

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

May 10, 2019

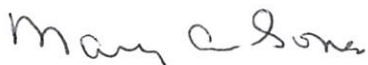
Ms. Cynthia Parker  
Madison County Board of Supervisors  
Chancery Administrative Building  
P. O. Box 404  
Canton, MS 39046-0404

Dear Ms. Parker:

Enclosed you will find the 2019 financial audit for the Lake Lorman Utility District.  
Please see that the copy is available to the supervisor for our district, Mr. David Bishop.

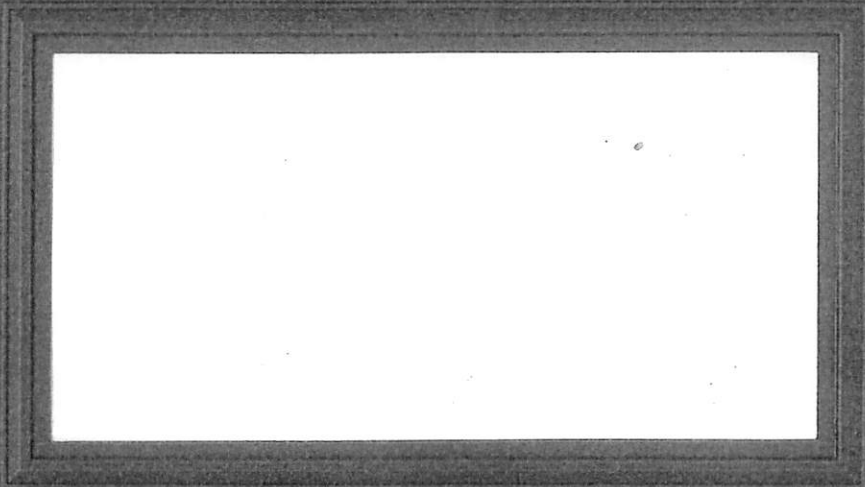
Please contact me at 601-856-7625 or e-mail me at [masones@bellsouth.net](mailto:masones@bellsouth.net) if you should have questions concerning this document.

Sincerely,



Mary Ann Sones, Treasurer  
Lake Lorman Utility District

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



MATTHEWS  
CUTRER *and*  
LINDSAY, P.A.

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CERTIFIED PUBLIC ACCOUNTANTS

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

FINANCIAL STATEMENTS  
FOR THE YEARS ENDED OCTOBER 31, 2018 AND 2017

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

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MATTHEWS  
CUTRER *and*  
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CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Lake Lorman Utility Corporation d/b/a Lake Lorman Utility District (a nonprofit organization), which comprise the statements of financial position as of October 31, 2018 and 2017, 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

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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 Lake Lorman Utility Corporation d/b/a Lake Lorman Utility District as of October 31, 2018 and 2017, 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.

### **Report on Supplementary Information**

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental data on pages 12 through 14 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 & Lindsey, P.A.*

December 19, 2018

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

STATEMENTS OF FINANCIAL POSITION  
AT OCTOBER 31, 2018 AND 2017

	ASSETS	
	<u>2018</u>	<u>2017</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 286,896	\$ 221,061
Accounts receivable, net of allowance for uncollectible accounts of \$4019 and \$3,089 for 2018 and 2017, respectively	26,399	30,521
Prepaid expenses	<u>6,217</u>	<u>6,217</u>
	319,512	257,799
<b>CASH RESTRICTED (Note 2)</b>	63,130	136,858
<b>PROPERTY AND EQUIPMENT</b>		
Land	64,440	64,440
Water facilities and equipment	2,666,842	2,668,702
Software	<u>8,357</u>	<u>8,357</u>
	2,739,639	2,741,499
Less: accumulated depreciation	<u>(2,283,746)</u>	<u>(2,214,548)</u>
	<u>455,893</u>	<u>526,951</u>
<b>OTHER ASSETS</b>		
Deposit	<u>150</u>	<u>150</u>
	<u>\$ 838,685</u>	<u>\$ 921,758</u>

See Notes to Financial Statements.

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

STATEMENTS OF FINANCIAL POSITION  
AT OCTOBER 31, 2018 AND 2017

LIABILITIES AND NET ASSETS

	<u>2018</u>	<u>2017</u>
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 2,243	\$ 7,473
Current installments of long-term debt	66,881	64,619
Accrued interest payable	1,280	1,541
Agency obligations to fire district (Note 2)	-	74,678
Meter deposits	<u>20,430</u>	<u>19,480</u>
	90,834	167,791
 <b>LONG-TERM DEBT, net of current portion (Note 4)</b>	 <u>587,045</u>	 <u>674,791</u>
	<u>677,879</u>	<u>842,582</u>
 <b>NET ASSETS</b>		
Unrestricted	118,106	36,476
Temporarily restricted (Note 5)	<u>42,700</u>	<u>42,700</u>
	<u>160,806</u>	<u>79,176</u>
	<u>\$ 838,685</u>	<u>\$ 921,758</u>

See Notes to Financial Statements.



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

STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED OCTOBER 31, 2018 AND 2017

	2018	2017
UNRESTRICTED NET ASSETS		
REVENUES AND OTHER SUPPORT		
Water revenue	\$ 197,088	\$ 189,642
Sewer revenue	206,958	205,104
Tap and trench - new meters	830	830
Interest income	1,882	1,882
Late fees	4,535	4,540
Other income	678	1,309
	411,971	403,307
 EXPENSES		
Audit, engineer, and legal	9,972	9,537
Depreciation and amortization	94,402	93,633
Insurance	4,438	4,410
Interest	22,323	25,964
Management fees (Note 3)	10,900	10,000
Miscellaneous	2,825	3,703
Per diem	1,855	1,785
Repairs and maintenance	161,901	121,874
Utilities - water and sewer	21,725	20,292
	330,341	291,198
 CHANGE IN NET ASSETS	81,630	112,109
 NET ASSETS (DEFICIT) AT BEGINNING OF YEAR	79,176	(32,933)
 NET ASSETS AT END OF YEAR	\$ 160,806	\$ 79,176

See Notes to Financial Statements.

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

STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED OCTOBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 81,630	\$ 112,109
Adjustment to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	94,402	93,633
Decrease in		
Accounts receivable	4,122	779
Increase (decrease) in		
Accounts payable	(5,230)	2,285
Accrued interest	(261)	(1,006)
Meter deposits and agency funds payable	<u>(73,728)</u>	<u>2,155</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>100,935</u>	<u>209,955</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(23,344)	(28,784)
Decrease (increase) in restricted cash	<u>73,728</u>	<u>(2,155)</u>
<b>NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>	<u>50,384</u>	<u>(30,939)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayments of long-term debt	<u>(85,484)</u>	<u>(79,375)</u>
<b>NET INCREASE IN CASH</b>	65,835	99,641
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>221,061</u>	<u>121,420</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 286,896</u>	<u>\$ 221,061</u>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>		
Cash paid during the year for interest	<u>\$ 22,584</u>	<u>\$ 26,970</u>

See Notes to Financial Statements.

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

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED OCTOBER 31, 2018 AND 2017

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.

Accounts Receivable

Revenue from water and sewer services is recognized when earned. An account will be written off as a bad debt when it has been determined to be uncollectible. A valuation allowance has been established, based on an evaluation of each account. The valuation allowance for the years ended October 31, 2018 and 2017 totaled \$4,019 and \$3,089, respectively.

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

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED OCTOBER 31, 2018 AND 2017

1. SIGNIFICANT ACCOUNTING POLICIES – (Continued)

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  
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:

	2018	2017
Agency funds	\$ -	\$ 74,678
Bond cushion funds	21,400	21,400
Contingent fund	10,650	10,650
Depreciation funds	10,650	10,650
Customer meter deposits	20,430	19,480
	\$ 63,130	\$ 136,858

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

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED OCTOBER 31, 2018 AND 2017

2. RESTRICTED CASH – (Continued)

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. During the year ended October 31, 2018, these agency funds were returned for use in the construction of a new fire station.

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, 2018 and 2017 totaled \$10,900 and \$10,000, respectively.

4. LONG-TERM DEBT

The details of long-term debt are as follows:

	<u>2018</u>	<u>2017</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.	\$ 80,480	\$ 113,657
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>573,446</u>	<u>625,753</u>
Total long-term debt	653,926	739,410
Less current installments	<u>(66,881)</u>	<u>(64,619)</u>
	<u>\$ 587,045</u>	<u>\$ 674,791</u>

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

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED OCTOBER 31, 2018 AND 2017

4. LONG-TERM DEBT – (Continued)

At October 31, 2018, maturities of long-term debt are as follows:

<u>Year Ending October 31,</u>	
2019	\$ 66,881
2020	69,248
2021	71,727
2022	74,324
2023	77,045
Thereafter	<u>294,701</u>
	<u>\$ 653,926</u>

5. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	<u>2018</u>	<u>2017</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>

6. SUBSEQUENT EVENTS

In connection with the preparation of the financial statements, management has evaluated events through December 19, 2018, 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 CORPORATION  
d/b/a LAKE LORMAN UTILITY DISTRICT

SUPPLEMENTAL DATA REQUIRED BY RURAL DEVELOPMENT  
FOR THE YEAR ENDED OCTOBER 31, 2018

1. EXISTING SYSTEM

As of October 31, 2018, 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, 2018 are as follows:

All users	888,667
Residential	887,408

3. WATER AND SEWER RATES

The water rates during the year ended October 31, 2018 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 CORPORATION  
d/b/a LAKE LORMAN UTILITY DISTRICT

SUPPLEMENTAL DATA REQUIRED BY RURAL DEVELOPMENT  
FOR THE YEAR ENDED OCTOBER 31, 2018

5. INSURANCE COVERAGE

Lake Lorman Utility District had the following insurance policies at October 31, 2018:

<u>Type</u>	<u>Coverage</u>	<u>Dates</u>		<u>Policy Number</u>
		<u>From</u>	<u>To</u>	
Fidelity Bond	\$50,000	02/28/18	02/28/19	104796141
Commercial Package	\$1,000,000	10/01/18	10/01/19	5105016403
Fidelity Bond	\$50,000	03/01/18	03/01/19	106115766
Fidelity Bond	\$50,000	02/28/18	02/28/19	104879526
Fidelity Bond	\$50,000	03/01/18	03/01/19	106280959
Fidelity Bond	\$50,000	02/28/18	02/28/19	400TC3931
Fidelity Bond	\$40,000	04/20/18	04/20/19	106040222
Fidelity Bond	\$10,000	10/08/18	10/08/19	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 3/1/18 - 2/28/23	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 CORPORATION  
d/b/a LAKE LORMAN UTILITY DISTRICT

SUPPLEMENTAL DATA REQUIRED BY RURAL DEVELOPMENT  
FOR THE YEAR ENDED OCTOBER 31, 2018

6. ELECTED OFFICIALS – (Continued)

Commissioner  
3/1/17 - 2/28/22

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