

**Lake Lorman Utility District
P. O. Box 298
Flora, MS 39071
601-981-1657**

March 31, 2016

Ms. Cynthia Parker
Madison County Board of Supervisors
Chancery Administrative Building
P. O. Box 404
Canton, MS 39046-0404

Dear Ms. Parker:

Enclosed you will find the financial audit for 2015 for the Lake Lorman Utility District. Also, I am enclosing the original public official bond for board member, William Don Seagrove. Mr. Seagrove was reappointed to the board effective March 1, 2016 for a term ending February 29, 2021.

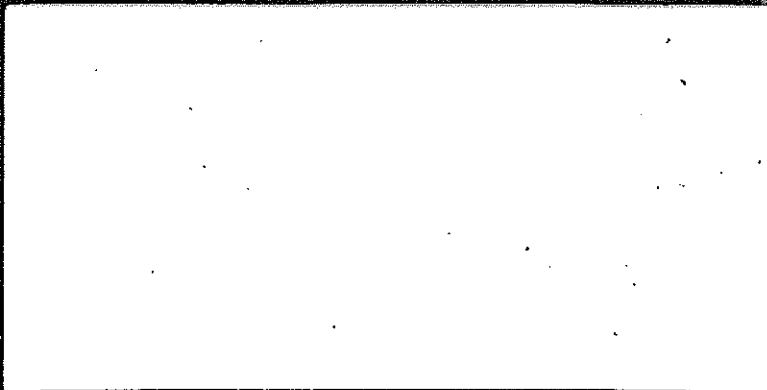
If you should have questions, please contact me as follows:

Mary Ann Sones, Treasurer
Lake Lorman Utility Board of Directors
3910 Coker Rd.
Madison, MS 39110
masones@bellsouth.net
601-856-7625

Sincerely,



Mary Ann Sones, Treasurer
Lake Lorman Utility District



MATTHEWS
CUTRER *and*
LINDSAY, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

LAKE LORMAN UTILITY DISTRICT
d/b/a LAKE LORMAN UTILITY DISTRICT
MADISON, MISSISSIPPI

FINANCIAL STATEMENTS
FOR THE YEARS ENDED
OCTOBER 31, 2015 AND 2014

LAKE LORMAN UTILITY DISTRICT
d/b/a LAKE LORMAN UTILITY DISTRICT

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LINDSAY, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
Lake Lorman Utility District
d/b/a Lake Lorman Utility District
Madison, Mississippi

We have audited the accompanying financial statements of Lake Lorman Utility District d/b/a Lake Lorman Utility District (a nonprofit organization), which comprise the statements of financial position as of October 31, 2015 and 2014, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

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 an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 auditors' 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of October 31, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental data on pages 13 through 15 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Matthews Cutler & Lindsay, P.A.

December 18, 2015

LAKE LORMAN UTILITY DISTRICT
d/b/a LAKE LORMAN UTILITY DISTRICT

STATEMENTS OF FINANCIAL POSITION
AT OCTOBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 141,889	\$ 158,077
Accounts receivable	21,565	20,381
Prepaid expenses	<u>6,217</u>	<u>3,350</u>
	169,671	181,808
CASH RESTRICTED (Note 2)	133,960	133,141
PROPERTY AND EQUIPMENT		
Land	64,440	64,440
Water facilities and equipment	2,606,384	2,587,054
Software	<u>8,357</u>	<u>8,357</u>
	2,679,181	2,659,851
Less: accumulated depreciation	<u>(2,023,162)</u>	<u>(1,927,174)</u>
	<u>656,019</u>	<u>732,677</u>
OTHER ASSETS		
Deposit	<u>150</u>	<u>150</u>
	<u>\$ 959,800</u>	<u>\$ 1,047,776</u>

See Notes to Financial Statements.

LAKE LORMAN UTILITY DISTRICT
d/b/a LAKE LORMAN UTILITY DISTRICT

STATEMENTS OF FINANCIAL POSITION
AT OCTOBER 31, 2015 AND 2014

LIABILITIES AND NET ASSETS (DEFICIT)

	2015	2014
CURRENT LIABILITIES		
Accounts payable	\$ 12,902	\$ 4,395
Agency obligations to fire district (Note 2)	73,540	73,051
Accrued interest payable	2,368	2,202
Current installments of long-term debt	60,387	58,406
Meter deposits	17,720	17,390
	166,917	155,444
LONG-TERM DEBT (Note 4)	836,975	914,263
	1,003,892	1,069,707
NET ASSETS (DEFICIT)		
Unrestricted (deficit)	(86,792)	(64,631)
Temporarily restricted (Note 5)	42,700	42,700
	(44,092)	(21,931)
	\$ 959,800	\$ 1,047,776

See Notes to Financial Statements.

LAKE LORMAN UTILITY DISTRICT
d/b/a LAKE LORMAN UTILITY DISTRICT

STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED OCTOBER 31, 2015 AND 2014

	2015	2014
UNRESTRICTED NET ASSETS		
REVENUES AND OTHER SUPPORT		
Water revenue	\$ 133,846	\$ 127,290
Sewer revenue	125,052	124,228
Tap and trench - new meters	340	2,220
Interest income	1,395	1,699
Late fees	2,210	2,468
Other income	1,301	2,771
	264,144	260,676
 EXPENSES		
Audit, engineer, and legal	8,251	9,300
Depreciation and amortization	95,988	93,100
Insurance	4,322	5,582
Interest	32,665	30,129
Management fees (Note 3)	9,700	9,768
Miscellaneous	4,078	2,793
Per diem	1,470	1,995
Repairs and maintenance	113,255	102,912
Utilities - water and sewer	16,576	25,173
	286,305	280,752
 CHANGE IN NET ASSETS	(22,161)	(20,076)
 NET ASSETS AT BEGINNING OF YEAR	(21,931)	(1,855)
 NET ASSETS (DEFICIT) AT END OF YEAR	\$ (44,092)	\$ (21,931)

See Notes to Financial Statements.

LAKE LORMAN UTILITY DISTRICT
d/b/a LAKE LORMAN UTILITY DISTRICT

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED OCTOBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (22,161)	\$ (20,076)
Adjustment to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	95,988	93,100
Decrease (increase) in		
Accounts receivable	(1,184)	2,302
Prepaid expenses	(2,867)	1,294
Increase (decrease) in		
Accounts payable	8,507	(2,546)
Accrued interest	166	(248)
Meter deposits and agency funds payable	819	102
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>79,268</u>	<u>73,928</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(19,330)	(9,955)
Increase in restricted cash	(819)	(102)
NET CASH USED IN INVESTING ACTIVITIES	<u>(20,149)</u>	<u>(10,057)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of long-term debt	(75,307)	(76,165)
NET DECREASE IN CASH	(16,188)	(12,294)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>158,077</u>	<u>170,371</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 141,889</u>	<u>\$ 158,077</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the year for interest	<u>\$ 32,665</u>	<u>\$ 30,380</u>

See Notes to Financial Statements.

LAKE LORMAN UTILITY DISTRICT
d/b/a LAKE LORMAN UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED OCTOBER 31, 2015 AND 2014

1. SIGNIFICANT ACCOUNTING POLICIES

Organization and Activities

Lake Lorman Utility District provides water and sewer services to both residential and non-residential entities in Madison County, Mississippi.

Method of Accounting

The accompanying financial statements have been prepared on the accrual basis. Revenues are recognized in the period in which they are earned and become measurable. This method allows matching of revenues earned during a period with the expenditures incurred.

Financial Statement Presentation

As required by the Not-for-Profit Entities topic of the FASB Accounting Standards Codification, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. These financial statements present unrestricted and temporarily restricted net assets, which are its only two classes of the above three categories.

Use of Estimates

Lake Lorman Utility District prepares its financial statements in accordance with accounting principles generally accepted in the United States of America, which require that management make estimates and assumptions that affect the reported amounts and disclosures. Actual amounts could differ from those results.

Cash and cash equivalents

For financial statement purposes, the Organization considers all investments with original maturity of twelve months or less to be cash equivalents.

Property and Equipment

Property and equipment are valued at cost. Maintenance, repairs and minor replacements are expensed as incurred, significant renewals and betterments are capitalized. Depreciation is provided using the straight line method over the estimated useful life of the asset as follows:

Water facilities and equipment – 5 to 30 years

LAKE LORMAN UTILITY DISTRICT
d/b/a LAKE LORMAN UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED OCTOBER 31, 2015 AND 2014

1. SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Property and Equipment – (Continued)

Software – 3 years

Income Taxes

Lake Lorman Utility District is a tax-exempt organization as described in Section 501(c)(12) of the Internal Revenue Code and is generally exempt from Federal and State income taxes pursuant to Section 501(a) of the Code. The Organization believes it has no uncertain tax positions.

Concentrations of Credit Risk

The Organization provides services on credit to its customers, all of whom are located within the boundaries of the utility district in Madison County, Mississippi. The Organization performs ongoing credit evaluations of its customers. The Organization has adjusted accounts receivable for all known uncollectible accounts. No allowance for doubtful accounts is considered necessary at year-end.

2. RESTRICTED CASH

Restricted cash is as follows:

	<u>2015</u>	<u>2014</u>
Agency funds	\$ 73,540	\$ 73,051
Bond cushion funds	21,400	21,400
Contingent fund	10,650	10,650
Depreciation funds	10,650	10,650
Customer meter deposits	<u>17,720</u>	<u>17,390</u>
	<u>\$ 133,960</u>	<u>\$ 133,141</u>

Agency Funds

The organization has accepted certificates of deposits from the Madison County Board of Supervisors and has agreed to use those assets along with the return of investment from those assets to benefit the Lake Lorman Fire District, now merged with the Southwest Madison County Fire Protection District.

LAKE LORMAN UTILITY DISTRICT
d/b/a LAKE LORMAN UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED OCTOBER 31, 2015 AND 2014

2. RESTRICTED CASH – (Continued)

Rural Development

The terms of the Rural Department bond indentures require monthly deposits to restricted accounts which are segregated from the unrestricted net assets. Meter deposits received from customers are held in a restricted cash account.

3. MANAGEMENT AGREEMENT

The operations of the Organization are managed by North Hinds Water Association. Amounts incurred for management fees for the years ended October 31, 2015 and 2014 totaled \$9,700 and \$9,768, respectively.

4. LONG-TERM DEBT

The details of long-term debt are as follows:

	<u>2015</u>	<u>2014</u>
Bond payable to the U.S. Department of Agriculture – Rural Development in monthly installments of \$2,108, including interest of 7.375% maturing April, 2029. Collateralized by a lien, junior and subordinate to the corporation's 1979 revenue bond, on the combined revenues of the corporation.	170,835	197,611
State of Mississippi Department of Health, Drinking Water System Improvement payable in monthly installments of \$5,613 including interest at 2.5% maturing May, 2028.	<u>726,527</u>	<u>822,392</u>
Total long-term debt	897,362	972,669
Less current installments	<u>(60,387)</u>	<u>(58,406)</u>
	<u>\$ 836,975</u>	<u>\$ 914,263</u>

LAKE LORMAN UTILITY DISTRICT
d/b/a LAKE LORMAN UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED OCTOBER 31, 2015 AND 2014

4. LONG-TERM DEBT – (Continued)

At October 31, 2015, maturities of long-term debt are as follows:

<u>Year Ending</u> <u>October 31,</u>	
2016	\$ 60,387
2017	62,455
2018	64,619
2019	66,881
2020	69,248
Thereafter	<u>573,772</u>
	<u>\$ 897,362</u>

5. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	<u>2015</u>	<u>2014</u>
Bond cushion	\$ 21,400	\$ 21,400
Depreciation	10,650	10,650
Contingent	<u>10,650</u>	<u>10,650</u>
	<u>\$ 42,700</u>	<u>\$ 42,700</u>

LAKE LORMAN UTILITY DISTRICT
d/b/a LAKE LORMAN UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED OCTOBER 31, 2015 AND 2014

6. SUBSEQUENT EVENTS

In connection with the preparation of the financial statements, management has evaluated events through December 18, 2015, which is the date the financial statements are available to be issued, and concluded that no additional disclosures are required.

SUPPLEMENTAL INFORMATION

LAKE LORMAN UTILITY DISTRICT
d/b/a LAKE LORMAN UTILITY DISTRICT

SUPPLEMENTAL DATA REQUIRED BY RURAL DEVELOPMENT
FOR THE YEAR ENDED OCTOBER 31, 2015

1. EXISTING SYSTEM

As of October 31, 2015, the number of users are as follows:

Residential	212
Non-residential	<u>1</u>
	<u>213</u>

All users are located in Madison County, Mississippi.

2. WATER AND SEWAGE USAGE

Average monthly gallons used in the Lake Lorman Utility District for the year ended October 31, 2015 are as follows:

All users	908,975
Residential	907,717

3. WATER AND SEWER RATES

The water rates during the year ended October 31, 2015 were:

Water

\$37.00	monthly minimum up to 2,000 gallons
5.25	per 1,000 gallons for the next 2,000 gallons
5.25	per subsequent 1,000 gallons

Sewer

\$30.00	monthly minimum up to 2,000 gallons
3.00	per 1,000 gallons for next 2,000 gallons
3.00	per 1,000 gallons exceeding 4,000 gallons

4. ETHNICITY

The current users in the Lake Lorman Utility District are primarily Caucasian.

LAKE LORMAN UTILITY DISTRICT
d/b/a LAKE LORMAN UTILITY DISTRICT

SUPPLEMENTAL DATA REQUIRED BY RURAL DEVELOPMENT
FOR THE YEAR ENDED OCTOBER 31, 2015

5. INSURANCE COVERAGE

Lake Lorman Utility District had the following insurance policies at October 31, 2015:

<u>Type</u>	<u>Coverage</u>	<u>Dates</u>		<u>Policy Number</u>
		<u>From</u>	<u>To</u>	
Fidelity Bond	\$50,000	02/28/15	02/28/16	104796141
Commercial Package	\$1,000,000	10/01/15	10/01/16	5105016403
Fidelity Bond	\$50,000	03/01/15	03/01/16	106115766
Fidelity Bond	\$50,000	02/28/15	02/28/16	104879526
Fidelity Bond	\$50,000	03/01/15	03/01/16	105568288
Fidelity Bond	\$50,000	02/28/15	02/28/16	400TC3931
Fidelity Bond	\$40,000	04/20/15	04/20/16	106040222
Fidelity Bond	\$10,000	10/08/15	10/08/16	104879511

6. ELECTED OFFICIALS

The following officials are nominated by the customers of the Organization and approved by the Madison County Board of Supervisors for five year terms. The commissioners elect officers annually.

President 3/1/11 - 2/28/16	Don Seagrove 118 Northshore Drive, Madison, MS 39110
Vice President 3/1/13 - 2/28/18	Woody Holt 120 Moss Ridge Drive, Madison, MS 39110
Secretary 3/1/14 - 2/28/19	Linda McCraw 141 Lakeshore Drive, Madison, MS 39110
Treasurer 3/1/15 - 2/28/20	Mary Ann Sones 3910 Coker Road, Madison, MS 39110

LAKE LORMAN UTILITY DISTRICT
d/b/a LAKE LORMAN UTILITY DISTRICT

SUPPLEMENTAL DATA REQUIRED BY RURAL DEVELOPMENT
FOR THE YEAR ENDED OCTOBER 31, 2015

6. ELECTED OFFICIALS – (Continued)

Commissioner
3/1/12 - 2/28/17

Jimmie L. King
110 Moss Ridge Drive, Madison, MS 39110