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FINANCIAL REPORT
TOMBIGBEE RIVER VALLEY WATER
MANAGEMENT DISTRICT

Tupelo, Mississippi

June 30, 2017

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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, 2017, 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, 2017, 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 basic 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 October 26, 2017, 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
October 26, 2017

BASIC FINANCIAL STATEMENTS

TOMBIGBEE RIVER VALLEY WATER MANAGEMENT DISTRICT

STATEMENT OF NET POSITION

June 30, 2017

ASSETS

Cash	\$ 9,116,677
Accounts receivable	23,158
Taxes receivable, member counties	43,565
Capital assets, net of accumulated depreciation	<u>2,591,419</u>
Total assets	<u>11,774,819</u>

DEFERRED OUTFLOWS OF RESOURCES

Collective deferred outflows of resources related to pensions	<u>346,387</u>
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LIABILITIES

Accounts payable	30,273
Accrued compensated absences	69,185
Pension liability	<u>1,706,226</u>
Total liabilities	<u>1,805,684</u>

DEFERRED INFLOWS OF RESOURCES

Collective deferred inflows of resources related to pensions	<u>196,869</u>
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NET POSITION

Invested in capital assets	2,591,419
Unrestricted	<u>7,527,234</u>
Total net position	<u>\$ 10,118,653</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, 2017

EXPENSES

Personal service:

Salaries, wages, and fringe benefits

\$ 977,894

Travel and subsistence

67,222

Contractual services

113,944

Commodities

226,776

Project costs and other outlays

117,068

Depreciation

252,270

Total expenses

1,755,174**REVENUES**

Tax revenue, member counties

1,618,337

Interest income

12,134

Gain on sale or transfer of capital assets

159,401

Reimbursements:

Federal

193,170

Nonfederal

41,158

Total revenues

2,024,200

Change in net position

269,026

Net position, beginning

9,849,627

Net position, ending

\$ 10,118,653

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

TOMBIGBEE RIVER VALLEY WATER MANAGEMENT DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2017

ASSETS

Cash	\$ 9,116,677
Accounts receivable	23,158
Taxes receivable, member counties	<u>43,565</u>
Total assets	<u>\$ 9,183,400</u>

LIABILITIES

Accounts payable	<u>\$ 30,273</u>
Total liabilities	<u>30,273</u>

FUND BALANCES

Committed	745,953
Unassigned	<u>8,407,174</u>
	<u>9,153,127</u>
Total liabilities and fund balances	<u>\$ 9,183,400</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, 2017

Fund balances - Governmental Fund (Exhibit C)	\$ 9,153,127
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.	2,591,419
Collective deferred outflows related to pensions that are not a current use of funds and therefore are not reported in the governmental funds	346,387
The pension liability is not payable from current resources and therefore is not reported in the governmental funds	(1,706,226)
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	(196,869)
Accrued compensated absences are not due and payable in the current year and therefore are not reported in the governmental funds.	<u>(69,185)</u>
Net position of governmental activities (Exhibit B)	<u>\$ 10,118,653</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, 2017

REVENUES

Tax revenue, member counties	\$ 1,618,337
Interest on investments	12,134
Reimbursements:	
Federal	193,170
Nonfederal	<u>201,658</u>
Total revenues	<u>2,025,299</u>

EXPENSES

Personal service:	
Salaries, wages, and fringe benefits	897,433
Travel and subsistence	67,222
Contractual services	115,264
Commodities	228,954
Project costs and other outlays	117,068
Machinery and equipment	<u>223,082</u>
Total expenditures	<u>1,649,023</u>
Excess of revenues over expenditures	376,276
Fund balance, beginning	<u>8,776,851</u>
Fund balance, ending	<u>\$ 9,153,127</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, 2017

Net change in fund balances - Total Governmental Funds (Exhibit E) \$ 376,276

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. (25,690)

Governmental funds report sales of assets as other income and do not report transfers of undepreciated capital assets to other agencies. Gains and losses on these transactions are recorded in the Statement of Activities. (1,099)

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. (80,461)

Change in net position of governmental activities (Exhibit B) \$ 269,026

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

TOMBIGBEE RIVER VALLEY WATER MANAGEMENT DISTRICT

BUDGETARY COMPARISON STATEMENT

Year ended June 30, 2017

	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS)		BUDGET TO GOVERNMEN- TAL FUND DIFFERENCES	ACTUAL AMOUNTS GOVERN- MENTAL FUND BASIS (EXHIBIT E)
	ORIGINAL	FINAL				
REVENUES:						
Tax revenue, member counties	\$ 2,000,000	\$ 2,000,000	\$ 1,616,093	(a)	\$ 2,244	\$ 1,618,337
Interest on investments	150,000	150,000	12,134		-	12,134
Reimbursements:						
Federal	200,000	200,000	193,170		-	193,170
Nonfederal	285,000	285,000	201,654	(a)	4	201,658
Total revenues	2,635,000	2,635,000	2,023,051		2,248	2,025,299
EXPENSES:						
Personal service:						
Salaries, wages, and fringe benefits	1,151,376	1,151,376	897,473	(b)	(40)	897,433
Travel and subsistence	185,000	185,000	67,007	(b)	215	67,222
Contractual services	700,000	700,000	111,561	(b)	3,703	115,264
Commodities	550,000	550,000	227,314	(b)	1,640	228,954
Capital outlay:						
Project costs & other outlays	4,500,000	4,100,000	138,583	(b)	(21,515)	117,068
Machinery and equipment	1,459,100	1,459,100	223,082		-	223,082
Other infrastructure	-	-	-		-	-
Subsidies, loans, and grants	300,000	266,841	-		-	-
	8,845,476	8,412,317	1,665,020		(15,997)	1,649,023
Net change in fund balance	(6,210,476)	(5,777,317)	358,031		18,245	376,276
Fund balance, beginning	8,758,646	8,758,646	8,758,646		18,205	8,776,851
Fund balance, ending	\$ 2,548,170	\$ 2,981,329	\$ 9,116,677		\$ 36,450	\$ 9,153,127

The District prepares its budget on the cash basis of accounting, budgeting for revenues expected to be received and expenditures expected to be spent during the year. Differences between the budgetary accounting basis and the Governmental Fund basis shown in Exhibit E result from:

- a) Tax revenues, interest, and other receivables accrued at the beginning and end of each year.
- b) Accounts payable accrued at the beginning and end of each year.

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

TOMBIGBEE RIVER VALLEY WATER MANAGEMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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.

NOTES TO FINANCIAL STATEMENTS - (Continued)

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 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 \$ 102,773 for the year ended June 30, 2017.

NOTES TO FINANCIAL STATEMENTS - (Continued)

NOTE 2. PENSION PLAN – (Continued)

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

At June 30, 2017, the District reported a liability of \$ 1,706,226 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the ratio of the District's actual contribution to the System's total actual contributions as of and for the System's fiscal year ended June 30, 2016. At June 30, 2016, the District's proportion was 0.00955%, which was a decrease of .00091% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$ 187,157. At June 30, 2017, 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
Differences between expected and actual experience	\$ 47,591	\$ -
Changes in assumptions	80,435	4,534
Net difference between projected and actual earnings on pension plan investments	115,588	-
Changes in proportion and differences between District contributions and proportionate share of contributions	-	192,335
District contributions subsequent to the measurement date	102,773	-
	<u>\$ 346,387</u>	<u>\$ 196,869</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,	
2018	\$ 27,734
2019	7,226
2020	4,607
2021	7,178
2022	-
Therafter	-
	<u>\$ 46,745</u>

NOTES TO FINANCIAL STATEMENTS - (Continued)

NOTE 2. PENSION PLAN – (Continued)

Actuarial assumptions

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

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

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

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

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

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

<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 7.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00%) and that the employer contributions will be made at the current employer contribution rate (15.75%). Based on those assumptions, the pension plan's fiduciary net position was

NOTES TO FINANCIAL STATEMENTS - (Continued)

NOTE 2. PENSION PLAN – (Continued)

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

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

The following table presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.75%, 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 (6.75%) or 1-percentage-point higher than the current rate (8.75%):

	<u>1%</u> <u>Decrease</u>	<u>Current</u> <u>Discount</u> <u>Rate</u>	<u>1%</u> <u>Increase</u>
District's proportionate share of the net pension liability	\$ 2,187,764	\$ 1,706,226	\$ 1,306,705

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 decreased by \$ 3,924 compared to the July 1, 2016, balance of \$ 73,109.

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, 2017 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, 2017 was \$ 724,239. 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 \$ 745,943 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.

NOTES TO FINANCIAL STATEMENTS - (Continued)

NOTE 4. COMMITMENTS AND COMMITTED FUND BALANCE – (Continued)

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:

	BALANCE JULY 1, 2016	INCREASES	DECREASES	BALANCE JUNE 30, 2017
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	965,841	-	-	965,841
Machinery and equipment	4,460,919	226,580	642,116	4,045,383
	<u>5,426,760</u>	<u>226,580</u>	<u>642,116</u>	<u>5,011,224</u>
Accumulated depreciation:				
Buildings and improvements	282,557	31,049	-	313,606
Machinery and equipment	3,455,827	221,220	641,017	3,036,030
	<u>3,738,384</u>	<u>252,269</u>	<u>641,017</u>	<u>3,349,636</u>
Net other capital assets	<u>1,688,376</u>	<u>(25,689)</u>	<u>1,099</u>	<u>1,661,588</u>
Net capital assets	<u>\$ 2,618,207</u>	<u>\$ (25,689)</u>	<u>\$ 1,099</u>	<u>\$ 2,591,419</u>

NOTE 6. CASH AND INVESTMENTS

The District's deposits and investments, as listed below, at June 30, 2017 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, 2017, the investments' carrying values approximate their fair values. Amounts on deposit at June 30, 2017 are as follows:

NOTES TO FINANCIAL STATEMENTS - (Continued)

NOTE 6. CASH AND INVESTMENTS – (Continued)

	<u>AMOUNT</u>
Cash:	
Petty cash fund	\$ 200
Checking account (before deducting outstanding checks)	39,474
Money market	<u>9,100,466</u>
	<u>\$ 9,140,140</u>
Investments:	
Certificates of deposit	<u>\$ -</u>
	<u>\$ -</u>

SUPPORTING SCHEDULES

TOMBIGBEE RIVER VALLEY WATER MANAGEMENT DISTRICT

SCHEDULE OF SURETY BONDS

June 30, 2017

NAME AND POSITION	SURETY	SERIAL NUMBER	AMOUNT
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
Paul Vickers	Western Surety	18117508	\$ 20,000
Wesley Webb	Western Surety	18117508	\$ 20,000
Richard M. Whitfield	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, 2017

NAME	PER DIEM	TRAVEL	TOTAL
Joe Brooks	\$ 440	\$ 2,964	\$ 3,404
Jullian W. Chancellor, Jr.	160	212	372
Kenneth S. Cooley	160	287	447
Joe Duncan	640	1,007	1,647
Jerry Mack Etheridge	-	-	-
Robert A. Godfrey	1,000	381	1,381
Dr. L. J. Goodgame	1,680	9,229	10,909
Donald G. Goodwin	-	-	-
James E. Granger	800	5,138	5,938
Carl Haas	120	118	238
Tommy Johnson	760	1,351	2,111
Peggy Jolly	1,560	8,887	10,447
Jerry D. Keith	3,760	9,851	13,611
Stacy Lewis	-	-	-
R. Perry Lucas	-	-	-
Sandy Mitchell	160	194	354
Rex Mooney	760	438	1,198
Nicky Nichols	40	11	51
Rayburn Parks	320	2,070	2,390
Larry Pugh	-	-	-
Stanley D. Pulliam	80	76	156
Tim Rakestraw	80	47	127
Jack Savely	1,160	7,785	8,945
Ralph Smith	1,040	3,835	4,875
Brad Stevens	520	2,091	2,611
Paul Vickers	160	244	404
Wesley Webb	200	1,884	2,084
Richard M. Whitfield	40	4	44
Walton Willis	1,080	8,012	9,092
	<u>\$ 16,720</u>	<u>\$ 66,116</u>	<u>\$ 82,836</u>

TOMBIGBEE RIVER VALLEY WATER MANAGEMENT DISTRICT

SCHEDULE OF CHANGES IN LAND AND OTHER PROJECT COSTS

Year ended June 30, 2017

	BALANCE 6/30/2016	NET INCREASE (DECREASE)	BALANCE 6/30/2017
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	318,292	20,312	338,604
Kemper County	379,319	-	379,319
Lee County	1,562,285	29,368	1,591,653
Lowndes County	1,753,700	23,497	1,777,197
Monroe County	1,145,958	10,448	1,156,406
Noxubee County	422,033	-	422,033
Pontotoc County	375,663	1,752	377,415
Prentiss County	366,251	-	366,251
Tishomingo County	298,464	14,460	312,924
Total projects of a local nature	8,398,375	99,837	8,498,212
DISTRICT PROJECTS:			
Alcorn County	746,949	39,307	786,256
Chickasaw County	1,066,302	51,386	1,117,688
Clay County	699,768	-	699,768
Itawamba County	1,324,699	189,452	1,514,151
Kemper County	667,183	-	667,183
Lee County	1,975,589	132,398	2,107,987
Lowndes County	1,848,448	98,273	1,946,721
Monroe County	617,229	43,484	660,713
Noxubee County	341,628	9,605	351,233
Pontotoc County	542,298	174,349	716,647
Prentiss County	678,117	86,497	764,614
Tishomingo County	612,170	86,787	698,957
Non-designated expenditures	3,582,228	9,994	3,592,222
Total district projects	14,702,608	921,532	15,624,140
Items reclassified as buildings, land and equipment	(1,333,036)	-	(1,333,036)
Totals	\$ 21,767,947	\$ 1,021,369	\$ 22,789,316

TOMBIGBEE RIVER VALLEY WATER MANAGEMENT DISTRICT

SCHEDULE OF TAX REVENUE FROM MEMBER COUNTIES

Year ended June 30, 2017

	CASH BASIS	INCREASE/ (DECREASE) IN RECEIVABLE	ACCRUAL BASIS
Alcorn County	\$ 92,544	1,364	\$ 93,908
Chickasaw County	97,688	1,719	99,407
Clay County	122,192	(84)	122,108
Itawamba County	39,609	-	39,609
Kemper County	41,840	-	41,840
Lee County	249,852	(2,615)	247,237
Lowndes County	382,304	6	382,310
Monroe County	176,130	71	176,201
Noxubee County	43,270	1,122	44,392
Pontotoc County	162,614	236	162,850
Prentiss County	60,365	109	60,474
Tishomingo County	147,685	316	148,001
Total	<u>\$ 1,616,093</u>	<u>\$ 2,244</u>	<u>\$ 1,618,337</u>

TOMBIGBEE RIVER VALLEY WATER MANAGEMENT DISTRICT

STATUS OF FUNDS FOR PROJECTS OF A LOCAL NATURE

June 30, 2017

	TOTAL FUNDS COMMITTED THROUGH 6/30/2016	ADDITIONAL COMMITMENT YEAR ENDED 6/30/2017	TOTAL DISBURSED THROUGH 6/30/2017	TOTAL TO BE DISBURSED
Alcorn County	\$ 748,800	\$ -	\$ 676,787	\$ 72,013
Chickasaw County	446,461	-	446,461	-
Clay County	653,162	-	653,162	-
Itawamba County	385,148	-	338,604	46,544
Kemper County	416,377	-	379,319	37,058
Lee County	1,719,868	-	1,591,653	128,215
Lowndes County	1,835,015	-	1,777,197	57,818
Monroe County	1,320,787	-	1,156,406	164,381
Noxubee County	450,182	-	422,033	28,149
Pontotoc County	466,883	-	377,415	89,468
Prentiss County	420,264	-	366,251	54,013
Tishomingo County	381,218	-	312,924	68,294
	<u>\$ 9,244,165</u>	<u>\$ -</u>	<u>\$ 8,498,212</u>	<u>\$ 745,953</u>

SCHEDULE 6

TOMBIGBEE RIVER VALLEY WATER MANAGEMENT DISTRICT

SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION

Last 4 Fiscal Years*

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.010%	0.010%	0.011%	0.011%
District's proportionate share of the net pension liability	\$ 1,706,226	\$ 1,617,064	\$ 1,340,661	\$ 1,533,159
District's covered-employee payroll	\$ 652,528	\$ 611,061	\$ 653,533	\$ 674,904
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	261.48%	264.63%	205.14%	227.17%
Plan fiduciary net position as a percentage of the total pension liability	57.47%	61.70%	67.21%	61.02%

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

Schedule of District Contributions - PERS

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 102,773	\$ 96,243	\$ 102,931	\$ 106,297
Contributions in relation to the contractually required contribution	<u>(102,773)</u>	<u>(96,243)</u>	<u>(102,931)</u>	<u>(106,297)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 652,528	\$ 611,061	\$ 653,533	\$ 674,904
Contributions as a percentage of covered-employee payroll	15.75%	15.75%	15.75%	15.75%

The accompanying notes to required supplementary information are an integral part of these schedules.

TOMBIGBEE RIVER VALLEY WATER MANAGEMENT DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2017

CHANGES IN BENEFIT TERMS

None identified during periods presented in the required supplementary information.

CHANGES IN ASSUMPTIONS

In 2016, the assumed rate of interest credited to employee contributions was changed from 3.50% to 2.00%. Additionally, effective July 1, 2016, the interest rate on employee contributions shall be calculated based on the money market rate as published by the Wall Street Journal on December 31 of each preceding year with a minimum rate of one percent and a maximum rate of five percent. Differences between projected and actual earnings on pension plan investments are amortized over a closed period of 5 years.

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, 2017, 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 October 26, 2017.

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
October 26, 2017