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PEARL RIVER VALLEY WATER SUPPLY DISTRICT

A Component Unit of the State of Mississippi

AUDIT REPORT

June 30, 2016

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INDEPENDENT AUDITOR'S REPORT ON THE BASIC FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

Board of Directors
Pearl River Valley Water Supply District
Ridgeland, Mississippi

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of Pearl River Valley Water Supply District (the "District") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Opinion

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 Pearl River Valley Water Supply District, as of June 30, 2016, 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.

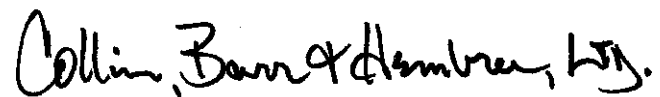
Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the Schedule of the District's Proportionate Share of the Net Pension Liability, and the Schedule of the District's Contributions on pages 7–12, 45, and 46, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 13, 2017, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



January 13, 2017

PEARL RIVER VALLEY WATER SUPPLY DISTRICT

A Component Unit of the State of Mississippi

MANAGEMENT'S DISCUSSION AND ANALYSIS

PEARL RIVER VALLEY WATER SUPPLY DISTRICT
A Component Unit of the State of Mississippi
MANAGEMENT'S DISCUSSION AND ANALYSIS

Introduction

This section presents management's discussion and analysis of the financial position and performance of the Pearl River Valley Water Supply District (the District) for the year ended June 30, 2016. Please read this narrative overview and analysis in conjunction with the District's basic financial statements which follow this section.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's financial reporting, which is comprised of the basic financial statements and notes to basic financial statements.

The basic financial statements include government-wide financial statements and fund financial statements. The government-wide financial statements include a statement of net position and a statement of activities. Fund financial statements include governmental and proprietary fund financial statements. The primary differences between the government-wide and governmental fund financial statements relate to the accounting treatment of capital assets and long-term liabilities.

Financial Analysis

The District's net position at June 30, 2016 and 2015 was \$42,488,781 and \$41,362,902, respectively. Total net position increased \$1,125,879 between June 30, 2016 and 2015. Below is a summary of total net position at June 30, 2016 and 2015.

PEARL RIVER VALLEY WATER SUPPLY DISTRICT
A Component Unit of the State of Mississippi
MANAGEMENT'S DISCUSSION AND ANALYSIS

NET POSITION

	2016	2015	\$ Variance
Assets:			
Cash	\$ 8,416,481	\$ 5,729,654	\$ 2,686,827
Receivables	1,722,343	2,162,488	(440,145)
Capital assets	43,265,399	43,193,899	71,500
Total assets	53,404,223	51,086,041	2,318,182
Deferred outflows of resources -pensions	1,547,396	677,540	869,856
Total assets and deferred outflows of resources	<u>\$ 54,951,619</u>	<u>\$ 51,763,581</u>	<u>\$ 3,188,038</u>
Liabilities			
Accounts payable, accrued liabilities, and customer deposits	\$ 1,018,717	\$ 836,855	\$ 181,862
Long-term liabilities	1,462,493	759,369	703,124
Net pension liability	9,274,819	7,282,902	1,991,917
Unearned revenue	457,703	465,843	(8,140)
Total liabilities	12,213,732	9,344,969	2,868,763
Deferred inflows of resources - pensions	249,106	1,055,710	(806,604)
Total liabilities and deferred inflows of resources	<u>\$ 12,462,838</u>	<u>\$ 10,400,679</u>	<u>\$ 2,062,159</u>
Net Position			
Net investment in capital assets	\$ 42,705,399	\$ 43,193,899	\$ (488,500)
Unrestricted	(216,618)	(1,830,997)	1,614,379
Total net position	<u>\$ 42,488,781</u>	<u>\$ 41,362,902</u>	<u>\$ 1,125,879</u>

The Ross Barnett Reservoir (the Reservoir) is a 33,000 acre impoundment on the Pearl River, just north of Jackson, Mississippi. Ownership and operation of the Reservoir, shoreline and surrounding property are vested in the District, which is an agency of the State of Mississippi. The District was created in 1958 by the Mississippi Legislature (the Legislature) to provide water supply and water-oriented recreational activities. The District has over 50,000 total acres, with the shoreline consisting of parks, timber and land leases. The District has over 5,300 water customers, provides water to the City of Jackson for treatment and has approximately 2.75 million visitors each year.

PEARL RIVER VALLEY WATER SUPPLY DISTRICT
A Component Unit of the State of Mississippi
MANAGEMENT'S DISCUSSION AND ANALYSIS

The District is responsible for the maintenance of the Reservoir dam, spillway, roads and streets and approximately 50 public recreation facilities, including 5 campgrounds and the Reservoir. The spillway, patrol and campgrounds are staffed 24 hours a day. The maintenance staff is on call to respond to emergencies and to ensure adequate personnel are available to provide for the safety and comfort of campers, water and sewer customers and visitors.

The District is authorized to spend funds for capital improvements such as parks, campgrounds, launching ramps, parking lots and access roads for the public benefit. Other capital improvement funds are used to develop parcels of land for residential and commercial lease to provide a source of revenue to the District.

The District charges no fees for the use of any of its public facilities, except for the campgrounds and group picnic pavilions. There are five counties which are members of the District – Hinds, Rankin, Madison, Scott and Leake. Each county is represented by two District board members, and one member each is appointed by four agencies of the State of Mississippi.

Net capital assets increased to \$43,265,399 at June 30, 2016, an increase of \$71,500 from June 30, 2015. During fiscal 2016, additions to capital assets totaled \$2,866,732, and \$2,794,005 was recorded as depreciation expense. Capital asset additions primarily related to property improvement projects, sewer improvement projects and various equipment additions.

Long-term liabilities increased \$703,124, as a result of the compensated absences liability, workers' compensation insurance liability, and loans payable collectively increasing during fiscal 2016. Unearned revenue of \$457,703 was recorded at June 30, 2016 for advance lease payments received by the District.

There were several significant changes in the defined benefit pension plan accounts. Deferred outflows-pensions increased \$869,856, net pension liability increased \$1,991,917 and the liability account deferred inflows-pensions decreased \$806,604. These changes resulted from changes in assumptions and other factors more fully explained in the notes of the financial statements.

The District's operations include governmental and business-type activities. The District's business-type activities include the activities of water and sewer operations and the Reservoir's sanitation system. A summary of revenues and expenses for the years ended June 30, 2016 and 2015 follows.

PEARL RIVER VALLEY WATER SUPPLY DISTRICT
A Component Unit of the State of Mississippi
MANAGEMENT'S DISCUSSION AND ANALYSIS

CHANGE IN NET POSITION

	2016	2015	\$ Variance
Revenues:			
Governmental activities:			
Lease rentals	\$ 5,846,103	\$ 5,984,936	\$ (138,833)
Campground fees	2,147,632	2,196,668	(49,036)
Transfer fees	120,270	93,143	27,127
Building permit fees	156,028	105,626	50,402
Intergovernmental	1,347,386	364,530	982,856
Other	337,858	465,588	(127,730)
Total governmental activities	<u>9,955,277</u>	<u>9,210,491</u>	<u>744,786</u>
Business-type activities:			
Water sales	2,083,064	1,850,650	232,414
Sewer charges	2,167,965	2,016,456	151,509
Grant revenues	-	1,891,967	(1,891,967)
Other	176,869	257,448	(80,579)
Total business-type activities	<u>4,427,898</u>	<u>6,016,521</u>	<u>(1,588,623)</u>
General interest income	<u>713</u>	<u>583</u>	<u>130</u>
Total revenues	<u>14,383,888</u>	<u>15,227,595</u>	<u>(843,707)</u>
Expenses:			
Governmental activities:			
General and administrative	2,384,152	2,480,991	(96,839)
Maintenance of facilities	3,043,809	2,969,531	74,278
Campground operations	2,185,277	2,086,301	98,976
Spillway operation	297,713	546,605	(248,892)
Policing	677,876	764,911	(87,035)
Special projects	70,108	55,238	14,870
Shop and equipment	497,179	487,498	9,681
Total governmental activities	<u>9,156,114</u>	<u>9,391,075</u>	<u>(234,961)</u>
Business-type activities -			
Water and sewer operations and sanitation system	<u>4,101,895</u>	<u>3,874,439</u>	<u>227,456</u>
Total expenses	<u>13,258,009</u>	<u>13,265,514</u>	<u>(7,505)</u>
Change in net position	<u>\$ 1,125,879</u>	<u>\$ 1,962,081</u>	<u>\$ (836,202)</u>

PEARL RIVER VALLEY WATER SUPPLY DISTRICT
A Component Unit of the State of Mississippi
MANAGEMENT'S DISCUSSION AND ANALYSIS

As a state agency, the District is subject to the appropriations process for authorization for expenditures of its funds. The District currently receives no direct appropriations from the Legislature for operations and does not receive any tax proceeds from the five counties which make up the District. However, from time to time, grant funds and special appropriations are received for capital projects such as campgrounds, road projects and multi-purpose trails.

Total revenues for the years ended June 30, 2016 and 2015, totaled \$14,383,888 and \$15,227,595, respectively, a net decrease of \$843,707. Lease rental revenue of \$5,846,103 for fiscal 2016 decreased \$138,833 from 2015. In addition, the District received federal and state intergovernmental revenue of \$1,347,386 in 2016, a decrease of \$909,111 from 2015.

Expenses related to governmental activities decreased by approximately 2.5% from comparable fiscal 2015 expenses.

The District's governmental funds consist of the General Fund and Capital Projects Fund. During the year ended June 30, 2016, the net increase in the fund balance of the General Fund was \$1,197,942, as compared to an increase in fiscal 2015 of \$475,549. The net increase is primarily attributed to decreased expenses related to special projects that were completed in fiscal 2015. During the year ended June 30, 2016, the Capital Projects Fund received approximately \$1,200,000 from the State of Mississippi that was used entirely for property improvement needs related to seawalls.

During the year ended June 30, 2016, budgeted revenues for the District's General Fund were \$9,584,000, compared to actual revenues of \$8,779,170, resulting in a difference between actual and budgeted revenues of \$804,830. In addition, budgeted expenditures for the District's General Fund were \$10,330,000, compared to actual expenditures of \$8,141,228, a favorable variance of \$2,188,772.

The District operates four water and wastewater systems as reported in the Enterprise Fund. During the year ended June 30, 2016, operating revenues from these activities were \$4,427,898, an increase of \$303,344.

Operating expenses of the water and sewer operations and sanitation system were \$4,101,895 in fiscal 2016, an increase of 6% over fiscal 2015.

PEARL RIVER VALLEY WATER SUPPLY DISTRICT
A Component Unit of the State of Mississippi
MANAGEMENT'S DISCUSSION AND ANALYSIS

Contacting the District's Financial Management

This financial report is designed to provide the District's Board of Directors, member local governments, customers, creditors and area citizens we serve with a general overview of the District's financial position at June 30, 2016, and to demonstrate the District's proper accountability for the monies, grants and contractual arrangements that it receives. If you have questions about this report or need additional information, please contact the General Manager or the Director of Finance at P. O. Box 2180, Ridgeland, MS 39158-2180. Also, please visit our website at www.therez.ms.

PEARL RIVER VALLEY WATER SUPPLY DISTRICT

A Component Unit of the State of Mississippi

BASIC FINANCIAL STATEMENTS

PEARL RIVER VALLEY WATER SUPPLY DISTRICT
A COMPONENT UNIT OF THE STATE OF MISSISSIPPI
STATEMENT OF NET POSITION
June 30, 2016

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash	\$ 3,873,686	\$ 4,542,795	\$ 8,416,481
Receivables, net	1,348,754	373,589	1,722,343
Internal balances	2,273,391	(2,273,391)	-
Total current assets	<u>7,495,831</u>	<u>2,642,993</u>	<u>10,138,824</u>
Non-current assets:			
Capital assets:			
Land	7,688,569	-	7,688,569
Machinery and equipment	5,700,196	2,061,866	7,762,062
Dams and other improvements	62,920,255	-	62,920,255
Water and sewer system	-	27,464,899	27,464,899
Less accumulated depreciation	(49,563,469)	(13,006,917)	(62,570,386)
Total non-current assets	<u>26,745,551</u>	<u>16,519,848</u>	<u>43,265,399</u>
Total assets	<u>34,241,382</u>	<u>19,162,841</u>	<u>53,404,223</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows - pensions	<u>1,327,511</u>	<u>219,885</u>	<u>1,547,396</u>
Total assets and deferred outflows of resources	<u>35,568,893</u>	<u>19,382,726</u>	<u>54,951,619</u>
LIABILITIES			
Current liabilities:			
Accounts payable, accrued liabilities, and customer deposits	572,019	446,698	1,018,717
Current portion of long-term liabilities	114,181	4,815	118,996
Total current liabilities	<u>686,200</u>	<u>451,513</u>	<u>1,137,713</u>
Non-current liabilities:			
Long-term liabilities	1,246,557	96,940	1,343,497
Net pension liability	7,580,920	1,693,899	9,274,819
Unearned revenue	457,703	-	457,703
Total non-current liabilities	<u>9,285,180</u>	<u>1,790,839</u>	<u>11,076,019</u>
Total liabilities	<u>9,971,380</u>	<u>2,242,352</u>	<u>12,213,732</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows - pensions	<u>204,267</u>	<u>44,839</u>	<u>249,106</u>
Total liabilities and deferred inflows of resources	<u>10,175,647</u>	<u>2,287,191</u>	<u>12,462,838</u>
NET POSITION			
Invested in capital assets, net of related debt	26,185,551	16,519,848	42,705,399
Unrestricted	(792,305)	575,687	(216,618)
Total net position	<u>\$ 25,393,246</u>	<u>\$ 17,095,535</u>	<u>\$ 42,488,781</u>

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

PEARL RIVER VALLEY WATER SUPPLY DISTRICT
A COMPONENT UNIT OF THE STATE OF MISSISSIPPI
STATEMENT OF ACTIVITIES
Year Ended June 30, 2016

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Capital Grants and Contributions	Primary Government		
				Governmental Activities	Business-type Activities	Total
Primary government:						
Governmental activities:						
General and administrative	\$ 2,384,152	\$ -	\$ -	\$ (2,384,152)	\$ -	\$ (2,384,152)
Maintenance of facilities	3,043,809	6,460,259	33,660	3,450,110	-	3,450,110
Campground operations	2,185,277	2,147,632	-	(37,645)	-	(37,645)
Spillway operation	297,713	-	-	(297,713)	-	(297,713)
Policing	677,876	-	85,470	(592,406)	-	(592,406)
Property improvement	-	-	1,176,820	1,176,820	-	1,176,820
Special projects	70,108	-	51,436	(18,672)	-	(18,672)
Shop and equipment	497,179	-	-	(497,179)	-	(497,179)
Total governmental activities	<u>9,156,114</u>	<u>8,607,891</u>	<u>1,347,386</u>	<u>799,163</u>	<u>-</u>	<u>799,163</u>
Business-type activities:						
Water and sewer operations and sanitation system	<u>4,101,895</u>	<u>4,427,898</u>	<u>-</u>	<u>-</u>	<u>326,003</u>	<u>326,003</u>
Total primary government	<u>\$ 13,258,009</u>	<u>\$ 13,035,789</u>	<u>\$ 1,347,386</u>	<u>799,163</u>	<u>326,003</u>	<u>1,125,166</u>
General revenues:						
Interest income				<u>713</u>	<u>-</u>	<u>713</u>
Change in net position				799,876	326,003	1,125,879
Net position, beginning of year				<u>24,593,370</u>	<u>16,769,532</u>	<u>41,362,902</u>
Net position, end of year				<u>\$ 25,393,246</u>	<u>\$ 17,095,535</u>	<u>\$ 42,488,781</u>

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

PEARL RIVER VALLEY WATER SUPPLY DISTRICT
A COMPONENT UNIT OF THE STATE OF MISSISSIPPI
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2016

	General	Capital Projects	Total Governmental Funds
ASSETS			
Cash	\$ 3,873,686	\$ -	\$ 3,873,686
Receivables, net	1,348,754	-	1,348,754
Due from other funds	2,027,912	245,479	2,273,391
Total assets	\$ 7,250,352	\$ 245,479	\$ 7,495,831
LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts payable	\$ 350,199	\$ -	\$ 350,199
Accrued liabilities	221,820	-	221,820
Unearned revenue	457,703	-	457,703
Total liabilities	1,029,722	-	1,029,722
Fund balance:			
Committed to:			
General government	191,500	-	191,500
Capital improvements	363,000	245,479	608,479
Dam and infrastructure improvements	384,000	-	384,000
Assigned to:			
General government	145,000	-	145,000
Capital improvements	786,332	-	786,332
Dam and infrastructure improvements	800,000	-	800,000
Unassigned	3,550,798	-	3,550,798
Total fund balance	6,220,630	245,479	6,466,109
Total liabilities and fund balance	\$ 7,250,352	\$ 245,479	\$ 7,495,831

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

PEARL RIVER VALLEY WATER SUPPLY DISTRICT
A COMPONENT UNIT OF THE STATE OF MISSISSIPPI
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF NET POSITION
June 30, 2016

Total fund balance - governmental funds	\$ 6,466,109
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 funds.	26,745,551
Liabilities not due and payable in the current period are not reported in the funds:	
Accrued workers' compensation	(433,089)
Compensated absences	(367,649)
Net pension liability	(7,580,920)
Long term debt	(560,000)
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	1,327,511
Deferred inflows of resources related to pensions	(204,267)
Net position of governmental activities	<u>\$ 25,393,246</u>

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

PEARL RIVER VALLEY WATER SUPPLY DISTRICT
A COMPONENT UNIT OF THE STATE OF MISSISSIPPI
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2016

	General	Capital Projects	Total Governmental Funds
REVENUES			
Interest on investments	\$ 713	\$ -	\$ 713
Lease rentals	5,846,103	-	5,846,103
Assignment fees	120,270	-	120,270
Building permit fees	156,028	-	156,028
Campground fees	2,147,632	-	2,147,632
Intergovernmental	170,566	1,176,820	1,347,386
Miscellaneous	337,858	-	337,858
Total revenues	<u>8,779,170</u>	<u>1,176,820</u>	<u>9,955,990</u>
EXPENDITURES			
General and administrative	2,777,135	-	2,777,135
Maintenance of facilities	1,554,970	-	1,554,970
Campground operations	2,463,318	-	2,463,318
Spillway operation	235,325	-	235,325
Policing	592,916	-	592,916
Property improvement	-	1,176,820	1,176,820
Special projects	70,108	-	70,108
Shop and equipment	447,456	-	447,456
Total expenditures	<u>8,141,228</u>	<u>1,176,820</u>	<u>9,318,048</u>
Excess of revenues over expenditures	<u>637,942</u>	<u>-</u>	<u>637,942</u>
OTHER FINANCING SOURCES			
Proceeds of loan	<u>560,000</u>	<u>-</u>	<u>560,000</u>
Net change in fund balances	1,197,942	-	1,197,942
Fund balances, beginning of year	<u>5,022,688</u>	<u>245,479</u>	<u>5,268,167</u>
Fund balances, end of year	<u>\$ 6,220,630</u>	<u>\$ 245,479</u>	<u>\$ 6,466,109</u>

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

PEARL RIVER VALLEY WATER SUPPLY 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
Year Ended June 30, 2016

Net change in fund balances - total governmental funds	\$	1,197,942
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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. Thus, the change in net position differs from the change in fund balances by the amount that capital outlays (\$2,373,362) exceeded depreciation (\$1,832,117) and current year disposals (\$1,227) in the current period.		540,018
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Workers' compensation liabilities payable to the Department of Finance, State of Mississippi are measured by the amounts incurred during the year in the statement of activities. However, in the governmental funds, expenses are recorded when payments are due.		(207,782)
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Compensated absences are measured by the amounts earned during the year in the statement of activities. However, in the governmental funds, expenditures are measured by the amount of financial resources used.		29,726
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Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the government funds, but the repayment reduces long-term liabilities in the statement of net position. Thus, the change in net position differs from the change in fund balances by the amount that debt proceeds (\$560,000) exceeded debt repayments (\$0).		(560,000)
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The statement of activities reports an expense equal to the District's proportionate share of the collective net pension expense for the cost-sharing pension plan. However, in the governmental funds, the cost-sharing expenses are measured by the amount of current contributions made to the plan. Reconciling items applicable to the pension liability and related accounts are the following:

Pension expense for the current year		(695,672)
Pension contributions made subsequent to the measurement date		495,644

Change in net position of governmental activities	\$	799,876
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The notes to the financial statements are an integral part of this statement.

PEARL RIVER VALLEY WATER SUPPLY DISTRICT
A COMPONENT UNIT OF THE STATE OF MISSISSIPPI
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL - GENERAL FUND
Year Ended June 30, 2016

	General Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Interest on investments	\$ 4,000	\$ 713	\$ (3,287)
Lease rentals	6,100,000	5,846,103	(253,897)
Assignment fees	120,000	120,270	270
Building permit fees	190,000	156,028	(33,972)
Campground fees	2,350,000	2,147,632	(202,368)
Grant revenues	400,000	170,566	(229,434)
Miscellaneous	420,000	337,858	(82,142)
Total revenues	9,584,000	8,779,170	(804,830)
EXPENDITURES			
Salaries, wages and fringe benefits	4,400,000	3,843,340	556,660
Travel	30,000	15,483	14,517
Contractual services	2,500,000	2,358,462	141,538
Commodities	1,100,000	708,658	391,342
Equipment and special projects	1,800,000	1,190,285	609,715
Loans, subsidies and grants	500,000	25,000	475,000
Total expenditures	10,330,000	8,141,228	2,188,772
Excess (deficiency) of revenues over (under) expenditures	(746,000)	637,942	1,383,942
OTHER FINANCING SOURCES			
Proceeds of loan	-	560,000	560,000
Net change in fund balances	\$ (746,000)	\$ 1,197,942	\$ 1,943,942

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

PEARL RIVER VALLEY WATER SUPPLY DISTRICT
A COMPONENT UNIT OF THE STATE OF MISSISSIPPI
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2016

ASSETS	
Current assets:	
Cash	\$ 4,542,795
Receivables, net	<u>373,589</u>
Total current assets	<u>4,916,384</u>
Noncurrent assets:	
Capital assets:	
Machinery and equipment	2,061,866
Water and sewer system	27,464,899
Less accumulated depreciation	<u>(13,006,917)</u>
Total noncurrent assets	<u>16,519,848</u>
Total assets	21,436,232
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows - pensions	<u>219,885</u>
Total assets and deferred outflows of resources	21,656,117
LIABILITIES	
Current liabilities:	
Accounts payable	55,269
Accrued liabilities	35,748
Customer deposits	360,496
Due to other funds	<u>2,273,391</u>
Total current liabilities	2,724,904
Noncurrent liabilities	
Noncurrent accrued liabilities	96,940
Net pension liability	<u>1,693,899</u>
Total liabilities	4,515,743
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows - pensions	<u>44,839</u>
Total liabilities and deferred inflows of resources	<u>4,560,582</u>
NET POSITION	
Invested in capital assets, net of related debt	16,519,848
Unrestricted	<u>575,687</u>
Total net position	<u><u>\$ 17,095,535</u></u>

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

PEARL RIVER VALLEY WATER SUPPLY DISTRICT
A COMPONENT UNIT OF THE STATE OF MISSISSIPPI
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
Year Ended June 30, 2016

OPERATING REVENUES	
Water sales	\$ 2,083,064
Tapping fees	34,700
Sewer charges	2,167,965
Pipeline maintenance fees	114,696
Miscellaneous	<u>27,473</u>
Total operating revenues	<u>4,427,898</u>
OPERATING EXPENSES	
Salaries, wages and fringe benefits	691,258
Sewer disposal usage	895,322
Utilities	315,368
Repairs and maintenance	597,737
Depreciation	961,888
Supplies and materials	230,977
Professional fees and services	122,447
Other	<u>286,898</u>
Total operating expenses	<u>4,101,895</u>
Operating income (loss)	326,003
NONOPERATING REVENUES (EXPENSES)	
	<u>-</u>
Change in net position	<u>326,003</u>
Net position, beginning of year	<u>16,769,532</u>
Net position, end of year	<u><u>\$ 17,095,535</u></u>

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

PEARL RIVER VALLEY WATER SUPPLY DISTRICT
A COMPONENT UNIT OF THE STATE OF MISSISSIPPI
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2016

CASH FLOWS FROM OPERATING ACTIVITIES:

Receipts from customers	\$ 4,410,218
Payments to suppliers for goods and services	(2,447,329)
Payments to employees for services	<u>(579,828)</u>

Net cash provided by operating activities	<u>1,383,061</u>
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CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

Advances from other funds, net	<u>498,249</u>
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CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Purchase of capital assets	(493,370)
Capital grants	<u>710,797</u>

Net cash provided by capital and related financing activities	<u>217,427</u>
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Net increase in cash	2,098,737
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Balances, beginning of year	<u>2,444,058</u>
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Balances, end of year	<u><u>\$ 4,542,795</u></u>
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Reconciliation of operating income to net cash provided
by operating activities:

Operating income	\$ 326,003
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	961,888
(Increase) decrease in customer and other receivables	(17,680)
(Increase) decrease in deferred outflows - pensions	(122,359)
Increase (decrease) in deferred inflows - pensions	(145,189)
Increase (decrease) in net pension liability	382,977
Increase (decrease) in accounts payable and accrued liabilities	<u>(2,579)</u>

Net cash provided by operating activities	<u><u>\$ 1,383,061</u></u>
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The notes to the financial statements are an integral part of this statement.

PEARL RIVER VALLEY WATER SUPPLY DISTRICT

A Component Unit of the State of Mississippi

NOTES TO FINANCIAL STATEMENTS

PEARL RIVER VALLEY WATER SUPPLY DISTRICT
A Component Unit of the State of Mississippi
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 1: Summary of Significant Accounting Policies

Organization

Pearl River Valley Water Supply District (the District) is a special purpose state agency which owns and operates the Ross Barnett Reservoir. The District was created by an act of the Mississippi Legislature in 1958.

Government-wide Financial Statements

Government-wide financial statements are prepared using the accrual basis of accounting and the economic resources measurement focus. Government-wide financial statements (i.e., the statement of net position and the statement of activities) do not provide information by fund, but distinguish between the District's governmental activities and business-type activities. Specifically, the statement of net position includes capital assets and long term liabilities not reported on the balance sheet for governmental funds. In addition, the government-wide statement of activities reflects depreciation expense on the District's capital assets. Also, the effect of significant interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which 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. Program revenues include (1) charges to customers who purchase, use or benefit from the services 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. Unrestricted interest income and other items not properly included among program revenues are reported as general revenues.

Fund Financial Statements

In addition to the government-wide financial statements, the District has presented separate financial statements for its governmental funds and proprietary funds. Governmental fund financial statements use the modified accrual basis of accounting and the current financial resources measurement focus, and proprietary fund financial statements use the accrual basis of accounting and the economic resources measurement focus. Major individual governmental funds and the individual enterprise fund are reported as separate columns in the fund financial statements. The General Fund, Capital Projects Fund and Enterprise Fund are considered major funds.

PEARL RIVER VALLEY WATER SUPPLY DISTRICT
A Component Unit of the State of Mississippi
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

The following major governmental and proprietary funds are used by the District:

- Governmental Funds – Governmental Funds are used to account for the District's expendable financial resources and related liabilities (except those accounted for in the Proprietary Fund). The following are the District's governmental fund types:

General Fund – The 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. Its revenues are primarily derived from lease rentals and campground fees. Its expenditures primarily relate to the operation and maintenance of the District.

Capital Projects Funds – Capital Projects Funds are used to account for financial resources that are restricted, committed or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The following capital projects accounts are maintained by the District:

Property Improvement Account – The Property Improvement Account is used to account for the cost of developing and leasing commercial areas and residential lots.

District Bond Campground and Park Improvement Account – The District Bond Campground and Park Improvement Account is used to account for the cost of capital improvements at campgrounds and parks maintained by the District. In accordance with Senate Bill No. 2988, the District is authorized to borrow money and issue bonds in amounts not to exceed \$10,000,000 to finance the projects. The balance in this account was \$0 at June 30, 2016.

- Proprietary Funds – Proprietary Funds are used to account for activities that are similar to those often found in the private sector. The measurement focus is on determining net income and capital maintenance. The Enterprise Fund is used to account for the activities of the water and sewer operations and is financed through user charges.

PEARL RIVER VALLEY WATER SUPPLY DISTRICT
A Component Unit of the State of Mississippi
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Fund Balance – Governmental Funds

The fund balances for the District's governmental funds are displayed in five components.

- Nonspendable – Amounts that are not in a spendable form or are required to be maintained intact.
- Restricted – Amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally, or through enabling legislation. Restrictions may be changed or lifted only with the consent of resource providers.
- Committed – Amounts that can be used only for the specific purposes determined by resolution of the board of directors. Commitments may be changed or lifted only by issuance of a resolution by the board of directors.
- Assigned – Amounts intended to be used by the District for specific purposes as determined by management. In governmental funds other than the General Fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.
- Unassigned – The residual classification for the General Fund and includes all amounts not contained in the other classifications.

The District considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. The District applies committed amounts first, followed by assigned amounts and then unassigned amounts when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Net Position – Government-wide Financial Statements

Net position of the District is classified in three components. Net investment in capital assets consists of capital assets, net of accumulated depreciation and related debt. Restricted net position is the noncapital position that must be used for a particular purpose, as specified by creditors or grantors external to the District. Unrestricted net position is the remaining assets less remaining liabilities that do not meet the definition of net investment in capital assets or restricted net position.

PEARL RIVER VALLEY WATER SUPPLY DISTRICT
A Component Unit of the State of Mississippi
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are considered measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter 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 generally are recorded when a liability is incurred, as under usual accrual accounting.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the proprietary fund's principal ongoing operations. The principal operating revenue of the District's Enterprise Fund is derived from the activities of the water and sewer operations and is financed through user charges and contractual maintenance agreements. Operating expenses for the Enterprise Fund include expenses of administering the water and sewer systems. Other sources of revenues and expenses are reported as nonoperating revenues and expenses.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues, expenditures/expenses and other changes in net position and fund balances during the reporting period. Actual results could differ from those estimates.

PEARL RIVER VALLEY WATER SUPPLY DISTRICT
A Component Unit of the State of Mississippi
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Cash Equivalents

The District considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. At June 30, 2016, the District held no cash equivalents.

Accounts Receivable

Accounts receivable consist of water and sewer charges to residents and rentals due from the lease of property. Accounts receivable are recorded net of estimated uncollectible amounts. No allowance for uncollectible amounts is recorded at June 30, 2016.

Capital Assets

Capital assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are recorded at historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Furniture and equipment	3 to 10 years
Dams and other improvements	20 to 50 years
Water distribution system	20 to 50 years

Depreciation expense was charged to functions of the primary government as follows:

Governmental activities:	
Maintenance of facilities	\$ 1,626,273
Campground operations	<u>205,844</u>
Total depreciation expense – governmental activities	<u>\$ 1,832,117</u>
Business-type activities:	
Water and sewer operations	<u>\$ 961,888</u>

PEARL RIVER VALLEY WATER SUPPLY DISTRICT
A Component Unit of the State of Mississippi
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Compensated Absences

Section 25-3-97, Mississippi 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. At June 30, 2016, accumulated unpaid personal leave up to a maximum of 30 days per employee is reported as accrued vacation on the statement of net position.

The District's policies permit most employees to accumulate vacation and compensatory time benefits that may be realized as paid time off or, in limited circumstances, as a cash payment. Expense and the related liability are recognized as vacation benefits are earned, whether the employee is expected to realize the benefit as time off or in cash. Expense and the related liability for compensatory time benefits are recognized when earned to the extent the employee is expected to realize the benefit in cash determined using the termination payment method. Compensatory time benefits expected to be realized as paid time off are recognized as expense when the time off occurs, and no liability is accrued for such benefits employees have earned but not yet realized. Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the balance sheet date, plus an additional amount for compensation-related payments such as Social Security and Medicare taxes computed using rates in effect at that date. The estimated compensated absences liability expected to be paid more than one year after the balance sheet date is included in other long-term liabilities.

Interfund Activity

All outstanding balances between funds are reported as due to/from other funds in the fund financial statements. Any balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Income Taxes

As a state agency, the District is generally exempt from federal and state income taxes under Section 115 of the Internal Revenue Code and a similar provision of state law. However, the District is subject to federal income tax on any unrelated business taxable income.

PEARL RIVER VALLEY WATER SUPPLY DISTRICT
A Component Unit of the State of Mississippi
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Budget

The District prepares annual budgets for the General Fund and Enterprise Fund. The District uses the following procedures in establishing the budgetary data submitted for state approval:

- Approximately one year before the State's next fiscal year begins, the District prepares a proposed operating budget for that year. The operating budget includes proposed expenditures and the means of financing them.
- At the beginning of August, the proposed budget for the fiscal year commencing the following July is submitted to the Mississippi Department of Finance and Administration and the Legislative Budget Office. Budget hearings are conducted which may result in recommendations for changes.
- In January, the proposed budget and the recommendations proposed by the Joint Legislative Budget Committee are presented to the Legislature. The Legislature makes any revisions it deems necessary or appropriate and then legally enacts the District's budget in the form of an appropriation bill. The enacted budget is on an overall district basis. However, the budget presented in these financial statements is for the General Fund only.
- The District is authorized to transfer budgeted amounts between major expenditure classifications on a limited basis subject to approval by the Mississippi Department of Finance and Administration. The final budget, which is the same as the original budget, is used for budget comparison purposes.
- Budgets for the District are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

Risks and Uncertainties

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Except as described below, the District carries commercial insurance for these risks. Settled claims resulting from these insured risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

PEARL RIVER VALLEY WATER SUPPLY DISTRICT
A Component Unit of the State of Mississippi
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

The State manages tort claims through the retention of all liability exposure administered by the Tort Claims Board. Statutory regulations provide some protection, as well as a limitation of liability, for claims filed against state agencies and state employees. The District purchases commercial insurance for certain areas not covered by the State specific to the District's operations. In the last three years, settled claims have not exceeded commercial coverage. Claims payments are financed through an annual assessment to all state agencies based on amount of payroll and past loss history. Estimates of the liability for unpaid claims are actuarially determined based on observed patterns of claims payments, as well as the experience of similar programs in other states.

The District finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust (MPEWCT), a public entity risk pool. The District pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$1,000,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability; however, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

PEARL RIVER VALLEY WATER SUPPLY DISTRICT
A Component Unit of the State of Mississippi
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 2: Deposits and Investments

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. As of June 30, 2016, the carrying amount of the District's deposits with financial institutions was \$8,416,481 and the bank balance was \$8,868,921. None of the District's bank balance was exposed to custodial credit risk.

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

The District is authorized to invest in bonds or other negotiable obligations of, or guaranteed by, the United States of America.

PEARL RIVER VALLEY WATER SUPPLY DISTRICT
A Component Unit of the State of Mississippi
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 3: Capital Assets

Capital assets and related activity for the year ended June 30, 2016, consist of the items shown below.

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental activities:					
Capital assets, not being depreciated					
Land	\$ 7,688,569	\$ -	\$ -	\$ -	\$ 7,688,569
Capital assets being depreciated					
Furniture and equipment	5,636,351	201,851	(138,006)	-	5,700,196
Dams and other improvements	60,748,744	2,171,511	-	-	62,920,255
Total capital assets being depreciated	66,385,095	2,373,362	(138,006)	-	68,620,451
Less accumulated depreciation for					
Furniture and equipment	4,434,106	271,681	(136,779)	-	4,569,008
Dams and other improvements	43,434,025	1,560,436	-	-	44,994,461
Total accumulated depreciation	47,868,131	1,832,117	(136,779)	-	49,563,469
Total capital assets being depreciated, net	18,516,964	541,245	(1,227)	-	19,056,982
Total governmental activities capital assets, net	\$ 26,205,533	\$ 541,245	\$ (1,227)	\$ -	\$ 26,745,551
Business-type activities					
Capital assets being depreciated					
Furniture and equipment	\$ 1,837,285	\$ 224,581	\$ -	\$ -	\$ 2,061,866
Water and sewer system	27,196,110	268,789	-	-	27,464,899
Total capital assets being depreciated	29,033,395	493,370	-	-	29,526,765
Less accumulated depreciation for					
Furniture and equipment	1,334,448	160,290	-	-	1,494,738
Water and sewer system	10,710,581	801,598	-	-	11,512,179
Total accumulated depreciation	12,045,029	961,888	-	-	13,006,917
Total capital assets being depreciated, net	16,988,366	(468,518)	-	-	16,519,848
Total business-type activities capital assets, net	\$ 16,988,366	\$ (468,518)	\$ -	\$ -	\$ 16,519,848

PEARL RIVER VALLEY WATER SUPPLY DISTRICT
A Component Unit of the State of Mississippi
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 4: Interfund Receivables and Payables

Interfund receivables and payables at June 30, 2016, follow:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Governmental Funds		
General Fund	\$2,027,912	\$ -
Capital Project Funds	245,479	-
Proprietary Fund		
Enterprise Fund	<u>-</u>	<u>2,273,391</u>
	<u><u>\$2,273,391</u></u>	<u><u>\$2,273,391</u></u>

At June 30, 2016, the majority of interfund borrowing was due to the general and administrative allocation between the General and Enterprise Funds. Management expects all interfund borrowing to be repaid within the next fiscal year.

Note 5: Long-term Liabilities

The following is a summary of long-term obligation transactions for the District for the year ended June 30, 2016.

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Accrued compensated absences	\$ 397,375	\$ -	\$ (29,726)	\$ 367,649	\$ 47,794
Accrued workers' compensation liability	225,307	207,782	-	433,089	-
Loans payable	<u>-</u>	<u>560,000</u>	<u>-</u>	<u>560,000</u>	<u>66,387</u>
	<u>622,682</u>	<u>767,782</u>	<u>(29,726)</u>	<u>1,360,738</u>	<u>114,181</u>
Business-type activities:					
Accrued compensated absences	87,229	-	(50,189)	37,040	4,815
Accrued workers' compensation liability	<u>49,458</u>	<u>15,257</u>	<u>-</u>	<u>64,715</u>	<u>-</u>
	<u>136,687</u>	<u>15,257</u>	<u>(50,189)</u>	<u>101,755</u>	<u>4,815</u>
	<u><u>\$ 759,369</u></u>	<u><u>\$783,039</u></u>	<u><u>\$ (79,915)</u></u>	<u><u>\$ 1,462,493</u></u>	<u><u>\$ 118,996</u></u>

PEARL RIVER VALLEY WATER SUPPLY DISTRICT
A Component Unit of the State of Mississippi
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 5: Long-term Liabilities (Continued)

At June 30, 2016, the District had a \$1,500,000 available line of credit agreement with an outstanding balance of \$560,000 at 1.90% annual interest, all outstanding principal and accrued unpaid interest due at November 10, 2016. At its maturity date, the line of credit renewed into a \$1,500,325 note payable at 2.24% annual interest, due \$13,999 monthly through December 2021. This loan is unsecured.

Long-term debt maturities for the note payable are as follows:

Year Ending June 30,		
2017	\$	66,387
2018		137,271
2019		140,378
2020		143,555
2021		146,803
Thereafter		865,931
	\$	<u>1,500,325</u>

Note 6: Operating Leases

The District is a party to a member payment agreement with the Madison County Wastewater Authority, whereby the District provides a 20% share of costs, including debt service associated with operating certain facilities for the collection, transportation and treatment of wastewater. As the District retains no ownership rights to the facilities, the debt service portion of the cost is considered to be operating leases. These leases expire between 2024 and 2032. Rental payments include minimum rentals, plus related interest.

Future minimum lease payments at June 30, 2016, were:

2017	\$	132,880
2018		132,880
2019		132,880
2020		132,880
2021		132,880
2022-2026		572,978
2027-2032		214,290
		<u>\$1,451,668</u>

PEARL RIVER VALLEY WATER SUPPLY DISTRICT
A Component Unit of the State of Mississippi
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 7: Land Leases

Prior to completion of the District's Ross Barnett Reservoir project in 1965, the District acquired, by negotiation or through eminent domain proceedings, substantially all the land along the shoreline of the Ross Barnett Reservoir. The District from time to time leases improved land to developers and individuals for commercial and residential development purposes. Before leases are executed, developers and/or lessees reimburse the District for the direct and indirect costs of streets, water, sewer and other improvements and planning, development and marketing expenses incurred by the District. The leases generally have initial primary terms of 60 years, with options to renew for additional 60-year terms. Lease rentals are based on the estimated fair value of the property for the purpose and use specified in the lease, determined under circumstances and market conditions existing at the date of the lease. Some of the lease agreements contain rental escalators as predetermined in the lease agreements. The leases are classified as operating leases, and rental income is recorded in the General Fund as billed. At June 30, 2016, the District was a party to approximately 6,300 leases which yield aggregate annual rental income of approximately \$6,000,000. Remaining primary terms under these leases range from 0 to 60 years.

PEARL RIVER VALLEY WATER SUPPLY DISTRICT
A Component Unit of the State of Mississippi
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 8: Defined Benefit Pension Plan

General Information about the Pension Plan

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

Benefits Provided. Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi. 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 of creditable service 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 plan member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

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NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Funding Policy. PERS members are required to contribute 9.00% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 15.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The District's contributions to PERS for the fiscal years ending June 30, 2016, 2015 and 2014 were approximately \$533,000, \$564,000, and \$550,000, respectively, and equaled the required contributions for each year.

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

At June 30, 2016, the District reported a liability of \$9,274,819 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long term share of contributions to the pension plan relative to projected contributions of all participating entities, actuarially determined. At June 30, 2015, the District's proportion was 0.060 percent.

For the year ended June 30, 2016 the District recognized pension expense of \$882,338. At June 30, 2016 the District deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 215,479	\$ -
Net difference between projected and actual earnings on pension plan investments	-	249,106
Changes of assumptions	798,993	-
District's contributions subsequent to the measurement date	532,924	-
	<u>\$ 1,547,396</u>	<u>\$ 249,106</u>

PEARL RIVER VALLEY WATER SUPPLY DISTRICT
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\$532,924 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 ended June 30, 2016. 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:		
2017	\$	258,832
2018		249,842
2019		121,023
2020		135,669
		<hr/>
		\$ 765,366
		<hr/>

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

Inflation	3.00 percent
Salary Increase	3.75-19.00 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

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

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

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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 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Broad	34 %	5.20 %
International Equity	19	5.00
Emerging Markets Equity	8	5.45
Fixed Income	20	0.25
Real Assets	10	4.00
Private Equity	8	6.15
Cash	1	(0.50)
Total	100 %	

Discount Rate. The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at the current employer contribution rate. 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.

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

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
District's proportionate share of the net pension liability	\$12,225,058	\$ 9,274,819	\$6,826,668

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

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June 30, 2016

Note 9: Deferred Compensation Plan

The State of Mississippi offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The term "employee" means any person, whether appointed, elected or under contract, providing services for the State of Mississippi, state agencies, counties, municipalities or other political subdivisions for which compensation is paid. The plan permits employees of the District to defer a portion of their income until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

All amounts of compensation deferred under the plan; all property and rights purchased with those amounts; and all income attributable to those amounts, property or rights are (until paid or made available to the employee or other beneficiary) held in a separate trust account for the benefit of participants and their beneficiaries, and, accordingly, no liability is recorded by the District for amounts due under the plan.

Note 10: Contingencies

Federal Grants

The District has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a grantor audit may become a liability of the District. No provision for any liability that may result has been recognized in the District's financial statements.

Litigation

The District is subject to other claims and lawsuits that arose primarily in the ordinary course of its activities. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the financial position, change in net position and cash flows of the District. Events could occur that would change this estimate materially in the near term.

PEARL RIVER VALLEY WATER SUPPLY DISTRICT

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REQUIRED SUPPLEMENTARY INFORMATION

PEARL RIVER VALLEY WATER SUPPLY DISTRICT

A Component Unit of the State of Mississippi

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY

	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.060%	0.060%	0.060%
District's proportionate share of the net pension liability	\$ 9,274,819	\$ 7,282,902	\$ 8,313,562
District's covered-employee payroll	\$ 3,383,644	\$ 3,580,502	\$ 3,494,279
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	274.11%	203.40%	237.92%
Plan fiduciary net position as a percentage of the total pension liability	61.70%	67.21%	61.02%

Notes:

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in the fiscal year ended June 30, 2015, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

PEARL RIVER VALLEY WATER SUPPLY DISTRICT

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SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 532,924	\$ 563,929	\$ 550,349
Contributions in relation to the contractually required contribution	<u>(532,924)</u>	<u>(563,929)</u>	<u>(550,349)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 3,383,644</u>	<u>\$ 3,580,502</u>	<u>\$ 3,494,279</u>
Contributions as a percentage of covered-employee payroll	<u>15.75%</u>	<u>15.75%</u>	<u>15.75%</u>

Notes

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in the fiscal year ended June 30, 2015, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

PEARL RIVER VALLEY WATER SUPPLY DISTRICT

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REPORT ON COMPLIANCE AND INTERNAL CONTROL

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

Board of Directors
Pearl River Valley Water Supply District
Ridgeland, 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 the governmental activities, the business-type activities and each major fund of Pearl River Valley Water Supply District (the "District"), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 13, 2017.

Internal Control Over Financial Reporting

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

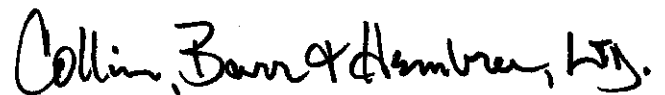
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not 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 the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

A handwritten signature in black ink that reads "Collin Barr & Ambrose, LLC". The signature is written in a cursive, flowing style.

January 13, 2017