

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

March 18, 2015

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 audit for the year ended October 2014 for the Lake Lorman Utility District. Also, I am enclosing the original public official bond for board member, Mary Ann Sones. Ms. Sones was reappointed to the board effective March 1, 2015 for a term ending February 29, 2020.

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](mailto: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, 2014 AND 2013

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

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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, 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.

### 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, 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.

### **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 Carter & Lindsey, P.A.*

January 19, 2015

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

STATEMENTS OF FINANCIAL POSITION  
AT OCTOBER 31, 2014 AND 2013

	2014	2013
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 158,077	\$ 170,371
Accounts receivable	20,381	22,683
Prepaid expenses	3,350	4,644
	181,808	197,698
<b>CASH RESTRICTED (Note 2)</b>	133,141	133,039
<b>PROPERTY AND EQUIPMENT</b>		
Land	64,440	64,440
Water facilities and equipment	2,587,054	2,577,099
Software	8,357	8,357
	2,659,851	2,649,896
Less: accumulated depreciation	(1,927,174)	(1,834,074)
	732,677	815,822
<b>OTHER ASSETS</b>		
Deposit	150	150
	\$ 1,047,776	\$ 1,146,709

See Notes to Financial Statements.

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

STATEMENTS OF FINANCIAL POSITION  
AT OCTOBER 31, 2014 AND 2013

LIABILITIES AND NET ASSETS (DEFICIT)

	2014	2013
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 4,395	\$ 6,941
Agency obligations to fire district (Note 2)	73,051	72,253
Accrued interest payable	2,202	2,450
Current installments of long-term debt	58,406	62,882
Meter deposits	17,390	18,086
	155,444	162,612
<b>LONG-TERM DEBT (Note 4)</b>	<b>914,263</b>	<b>985,952</b>
	<b>1,069,707</b>	<b>1,148,564</b>
<b>NET ASSETS (DEFICIT)</b>		
Unrestricted (deficit)	(64,631)	(44,555)
Temporarily restricted (Note 5)	42,700	42,700
	<b>(21,931)</b>	<b>(1,855)</b>
	<b>\$ 1,047,776</b>	<b>\$ 1,146,709</b>

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, 2014 AND 2013

	2014	2013
UNRESTRICTED NET ASSETS		
REVENUES AND OTHER SUPPORT		
Water revenue	\$ 127,290	\$ 125,329
Sewer revenue	124,228	124,087
Tap and trench - new meters	2,220	340
Interest income	1,699	1,680
Late fees	2,468	4,740
Other income	2,771	25
	260,676	256,201
 EXPENSES		
Audit, engineer, and legal	9,300	15,347
Depreciation and amortization	93,100	93,206
Insurance	5,582	5,616
Interest	30,129	38,034
Management fees (Note 3)	9,768	9,515
Miscellaneous	2,793	3,592
Per diem	1,995	1,855
Repairs and maintenance	102,912	95,059
Utilities - water and sewer	25,173	16,464
	280,752	278,688
 CHANGE IN NET ASSETS	(20,076)	(22,487)
 NET ASSETS AT BEGINNING OF YEAR	(1,855)	20,632
 NET ASSETS (DEFICIT) AT END OF YEAR	\$ (21,931)	\$ (1,855)

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, 2014 AND 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (20,076)	\$ (22,487)
Adjustment to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	93,100	93,206
Decrease (increase) in		
Accounts receivable	2,302	(1,654)
Prepaid expenses	1,294	-
Increase (decrease) in		
Accounts payable	(2,546)	1,962
Accrued interest	(248)	(175)
Meter deposits and agency funds payable	102	1,706
NET CASH PROVIDED BY OPERATING ACTIVITIES	73,928	72,558
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(9,955)	(1,890)
Increase in restricted cash	(102)	(1,706)
NET CASH USED IN INVESTING ACTIVITIES	(10,057)	(3,596)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of long-term debt	(76,165)	(69,597)
NET DECREASE IN CASH	(12,294)	(635)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	170,371	171,006
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 158,077	\$ 170,371
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the year for interest	\$ 30,380	\$ 38,209

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, 2014 AND 2013

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, 2014 AND 2013

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. Tax returns for fiscal year 2010 and following remain subject to examination.

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>2014</u>	<u>2013</u>
Agency funds	\$ 73,051	\$ 72,253
Bond cushion funds	21,400	21,400
Contingent fund	10,650	10,650
Depreciation funds	10,650	10,650
Customer meter deposits	<u>17,390</u>	<u>18,086</u>
	<u>\$ 133,141</u>	<u>\$ 133,039</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.

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

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED OCTOBER 31, 2014 AND 2013

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, 2014 and 2013 totaled \$9,768 and \$9,515, respectively.

4. LONG-TERM DEBT

The details of long-term debt are as follows:

	<u>2014</u>	<u>2013</u>
Revenue bond payable to the U.S. Department of Agriculture-Rural Development in monthly installments of \$1,263, including interest at 5% maturing April, 2019. Collateralized by revenue of the utility system plus an assessment on each user. Paid off in March, 2014.	\$ -	\$ 6,373
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.	197,611	220,069
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>775,058</u>	<u>822,392</u>
Total long-term debt	972,669	1,048,834
Less current installments	<u>58,406</u>	<u>62,882</u>
	<u>\$ 914,263</u>	<u>\$ 985,952</u>

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

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED OCTOBER 31, 2014 AND 2013

4. LONG-TERM DEBT – (Continued)

At October 31, 2014, maturities of long-term debt are as follows:

<u>Year Ending</u> <u>October 31,</u>	
2015	\$ 58,406
2016	78,148
2017	81,572
2018	85,194
2019	89,025
Thereafter	<u>580,324</u>
	<u>\$ 972,669</u>

5. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	<u>2014</u>	<u>2013</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, 2014 AND 2013

6. SUBSEQUENT EVENTS

In connection with the preparation of the financial statements, management has evaluated events through January 19, 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, 2014

1. EXISTING SYSTEM

The current number of residential and non-residential users as of October 31, 2014 are as follows:

Residential	210
Non-residential	<u>1</u>
	<u>211</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, 2014 are as follows:

All users	816,667
Residential	813,742

3. WATER AND SEWER RATES

The water rates for the Organization for the dates November 1, 2013 through October 31, 2014 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, 2014

5. INSURANCE COVERAGE

Lake Lorman Utility District had the following insurance policies at October 31, 2014:

<u>Type</u>	<u>Coverage</u>	<u>Dates</u>		<u>Policy Number</u>
		<u>From</u>	<u>To</u>	
Fidelity Bond	\$50,000	02/28/14	02/28/15	104796141
Commercial Package	\$1,000,000	10/02/14	10/02/15	63832
Fidelity Bond	\$50,000	03/01/14	03/01/15	105341398
Fidelity Bond	\$50,000	02/28/14	02/28/15	104879526
Fidelity Bond	\$50,000	03/01/14	03/01/15	105568288
Fidelity Bond	\$50,000	02/28/14	02/28/15	400TC3931
Fidelity Bond	\$40,000	04/20/14	04/20/15	400LZ0090
Fidelity Bond	\$10,000	10/08/14	10/08/15	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 3/1/10 - 2/28/15	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, 2014

6. ELECTED OFFICIALS – (Continued)

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

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