource Conservation Service to share 25% of the cost of certain emergency watershed projects. The District's share of the cost may be either a cash or in-kind contribution. The District intends to use its maintenance personnel and equipment as its share of the cost.

In addition to the above commitments, the District is obligated by resolutions to maintain the tributaries of the Tombigbee River that are improved by the United States Army Corps of Engineers.

NOTE 5. CAPITAL ASSETS

The following is a summary of changes in capital assets:

NOTES TO FINANCIAL STATEMENTS - (Continued)

NOTE 5. CAPITAL ASSETS – (Continued)

	<u>BALANCE JULY 1, 2014</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>BALANCE JUNE 30, 2015</u>
Assets not being depreciated:				
Land	\$ 929,831	\$ -	\$ -	\$ 929,831
	<u>929,831</u>	<u>-</u>	<u>-</u>	<u>929,831</u>
Other capital assets:				
Buildings and improvements	905,437	50,450	-	955,887
Machinery and equipment	4,019,208	17,725	2,408	4,034,525
	<u>4,924,645</u>	<u>68,175</u>	<u>2,408</u>	<u>4,990,412</u>
Accumulated depreciation:				
Buildings and improvements	222,466	29,290	-	251,756
Machinery and equipment	3,079,066	193,998	2,408	3,270,656
	<u>3,301,532</u>	<u>223,288</u>	<u>2,408</u>	<u>3,522,412</u>
Net other capital assets	<u>1,623,113</u>	<u>(155,113)</u>	<u>-</u>	<u>1,468,000</u>
Net capital assets	<u>\$ 2,552,944</u>	<u>\$ (155,113)</u>	<u>\$ -</u>	<u>\$ 2,397,831</u>

NOTE 6. CASH AND INVESTMENTS

The District's deposits and investments, as listed below, at June 30, 2015 were entirely covered by federal depository insurance or by collateral through the statewide collateral pool administered by the State Treasurer.

State law authorizes the District to invest in obligations of the U. S. Treasury and U. S. Agencies; obligations of the Tennessee Valley Authority; obligations of the State of Mississippi and its agencies, municipalities or political subdivisions; obligations of any state or its divisions that are rated "A" or better; and certain surety bonds.

Since the District was invested in interest-bearing accounts at June 30, 2015, the investments' carrying values approximate their fair values. Amounts on deposit at June 30, 2015 are as follows:

	<u>AMOUNT</u>
Cash:	
Petty cash fund	\$ 200
Checking account (before deducting outstanding checks)	36,720
Money market	<u>6,642,195</u>
	<u>\$ 6,679,115</u>

NOTES TO FINANCIAL STATEMENTS - (Continued)

NOTE 6. CASH AND INVESTMENTS - (Continued)

Investments:

Certificates of deposit	<u>\$ 2,000,792</u>
	<u><u>\$ 2,000,792</u></u>

NOTE 7. CUMULATIVE EFFECT ADJUSTMENT

During the year ended June 30, 2015, Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* were implemented. GASB No. 68 requires the liability of employers and nonemployer contributing entities to employees for defined benefit pensions (net pension liability) to be measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service (total pension liability), less the amount of the pension plan's fiduciary net position. Cost-sharing employers are required to recognize the liability for its proportionate share of the net pension liability of all employers for benefits provided through the pension plan. GASB No. 71 amended GASB No. 68, to require a government to recognize a beginning deferred outflow of resources only for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability but before the start of the government's fiscal year.

Transition guidance in GASB 68 requires that accounting changes adopted to conform to the provisions of that Statement should be applied retroactively by restating financial statements, if practical, for all periods presented. If restatement is not practical, the cumulative effect of applying this Statement should be reported as a restatement of beginning net position for the earliest period presented. Based on the foregoing, the cumulative effect adjustment reflected in the financial statements for the year ended June 30, 2015, is comprised of the following components:

Beginning of year proportionate share of net pension liability	\$ 1,533,159
Beginning of year pension contributions made after beginning of year measurement date	<u>(106,297)</u>
	<u><u>\$ 1,426,862</u></u>

SUPPORTING SCHEDULES

TOMBIGBEE RIVER VALLEY WATER MANAGEMENT DISTRICT

SCHEDULE OF SURETY BONDS

June 30, 2015

<u>NAME AND POSITION</u>	<u>SURETY</u>	<u>SERIAL NUMBER</u>	<u>AMOUNT</u>
Directors:			
Jerry D. Keith, President	Western Surety	18117508	\$ 20,000
Rex Mooney, Vice President	Western Surety	18117508	\$ 20,000
Dr. L. J. Goodgame, Secretary	Western Surety	18117508	\$ 20,000
Robert A. Godfrey, Treasurer	Western Surety	18117508	\$ 20,000
	Travelers Casualty & Surety	105472665	\$ 50,000
Joe Brooks	Western Surety	18117508	\$ 20,000
Julian Chancellor	Western Surety	18117508	\$ 20,000
Ken Cooley	Western Surety	18117508	\$ 20,000
Joe Duncan	Western Surety	18117508	\$ 20,000
Jerry Mack Etheridge	Western Surety	18117508	\$ 20,000
Donald G. Goodwin	Western Surety	18117508	\$ 20,000
Carl "Fox" Haas	Western Surety	18117508	\$ 20,000
Tommy Johnson	Western Surety	18117508	\$ 20,000
Peggy Jolly	Western Surety	18117508	\$ 20,000
Stacy Lewis	Western Surety	18117508	\$ 20,000
Perry R. Lucas	Western Surety	18117508	\$ 20,000
Sandy Mitchell	Western Surety	18117508	\$ 20,000
Nicky Nichols	Western Surety	18117508	\$ 20,000
Rayburn Parks	Western Surety	18117508	\$ 20,000
Larry Pugh	Western Surety	18117508	\$ 20,000
Stanley D. Pulliam	Western Surety	18117508	\$ 20,000
Tim Rakestraw	Western Surety	18117508	\$ 20,000
Jack Savely	Western Surety	18117508	\$ 20,000
Ralph Smith	Western Surety	18117508	\$ 20,000
Brad Stevens	Western Surety	18117508	\$ 20,000
Earl Thomas	Western Surety	18117508	\$ 20,000
James Threadgill	Western Surety	18117508	\$ 20,000
Paul Vickers	Western Surety	18117508	\$ 20,000
Walt Willis	Western Surety	18117508	\$ 20,000
Employees:			
Steve Wallace, Executive Director	Western Surety	18117508	\$ 20,000
	Travelers Casualty & Surety	105298801	\$ 5,000
All other employees	Western Surety	18117508	\$ 20,000

TOMBIGBEE RIVER VALLEY WATER MANAGEMENT DISTRICT

CASH BASIS SCHEDULE OF PER DIEM AND
TRAVEL PAID TO BOARD MEMBERS

Year ended June 30, 2015

<u>NAME</u>	<u>PER DIEM</u>	<u>TRAVEL</u>	<u>TOTAL</u>
Joe Brooks	\$ 600	\$ 4,679	\$ 5,279
Jullian W. Chancellor, Jr.	40	35	75
Kenneth S. Cooley	320	436	756
Joe Duncan	680	1,028	1,708
Jerry Mack Etheridge	80	104	184
Robert A. Godfrey	1,080	388	1,468
Dr. L. J. Goodgame	1,680	8,141	9,821
Carl Haas	80	-	80
Tommy Johnson	960	3,411	4,371
Peggy Jolly	1,360	6,876	8,236
Jerry D. Keith	2,840	7,557	10,397
Sandy Mitchell	80	144	224
Rex Mooney	720	401	1,121
Nicky Nichols	120	40	160
Rayburn Parks	40	46	86
Stanley D. Pulliam	160	170	330
Tim Rakestraw	120	68	188
Jack Savely	1,120	7,287	8,407
Ralph Smith	720	2,015	2,735
Brad Stevens	40	52	92
Earl Thomas	120	405	525
James Threadgill	80	9	89
Paul Vickers	360	1,705	2,065
Walton Willis	1,160	8,939	10,099
	<u>\$ 14,560</u>	<u>\$ 53,936</u>	<u>\$ 68,496</u>

TOMBIGBEE RIVER VALLEY WATER MANAGEMENT DISTRICT

SCHEDULE OF CHANGES IN LAND AND OTHER PROJECT COSTS

Year ended June 30, 2015

	BALANCE 6/30/2014	NET INCREASE (DECREASE)	BALANCE 6/30/2015
PROJECTS OF A LOCAL NATURE:			
Alcorn County	\$ 676,787	\$ -	\$ 676,787
Chickasaw County	446,461	-	446,461
Clay County	653,162	-	653,162
Itawamba County	316,855	1,437	318,292
Kemper County	379,319	-	379,319
Lee County	1,337,471	207,358	1,544,829
Lowndes County	1,708,452	45,248	1,753,700
Monroe County	1,097,915	48,043	1,145,958
Noxubee County	420,219	1,814	422,033
Pontotoc County	340,702	30,246	370,948
Prentiss County	361,366	43,797	405,163
Tishomingo County	291,714	-	291,714
Total projects of a local nature	<u>8,030,423</u>	<u>377,943</u>	<u>8,408,366</u>
DISTRICT PROJECTS:			
Alcorn County	664,304	37,706	702,010
Chickasaw County	976,669	-	976,669
Clay County	649,220	-	649,220
Itawamba County	1,082,264	114,288	1,196,552
Kemper County	667,183	-	667,183
Lee County	1,395,100	373,494	1,768,594
Lowndes County	1,575,525	232,936	1,808,461
Monroe County	527,370	-	527,370
Noxubee County	322,884	-	322,884
Pontotoc County	392,310	92,782	485,092
Prentiss County	591,028	87,089	678,117
Tishomingo County	473,807	40,996	514,803
Non-designated expenditures	<u>3,762,919</u>	<u>(163,525)</u>	<u>3,599,394</u>
Total district projects	<u>13,080,583</u>	<u>815,766</u>	<u>13,896,349</u>
Items reclassified as buildings, land and equipment	<u>(1,333,036)</u>	<u>-</u>	<u>(1,333,036)</u>
Totals	<u>\$ 19,777,970</u>	<u>\$ 1,193,709</u>	<u>\$ 20,971,679</u>

TOMBIGBEE RIVER VALLEY WATER MANAGEMENT DISTRICT

SCHEDULE OF TAX REVENUE FROM MEMBER COUNTIES

Year ended June 30, 2015

	CASH BASIS	INCREASE/ (DECREASE) IN RECEIVABLE	ACCRUAL BASIS
Alcorn County	\$ 90,516	(2,009)	\$ 88,507
Chickasaw County	97,973	(432)	97,541
Clay County	117,992	143	118,135
Itawamba County	39,609	-	39,609
Kemper County	38,353	-	38,353
Lee County	255,694	3,989	259,683
Lowndes County	377,328	1,309	378,637
Monroe County	172,913	1,550	174,463
Noxubee County	43,270	1,122	44,392
Pontotoc County	149,519	74	149,593
Prentiss County	57,484	(371)	57,113
Tishomingo County	143,625	191	143,816
Total	<u>\$ 1,584,276</u>	<u>\$ 5,566</u>	<u>\$ 1,589,842</u>

TOMBIGBEE RIVER VALLEY WATER MANAGEMENT DISTRICT

STATUS OF FUNDS FOR PROJECTS OF A LOCAL NATURE

June 30, 2015

	TOTAL FUNDS COMMITTED THROUGH 6/30/2014	ADDITIONAL COMMITMENT YEAR ENDED 6/30/2015	TOTAL DISBURSED THROUGH 6/30/2015	TOTAL TO BE DISBURSED
Alcorn County	\$ 748,800	\$ -	\$ 676,787	\$ 72,013
Chickasaw County	446,460	-	446,460	-
Clay County	653,161	-	653,161	-
Itawamba County	385,148	-	318,292	66,856
Kemper County	416,377	-	379,319	37,058
Lee County	1,719,868	-	1,544,830	175,038
Lowndes County	1,835,015	-	1,753,701	81,314
Monroe County	1,320,787	-	1,145,958	174,829
Noxubee County	450,182	-	422,033	28,149
Pontotoc County	466,883	-	370,948	95,935
Prentiss County	420,264	-	405,163	15,101
Tishomingo County	381,218	-	291,714	89,504
	<u>\$ 9,244,163</u>	<u>\$ -</u>	<u>\$ 8,408,366</u>	<u>\$ 835,797</u>

TOMBIGBEE RIVER VALLEY WATER MANAGEMENT DISTRICT

SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION

Last 2 Fiscal Years*

Schedule of the District's Proportionate Share of the Net Pension Liability

	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.011%	0.011%
District's proportionate share of the net pension liability	\$ 1,340,661	\$ 1,533,159
District's covered-employee payroll	\$ 674,904	\$ 676,259
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	198.64%	226.71%
Plan fiduciary net position as a percentage of the total pension liability	67.21%	61.02%

*-The amounts presented for each fiscal year were determined as of 6/30

Schedule of District Contributions - PERS

	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 102,931	\$ 106,297
Contributions in relation to the contractually required contribution	<u>(102,931)</u>	<u>(106,297)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 653,533	\$ 674,904
Contributions as a percentage of covered-employee payroll	15.75%	15.75%

TOMBIGBEE RIVER VALLEY WATER MANAGEMENT DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2015

CHANGES IN BENEFIT TERMS

None identified during periods presented in the required supplementary information.

CHANGES IN ASSUMPTIONS

None identified during periods presented in the required supplementary information.

CHANGES IN SIZE OR COMPOSITION OF THE POPULATION COVERED BY THE BENEFIT TERMS

None identified during periods presented in the required supplementary information.



CERTIFIED PUBLIC ACCOUNTANTS

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**INDEPENDENT AUDITORS' 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***

Board of Directors
Tombigbee River Valley Water
Management District
Tupelo, Mississippi

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 Tombigbee River Valley Water Management District, a component unit of the State of Mississippi, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Tombigbee River Valley Water Management District's basic financial statements, and have issued our report thereon dated September 2, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Tombigbee River Valley Water Management 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Tombigbee River Valley Water Management District's internal control. Accordingly, we do not express an opinion on the effectiveness of Tombigbee River Valley Water Management 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 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 Tombigbee River Valley Water Management District's basic financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Nail McKinney Professional Association

Amory, Mississippi
September 2, 2015