

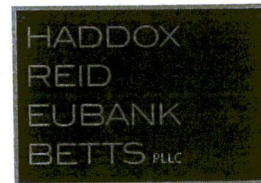
MADISON COUNTY WASTEWATER AUTHORITY

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT**

YEARS ENDED SEPTEMBER 30, 2014 AND 2013

CONTENTS

<u>DESCRIPTION</u>	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS:	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5
Statements of Cash Flows	7
Notes to Financial Statements	8



CPAs & Advisors

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Madison County Wastewater Authority
Madison, Mississippi

We have audited the accompanying financial statements of Madison County Wastewater Authority (a nonprofit organization), which comprise the statements of financial position as of September 30, 2014 and 2013, 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.

Auditor's Responsibility

Our responsibility is to express an opinion 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. 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Madison County Wastewater Authority as of September 30, 2014 and 2013, 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.

Haddox Reid Eubank Beth

Jackson, Mississippi
January 27, 2015

THIS PAGE INTENTIONALLY LEFT BLANK

MADISON COUNTY WASTEWATER AUTHORITY

STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2014 AND 2013

ASSETS

	<u>2014</u>	<u>2013</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1,869,833	1,803,300
Accounts receivable - trade	104,047	129,498
Notes receivable - Members, current portion	482,555	469,662
Interest receivable on note	<u>9,884</u>	<u>10,584</u>
Total current assets	<u>2,466,319</u>	<u>2,413,044</u>
NONCURRENT ASSETS:		
Notes receivable - Members	<u>6,634,133</u>	<u>7,117,389</u>
Total noncurrent assets	<u>6,634,133</u>	<u>7,117,389</u>
PROPERTY, PLANT AND EQUIPMENT:		
Plant and equipment, less accumulated depreciation	23,947,556	24,794,403
Land	<u>830,895</u>	<u>830,895</u>
Total property, plant, and equipment	<u>24,778,451</u>	<u>25,625,298</u>
Total assets	<u>\$ 33,878,903</u>	<u>35,155,731</u>

LIABILITIES AND NET ASSETS

	<u>2014</u>	<u>2013</u>
CURRENT LIABILITIES:		
Accounts payable	\$ 284,248	366,740
Current portion of long-term debt	482,555	469,662
Deferred member assessment revenue, current portion	<u>482,555</u>	<u>469,662</u>
Total current liabilities	<u>1,249,358</u>	<u>1,306,064</u>
LONG-TERM LIABILITIES:		
Long-term debt, less current portion	6,634,133	7,117,389
Deferred grant revenue, long-term portion	<u>6,634,133</u>	<u>7,117,389</u>
Total long-term liabilities	<u>13,268,266</u>	<u>14,234,778</u>
Total liabilities	<u>14,517,624</u>	<u>15,540,842</u>
NET ASSETS:		
Unrestricted	<u>19,361,279</u>	<u>19,614,889</u>
Total liabilities and net assets	<u>\$ 33,878,903</u>	<u>35,155,731</u>

The accompanying notes are an integral part of these statements.

MADISON COUNTY WASTEWATER AUTHORITY

**STATEMENTS OF ACTIVITIES
YEARS ENDED SEPTEMBER 30, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
REVENUE:		
Operating revenues	\$ 1,279,850	1,476,733
Interest income	199,202	211,393
Member assessments	<u>636,476</u>	<u>626,235</u>
 Total revenue	 <u>2,115,528</u>	 <u>2,314,361</u>
 EXPENSES:		
Operating costs	1,279,850	1,476,734
Depreciation	846,847	846,847
Interest expense	194,736	207,270
Professional fees	36,560	43,912
Insurance	11,087	11,066
Other	<u>58</u>	<u>54</u>
 Total expenses	 <u>2,369,138</u>	 <u>2,585,883</u>
 CHANGE IN UNRESTRICTED NET ASSETS	 <u>(253,610)</u>	 <u>(271,522)</u>
 NET ASSETS, BEGINNING OF YEAR	 <u>19,614,889</u>	 <u>19,886,411</u>
 NET ASSETS, END OF YEAR	 <u><u>\$ 19,361,279</u></u>	 <u><u>19,614,889</u></u>

The accompanying notes are an integral part of these statements.

MADISON COUNTY WASTEWATER AUTHORITY

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2014

<u>Elements of cost</u>	<u>Direct</u>	<u>Indirect</u>
Operating costs	\$ 1,279,850	-
Depreciation	846,847	-
Interest expense	194,736	-
Professional fees	36,560	-
Insurance	11,087	-
Other	58	-
Sub total non-labor	<u>2,369,138</u>	<u>-</u>
Total	<u>\$ 2,369,138</u>	<u>-</u>

The accompanying notes are an integral part of these statements.

MADISON COUNTY WASTEWATER AUTHORITY

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2013

<u>Elements of cost</u>	<u>Direct</u>	<u>Indirect</u>
Operating costs	\$ 1,476,734	-
Depreciation	846,847	-
Interest expense	207,270	-
Professional fees	43,912	-
Insurance	11,066	-
Other	54	-
Sub total non-labor	<u>2,585,883</u>	-
Total	<u>\$ 2,585,883</u>	-

The accompanying notes are an integral part of these statements.

MADISON COUNTY WASTEWATER AUTHORITY

**STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
Cash flows provided by operating activities:		
Changes in net assets	\$ (253,610)	(271,500)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation expense	846,847	846,847
Changes in assets and liabilities during the year:		
Receivables	26,152	(8,060)
Accounts payable	<u>(82,494)</u>	<u>99,334</u>
Net cash provided by operating activities	<u>536,895</u>	<u>666,593</u>
 Cash flows used for financing activities:		
Principal payments on long-term debt	<u>(470,362)</u>	<u>(457,829)</u>
Net cash used for financing activities	<u>(470,362)</u>	<u>(457,829)</u>
 NET INCREASE IN CASH AND CASH EQUIVALENTS	66,533	208,764
 CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,803,300</u>	<u>1,594,536</u>
 CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,869,833</u>	<u>1,803,300</u>
 SUPPLEMENTAL INFORMATION:		
Cash paid for interest	<u>\$ 194,736</u>	<u>207,270</u>

The accompanying notes are an integral part of these statements.

MADISON COUNTY WASTEWATER AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Authority and Purpose

Madison County Wastewater Authority (the Authority) is a public entity created by House Bill 1640 of the 2001 regular session of the Mississippi State Legislature pursuant to Chapter 962 Local and Private Laws. The purpose of the Authority is the acquisition, construction, and operation of user-funded wastewater systems for the transportation and treatment of wastewater.

The Authority is comprised of a Board of Directors represented by an appointed member of each of the following Mississippi entities: Bear Creek Water Association, Inc., Canton Municipal Utilities, City of Madison, City of Ridgeland, Pearl River Valley Water Supply District, West Madison Utility District, the Lake Lorman Utility District, and the Board of Supervisors of Madison County.

Basis of Accounting

The financial statements of Madison County Wastewater Authority have been prepared on the accrual basis of accounting. Accordingly, revenues are recognized when earned and expenses are recognized as incurred.

Deferred grant revenue consists of revenue available under grant contracts that extend beyond year end. The revenues will be recognized in future periods as qualifying grant expenditures are disbursed.

Income Taxes

As a public entity of the State of Mississippi, the Authority is exempt from federal and state income taxes.

The Authority has adopted the Accounting for Uncertainty of Income Taxes topic of the Accounting Standards Codification. The standard requires the recognition and measurement of uncertain tax positions taken or expected to be taken by the Authority in income tax issues. The Authority evaluated its uncertain tax positions and determined that it does not have any liability that would be accrued upon application of the standard due to its current tax status as described in the previous paragraph.

MADISON COUNTY WASTEWATER AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

Property, Plant and Equipment

Property, plant and equipment are comprised of purchased assets and transferred assets (See Note 2) pertaining to the wastewater treatment facility. Provision for depreciation is made by the straight-line method over the estimated useful lives of the property and equipment, ranging from 3 to 50 years.

There are numerous agreements, as discussed herein that have been executed for the construction of the facility.

Accounts Receivable - Trade

The Authority performs ongoing credit evaluations of customers' financial condition and generally does not require collateral for accounts receivable arising from the normal course of business. Trade receivables are valued at cost, which approximates fair market value. The Authority maintains allowances for potential credit losses which, when realized, have been within the range of management's expectations. No allowance for losses was realized at September 30, 2014 and 2013.

Fair Value of Financial Instruments

The Authority defines the fair value of a financial instrument as the amount at which the instrument could be exchanged in a current transaction between willing parties. Financial instruments included in the Authority's financial statements include cash and accounts and notes receivable. Unless otherwise disclosed in the notes to the financial statements, the carrying value of financial instruments is considered to approximate fair value.

Use of Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

MADISON COUNTY WASTEWATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

Accounting Standards

Pursuant to Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the Authority has elected to apply the provisions of all relevant pronouncements of Financial Accounting Standards Board (FASB), including those issued after November 30, 1989.

Cash and Cash Equivalents

Cash consists of, and is restricted to, demand deposits in financial institutions subject to withdrawal by check. Cash and other deposits are valued at cost. For the purpose of the statements of cash flows, the Authority considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Concentration of Credit Risk

The Authority maintains cash in its accounts at one Federally-insured financial institution. At September 30, 2014 all cash accounts are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). At September 30, 2014, the Authority maintained \$1,619,833 in excess of the FDIC limits.

NOTE 2 - AGREEMENTS

U.S. Department of the Army

On September 30, 2003, the Authority entered into an agreement with the U.S. Department of the Army for an award to be used in the design and construction of wastewater treatment facilities. The maximum amount of the project authorized by the Department of the Army is \$17,011,000. The Project Cooperation Agreement (PCA) states that the Secretary of the Army is authorized to provide design and construction assistance for water related environmental infrastructure and resource protection and development projects in Mississippi pursuant to Section 592 ("592 funds") of the Water Resources Development Act (the "Act"). The Authority has been identified as a project of the type authorized by the Act. Section 592 of the Water Resources Development Act specifies the cost sharing requirements applicable to the project and provides that total project cost shall be shared 75% percent Federal (not to exceed \$12,758,250) and 25% Non-Federal.

MADISON COUNTY WASTEWATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013

NOTE 2 - AGREEMENTS - CONTINUED:

Canton Municipal Utilities

On March 16, 2004, the Authority entered into an agreement for the transportation and treatment of wastewater with Canton Municipal Utilities ("CMU") that provides for treatment of wastewater from the Authority for a period of twenty (20) years. Under the agreement, CMU agrees to accept and treat all volumes of wastewater delivered by the Authority during the term of the Agreement. The Authority shall have the right, but no obligation, to discharge wastewater to Beattie's Bluff, according to the terms and conditions of the agreement.

On May 3, 2004, the Authority entered into an agreement with CMU that provides for the transfer of one-half undivided interest in the Beattie's Bluff Wastewater Treatment Facility situated in Madison County, Mississippi, as such treatment facility existed on May 3, 2004, and as it may hereafter be improved or expanded, but excluding ownership interest in the real property underlying the Beattie's Bluff Wastewater Treatment Facility. In addition, CMU agreed to transfer a one-half undivided interest in the "Virilia Road Interceptor" which means the entirety of the interceptor constructed along Virilia Road, including the real property interest in the rights of way underlying the interceptor and including the pumping station located at the Nissan North America automotive manufacturing facility, together with the real property interest in the rights of way underlying the pumping station. On September 30, 2005, CMU transferred one-half undivided interest in the Beattie's Bluff Wastewater Treatment Facility to the Authority. The value of the one-half undivided interest transferred was \$9,505,003.

On May 10, 2004, the Authority entered into a Construction Management Agreement ("Agreement") with CMU, which provides that the Authority delegates CMU as manager of the Beattie's Bluff Wastewater Treatment Facility until final completion of the Beattie's Bluff Expansion. CMU, in its capacity as manager, shall manage the Beattie's Bluff Expansion through the supervision of construction and shall perform all duties and functions necessary for the Beattie's Bluff Expansion within the Budget (as that term is described in the Agreement). CMU, as manager, will provide accounting, bookkeeping, and record keeping services and shall also monitor and advise the Authority of the cost and budgetary status of Beattie's Bluff Expansion on a monthly basis. Both CMU and the Authority, as co-owners, shall have the obligation of advancing funds for the construction costs incurred in the construction of the Beattie's Bluff Expansion in accordance with the Budget provided. The Agreement between CMU and the Authority dated May 3, 2004, provided further that no funds shall be required to be paid by the Authority other than the funds which are available to the Authority from the 592 Funds.

MADISON COUNTY WASTEWATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013

NOTE 2 - AGREEMENTS - CONTINUED:

Madison County, Mississippi

On May 3, 2004, the Authority entered into an agreement with the Madison County Board of Supervisors ("County") that provides for the County to convey to the Authority (1) all right, title and interest of the County in and to the real property underlying the interceptor constructed from Virilia Road south along Catlett Road and continuing east to the pumping station located in the Central Mississippi Industrial Center (hereinafter the interceptor is referred to as the "Catlett Road Interceptor" and the pumping station as the "CMIC Pumping Station"); (2) all right, title and interest of the County in and to the real property underlying the Beattie's Bluff Wastewater Treatment Facility; (3) all right, title and interest of the County in and to the real property underlying the CMIC Pumping Station together with the appurtenances situated thereupon; and (4) an assignment to and for the benefit of the Authority of the lease between the County and CMU dated July 26, 2001 recorded in Book 492, Page 194.

Mississippi Engineering Group

On September 30, 2004, the Authority entered into a professional service agreement with the Mississippi Engineering Group, Inc. ("MSEG") to perform the necessary engineering and other services to carry out the activities for the Authority, as follows:

- Serve as an advisor to the Board of Directors.
- Conduct planning and engineering studies.
- Serve as the staff administrator for the Authority, including engineering matters.
- Conduct preliminary engineering of selected projects.
- Perform other duties as assigned by the Board of Directors.

MSEG holds project review meetings, not less than quarterly, for the purpose of reviewing work completed, expenditures and projected costs incurred, and any other issues of relevance. This work will be completed on a task order basis. No work task will begin until authorized in writing by the Board of Directors with compensation being charged on an hourly basis. The Authority will be billed monthly based on the work completed during the billing period. The Authority shall pay MSEG within 45 days after receipt of MSEG's monthly billing.

MADISON COUNTY WASTEWATER AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013**

NOTE 2 - AGREEMENTS - CONTINUED:

Members

The Authority has entered into a Service Agreement for the transportation and treatment of wastewater with each of the following members: City of Madison, City of Ridgeland, Pearl River Valley Water Supply District, Canton Municipal Utilities, Bear Creek Water Association, Inc., West Madison Utility District and Lake Lorman Utility District. Under the terms of the Service Agreement, the Authority agrees to accept and treat all volumes of wastewater delivered by the signing members for treatment for a period of twenty (20) years. The signing members shall have the right, but no obligation, to deliver wastewater to the Authority's system, according to the terms and conditions of the Service Agreement.

The Authority entered into a 5-Member Payment Agreement on April 20, 2004 with the City of Madison, the City of Ridgeland, Pearl River Valley Water Supply District, Canton Municipal Utilities and Bear Creek Water Association, Inc. ("Payers") for the assumption by the Authority of the Water Pollution Control Revolving Loan made by Mississippi Department of Environmental Quality ("MDEQ") for the construction of the Catlett Road Interceptor (the "SRF Loan"). Payers, individually, unconditionally and irrevocably agree to pay to the Authority each month, an amount equal to 1/5th of the SRF Loan Payment for the upcoming month. In exchange for this Payment Agreement, each Payer shall have a right to use the Catlett Road Interceptor on a first-come, first-served basis, paying only the actual transportation costs, each having access to up to 1/5th of the Catlett Road Interceptor's capacity without payment of additional charges for capacity.

The Authority entered into a 5-Member Payment Agreement on September 1, 2010 with the City of Madison, the City of Ridgeland, Pearl River Valley Water Supply District, Canton Municipal Utilities and Bear Creek Water Association, Inc. ("Payers") for the assumption by the Authority of the Water Pollution Control Revolving Loan made by the Mississippi Department of Environmental Quality ("MDEQ") for the construction of the Parkway East Force Main (the "SRF Loan"). Payers, individually, unconditionally and irrevocably agree to pay to the Authority each month, an amount equal to 1/5th of the SRF Loan Payment for the upcoming month. In exchange for this Payment Agreement, each Payer shall have a right to use the Parkway East Force Main on a first-come, first-served basis, paying only the actual transportation costs, each having access to up to 1/5th of the Parkway East facility's capacity without payment of additional charges for capacity.

The Authority entered into a 5-Member Payment Agreement on September 1, 2010 with the City of Madison, the City of Ridgeland, Pearl River Valley Water Supply District, and Canton

MADISON COUNTY WASTEWATER AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013**

NOTE 2 - AGREEMENTS - CONTINUED:

Members - continued:

Municipal Utilities and Bear Creek Water Association, Inc. ("Payers") for the assumption by the Authority of the Water Pollution Control Revolving Loan made by the Mississippi Department of Environmental Quality ("MDEQ") for the construction of the Bozeman Pump Station and Old Canton Road Force Main Phase 2 (the "SRF Loan"). Payers, individually, unconditionally and irrevocably agree to pay to the Authority, each month, an amount equal to 1/5th of the SRF Loan Payment for the upcoming month. In exchange for this Payment Agreement, each Payer shall have a right to use the Bozeman Pump Station and Old Canton Road Force Main Phase 2 on a first-come, first-served basis, paying only the actual transportation costs, each having access to up to 1/5th of the Bozeman Pump Station and Old Canton Road Force Main's capacity without payment of additional charges for capacity.

The Authority entered into a Payment Agreement on October 23, 2007 to establish a fee of \$.50 per customer of each member of the Authority in order to fund the Authority's administrative expenses for future years. The members included in the agreement are the City of Madison, the City of Ridgeland, Pearl River Valley Water Supply District, Canton Municipal Utilities, Bear Creek Water Association, Inc., West Madison Utility District and Lake Lorman Utility District.

NOTE 3 - NOTES RECEIVABLE FROM MEMBERS

Each paying member of the Authority is required to pay their pro rata share of the SRF loans payments for the upcoming month. Payments are due from each member, pursuant to the Payment Agreement, no later than the 25th of each month. Balances of the notes receivable are as follows at September 30:

	2014	2013
City of Madison	\$ 1,423,337	1,517,411
City of Ridgeland	1,423,338	1,517,410
Canton Municipal Utilities	1,423,338	1,517,410
Bear Creek Water Association, Inc.	1,423,337	1,517,410
Pearl River Valley Water Supply District	1,423,338	1,517,410
	\$ 7,116,688	7,587,051

MADISON COUNTY WASTEWATER AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013**

NOTE 4 - PROPERTY, PLANT AND EQUIPMENT AT COST

The details of property, plant and equipment and accumulated depreciation at September 30, 2014 and 2013 are as follows:

<u>Class</u>	<u>Estimated Life</u>	<u>2014</u>	<u>2013</u>
Property, plant and equipment	3 - 50 years	\$ <u>29,202,377</u>	<u>29,202,377</u>
Total cost		29,202,377	29,202,377
Less accumulated depreciation		<u>(5,254,821)</u>	<u>(4,407,974)</u>
		23,947,556	24,794,403
Land		<u>830,895</u>	<u>830,895</u>
Property, plant and equipment, net		\$ <u>24,778,451</u>	<u>25,625,298</u>

Depreciation expense amounted to \$846,847 and \$846,847 for the years ended September 30, 2014 and 2013, respectively.

NOTE 5 - SHORT-TERM NOTE PAYABLE

During the year ended September 30, 2006, the Authority was advanced \$1,742,570 to cover its monthly costs of construction for the wastewater interceptor system under a line of credit for that amount. On October 13, 2006, the line of credit was converted into a short-term note payable to a bank, collateralized by a pledge by the Authority to deliver to the bank immediately upon receipt, the reimbursement of construction funds from the U. S. Department of the Army (See Note 2). Additionally, a certificate of deposit in the identical amount of the note was held by the bank and was pledged by a construction vendor of the Authority as security.

On October 28, 2008, the note was converted into a line of credit, not to exceed \$4,000,000, bearing interest at a variable rate. Under the change in terms agreement, that was effective as of December 28, 2009, the Authority has agreed that the loan plus interest was due on March 29, 2010. As collateral, the Authority pledges from all of its receivables an amount sufficient to pay the interest and principal on the loan. The receivables include, but are not limited to, (i) any revenues received from operation of the system, (ii) any reimbursements received from the Corps of Engineers from the Project Cooperation Agreement, (iii) any amounts made available by any of the Members through the 5-Member Payment Agreements and (iv) any other monies legally available to the Authority for this purpose.

MADISON COUNTY WASTEWATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013

NOTE 5 - SHORT-TERM NOTE PAYABLE - CONTINUED:

Borrowings under the short-term line of credit of \$3,866,558 were refinanced as of November 1, 2010 over a period of fifteen years with Trustmark National Bank. In addition to the short-term line of credit being refinanced, Trustmark lended additional funds of \$133,442, which includes interest of \$19,690, totaling the \$4,000,000 loan amount. The long-term debt refinancing is discussed further in Note 6.

NOTE 6 - LONG-TERM DEBT

Long-term debt is comprised of the following at September 30:

	<u>2014</u>	<u>2013</u>
Note payable to Mississippi Department of Environmental Quality (SRF Loan); due in monthly installments of \$7,049, through June 1, 2023; bearing interest at 1.75%; collateralized by plant and equipment	\$ 679,746	751,753
Note payable to Mississippi Department of Environmental Quality (SRF Loan); due in monthly installments of \$10,108, through June 1, 2030; bearing interest at 1.75%; collateralized by plant and equipment	1,660,960	1,752,317
Note payable to Mississippi Department of Environmental Quality (SRF Loan); due in monthly installments of \$9,161, through October 5, 2031; bearing interest at 1.75%; collateralized by plant and equipment	1,615,455	1,696,346

MADISON COUNTY WASTEWATER AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013**

NOTE 6 - LONG-TERM DEBT - CONTINUED:

	<u>2014</u>	<u>2013</u>
Note payable to Trustmark National Bank; due in monthly installments of \$29,049, through November 1, 2025; bearing interest at 3.73%; collateralized by plant and equipment	\$ <u>3,160,527</u>	<u>3,386,635</u>
Total long-term debt	7,116,688	7,587,051
Less current maturities	<u>(482,555)</u>	<u>(469,662)</u>
Long-term debt, less current maturities	\$ <u>6,634,133</u>	<u>7,117,389</u>

Interest expense for the years ended September 30, 2014 and 2013 amounted to \$194,736, and \$207,270, respectively.

Approximate principal maturities on long-term debt are as follows for the years ended September 30:

2015	\$ 482,500
2016	495,800
2017	509,500
2018	523,600
2019	538,100
Thereafter	<u>4,567,200</u>
	<u>\$ 7,116,700</u>

NOTE 7 - RELATED PARTY TRANSACTIONS

The related parties of the Authority are the City of Madison, City of Ridgeland, Canton Municipal Utilities, Bear Creek Water Association, Inc., and Pearl River Valley Water Supply District. The agreements between these parties and the Authority are described in Note 2. Accounts payable include amounts due to Canton Municipal Utilities in the amount of \$283,645 and \$365,203 for the years ended September 30, 2014 and 2013, respectively.

MADISON COUNTY WASTEWATER AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013**

NOTE 7 - RELATED PARTY TRANSACTIONS - CONTINUED:

At September 30th of the respected year, included in accounts receivable - trade are the following related party amounts:

<u>Related Party</u>	<u>2014</u>	<u>2013</u>
City of Madison	\$ 15,828	16,398
City of Ridgeland	10,499	10,607
Canton Municipal Utilities	40,622	65,352
Bear Creek Water Association, Inc.	27,033	28,743
Pearl River Valley Water Supply	<u>2,009</u>	<u>2,293</u>
Total related party receivable	<u>\$ 95,991</u>	<u>123,393</u>

The Authority considers various factors as of the date of the financial statements in evaluating the credit quality of loans and advances to related parties, including the value of collateral, if any, historical collection experience and the Authority's assessment of the counterparties' ability to repay their obligations. To date, the Authority has not experienced any losses with respect to loans and advances to related parties and believes that all loans and advances will be recovered; therefore, an allowance for uncollectible amounts has not been recorded.

NOTE 8 - SUBSEQUENT EVENTS

The Authority has evaluated subsequent events through January 27, 2015, the date the financial statements were approved by the Authority's management and thereby available to be issued, and has determined that there are no subsequent events of a material nature requiring disclosure in the accompanying financial statements.