

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

April 28, 2017

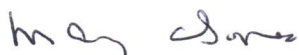
Ms. Cynthia Parker
Madison County Board of Supervisors
Chancery Administrative Building
P. O. Box 404
Canton, MS 39046-0404

Dear Ms. Parker:

Enclosed you will find the financial audit for 2016 for the Lake Lorman Utility District. 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

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

FINANCIAL STATEMENTS
FOR THE YEARS ENDED OCTOBER 31, 2016 AND 2015

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

TABLE OF CONTENTS

| | <u>Page</u> |
|---|-------------|
| INDEPENDENT AUDITORS' REPORT | 1 |
| FINANCIAL STATEMENTS | 3 |
| Statements of Financial Position | 5 |
| Statements of Activities | 6 |
| Statements of Cash Flows | 7 |
| Notes to Financial Statements | 7 |
| SUPPLEMENTAL INFORMATION | 13 |
| Supplemental data required by Rural Development | 13 |

599 C Steed Road
Ridgeland, MS 39157
601.898.8875
Fax: 601.898.2983

226 East Jefferson Street
Yazoo City, MS 39194
662.746.4581
Fax: 662.746.5384

www.mclcpa.net

American Institute of
Certified Public Accountants
Mississippi Society of
Certified Public Accountants

Brett C. Matthews, CPA
J. Raleigh Cutrer, CPA/PFS/ABV
Charles R. Lindsay, CPA
Matthew E. Freeland, CPA
Kenneth L. Guthrie, CPA
A. Joseph Tommasini, CPA
Matthew A. Turnage, CPA
Kimberly L. Hardy, CPA/CFF
William (Bill) McCoy, CPA
Michellé R. Stonestreet, CPA

Shannon L. Adams, CPA
Lisa H. Hammarstrom, CPA
Krisstel P. Hunt, CPA
Tammy Burney Ray, CPA
Matthew C. Thiel, CPA



MATTHEWS
CUTRER *and*
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, 2016 and 2015, 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, 2016 and 2015, 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 & LeMay, P.A.

December 19, 2016

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

STATEMENTS OF FINANCIAL POSITION
AT OCTOBER 31, 2016 AND 2015

| | ASSETS | |
|--------------------------------|-------------|-------------|
| | 2016 | 2015 |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 121,420 | \$ 141,889 |
| Accounts receivable | 31,300 | 21,565 |
| Prepaid expenses | 6,217 | 6,217 |
| | 158,937 | 169,671 |
| CASH RESTRICTED (Note 2) | 134,703 | 133,960 |
| PROPERTY AND EQUIPMENT | | |
| Land | 64,440 | 64,440 |
| Water facilities and equipment | 2,639,918 | 2,606,384 |
| Software | 8,357 | 8,357 |
| | 2,712,715 | 2,679,181 |
| Less: accumulated depreciation | (2,120,915) | (2,023,162) |
| | 591,800 | 656,019 |
| OTHER ASSETS | | |
| Deposit | 150 | 150 |
| | \$ 885,590 | \$ 959,800 |

See Notes to Financial Statements.

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

STATEMENTS OF FINANCIAL POSITION
AT OCTOBER 31, 2016 AND 2015

LIABILITIES AND NET ASSETS (DEFICIT)

| | 2016 | 2015 |
|--|-------------------|-------------------|
| CURRENT LIABILITIES | | |
| Accounts payable | \$ 5,188 | \$ 12,902 |
| Agency obligations to fire district (Note 2) | 74,083 | 73,540 |
| Accrued interest payable | 2,547 | 2,368 |
| Current installments of long-term debt | 62,455 | 60,387 |
| Meter deposits | 17,920 | 17,720 |
| | 162,193 | 166,917 |
| LONG-TERM DEBT (Note 4) | 756,330 | 836,975 |
| | 918,523 | 1,003,892 |
| NET ASSETS (DEFICIT) | | |
| Unrestricted (deficit) | (75,633) | (86,792) |
| Temporarily restricted (Note 5) | 42,700 | 42,700 |
| | (32,933) | (44,092) |
| | \$ 885,590 | \$ 959,800 |

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, 2016 AND 2015

| | <u>2016</u> | <u>2015</u> |
|-------------------------------------|--------------------|--------------------|
| UNRESTRICTED NET ASSETS | | |
| REVENUES AND OTHER SUPPORT | | |
| Water revenue | \$ 162,876 | \$ 133,846 |
| Sewer revenue | 153,069 | 125,052 |
| Tap and trench - new meters | 340 | 340 |
| Interest income | 1,714 | 1,395 |
| Late fees | 2,414 | 2,210 |
| Other income | <u>1,921</u> | <u>1,301</u> |
| | <u>322,334</u> | <u>264,144</u> |
| EXPENSES | | |
| Audit, engineer, and legal | 6,654 | 8,251 |
| Bad debts | 684 | - |
| Depreciation and amortization | 97,753 | 95,988 |
| Insurance | 4,354 | 4,322 |
| Interest | 29,408 | 32,665 |
| Management fees (Note 3) | 9,700 | 9,700 |
| Miscellaneous | 7,026 | 4,078 |
| Per diem | 1,680 | 1,470 |
| Repairs and maintenance | 135,372 | 113,255 |
| Utilities - water and sewer | <u>18,544</u> | <u>16,576</u> |
| | <u>311,175</u> | <u>286,305</u> |
| CHANGE IN NET ASSETS | 11,159 | (22,161) |
| NET ASSETS AT BEGINNING OF YEAR | <u>(44,092)</u> | <u>(21,931)</u> |
| NET ASSETS (DEFICIT) AT END OF YEAR | <u>\$ (32,933)</u> | <u>\$ (44,092)</u> |

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, 2016 AND 2015

| | <u>2016</u> | <u>2015</u> |
|--|-------------------|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ 11,159 | \$ (22,161) |
| Adjustment to reconcile change in net assets to net cash provided by operating activities | | |
| Depreciation and amortization | 97,753 | 95,988 |
| Decrease (increase) in | | |
| Accounts receivable | (9,735) | (1,184) |
| Prepaid expenses | - | (2,867) |
| Increase (decrease) in | | |
| Accounts payable | (7,714) | 8,507 |
| Accrued interest | 179 | 166 |
| Meter deposits and agency funds payable | 743 | 819 |
| | <u>92,385</u> | <u>79,268</u> |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | | |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchases of property and equipment | (33,534) | (19,330) |
| Increase in restricted cash | (743) | (819) |
| | <u>(34,277)</u> | <u>(20,149)</u> |
| NET CASH USED IN INVESTING ACTIVITIES | | |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Repayments of long-term debt | (78,577) | (75,307) |
| | <u>(78,577)</u> | <u>(75,307)</u> |
| NET DECREASE IN CASH | | |
| | (20,469) | (16,188) |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | <u>141,889</u> | <u>158,077</u> |
| CASH AND CASH EQUIVALENTS, END OF YEAR | <u>\$ 121,420</u> | <u>\$ 141,889</u> |
| SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION | | |
| Cash paid during the year for interest | <u>\$ 29,408</u> | <u>\$ 32,665</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, 2016 AND 2015

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:

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

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED OCTOBER 31, 2016 AND 2015

1. SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Property and Equipment – (Continued)

Water facilities and equipment – 5 to 30 years
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>2016</u> | <u>2015</u> |
|-------------------------|-------------------|-------------------|
| Agency funds | \$ 74,083 | \$ 73,540 |
| Bond cushion funds | 21,400 | 21,400 |
| Contingent fund | 10,650 | 10,650 |
| Depreciation funds | 10,650 | 10,650 |
| Customer meter deposits | <u>17,920</u> | <u>17,720</u> |
| | <u>\$ 134,703</u> | <u>\$ 133,960</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, 2016 AND 2015

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, 2016 and 2015 totaled \$9,700 and \$9,700, respectively.

4. LONG-TERM DEBT

The details of long-term debt are as follows:

| | <u>2016</u> | <u>2015</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. | 142,016 | 170,835 |
| 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>676,769</u> | <u>726,527</u> |
| Total long-term debt | 818,785 | 897,362 |
| Less current installments | <u>(62,455)</u> | <u>(60,387)</u> |
| | <u>\$ 756,330</u> | <u>\$ 836,975</u> |

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

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED OCTOBER 31, 2016 AND 2015

4. LONG-TERM DEBT – (Continued)

At October 31, 2016, maturities of long-term debt are as follows:

| Year Ending <u>October 31,</u> | |
|-----------------------------------|-------------------|
| 2017 | \$ 62,455 |
| 2018 | 64,619 |
| 2019 | 66,881 |
| 2020 | 69,248 |
| 2021 | 71,727 |
| Thereafter | <u>483,855</u> |
| | <u>\$ 818,785</u> |

5. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

| | <u>2016</u> | <u>2015</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, 2016 AND 2015

6. SUBSEQUENT EVENTS

In connection with the preparation of the financial statements, management has evaluated events through December 19, 2016, 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, 2016

1. EXISTING SYSTEM

As of October 31, 2016, the number of users are as follows:

| | |
|-----------------|------------|
| Residential | 216 |
| Non-residential | <u>1</u> |
| | <u>217</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, 2016 are as follows:

| | |
|-------------|---------|
| All users | 851,367 |
| Residential | 850,108 |

3. WATER AND SEWER RATES

The water rates during the year ended October 31, 2016 were:

Water

| | |
|---------|--|
| \$45.00 | monthly minimum up to 2,000 gallons |
| 7.00 | per 1,000 gallons for the next 2,000 gallons |
| 7.00 | per subsequent 1,000 gallons |

Sewer

| | |
|---------|---|
| \$55.00 | monthly minimum up to 2,000 gallons |
| 7.00 | per 1,000 gallons for next 2,000 gallons |
| 7.00 | 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, 2016

5. INSURANCE COVERAGE

Lake Lorman Utility District had the following insurance policies at October 31, 2016:

| <u>Type</u> | <u>Coverage</u> | <u>Dates</u> | | <u>Policy Number</u> |
|--------------------|-----------------|--------------|-----------|----------------------|
| | | <u>From</u> | <u>To</u> | |
| Fidelity Bond | \$50,000 | 02/28/16 | 02/28/17 | 104796141 |
| Commercial Package | \$1,000,000 | 10/01/16 | 10/01/17 | 5105016403 |
| Fidelity Bond | \$50,000 | 03/01/16 | 03/01/17 | 106115766 |
| Fidelity Bond | \$50,000 | 02/28/16 | 02/28/17 | 104879526 |
| Fidelity Bond | \$50,000 | 03/01/16 | 03/01/17 | 105568288 |
| Fidelity Bond | \$50,000 | 02/28/16 | 02/28/17 | 400TC3931 |
| Fidelity Bond | \$40,000 | 04/20/16 | 04/20/17 | 106040222 |
| Fidelity Bond | \$10,000 | 10/08/16 | 10/08/17 | 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 3/1/16 - 2/28/21 | 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, 2016

6. ELECTED OFFICIALS – (Continued)

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

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