

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

August 8, 2023

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 2022 for the Lake Lorman Utility District. Please see that the copy is available to the supervisor for our district, Mr. Karl Banks.

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



[www.mcl.cpa](http://www.mcl.cpa)

**MATTHEWS  
CUTRER *and*  
LINDSAY, P.A.**  
CERTIFIED PUBLIC ACCOUNTANTS

**LAKE LORMAN UTILITY CORPORATION**  
d/b/a Lake Lorman Utility District  
**MADISON, MISSISSIPPI**

**FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED OCTOBER 31, 2022 AND 2021**

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LAKE LORMAN UTILITY CORPORATION  
d/b/a Lake Lorman Utility District

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LAKE LORMAN UTILITY CORPORATION  
d/b/a Lake Lorman Utility District

NOTES TO FINANCIAL STATEMENTS - CONTINUED  
FOR THE YEARS ENDED OCTOBER 31, 2022 AND 2021

6. LIQUIDITY – (Continued)

The Organization does not maintain an operating reserve account to cover the average monthly operating costs, excluding noncash expenses. However, the average monthly costs were approximately \$20,000 for the year ended October 31, 2022. The Organization had approximately 24 months of financial assets available to meet its average monthly operating costs for the year ended October 31, 2022. The Organization does not have a policy regarding the investment of cash in excess of daily requirements.

7. RECLASSIFICATION

Certain amounts in the 2021 financial statements have been reclassified for comparative purposes to conform with presentation in the 2022 financial statements.

8. SUBSEQUENT EVENTS

In connection with the preparation of the financial statements, management has evaluated events through February 14, 2023, which is the date the financial statements are available to be issued and concluded that no additional disclosures are required.

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INDEPENDENT AUDITOR'S REPORT

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

**Opinion**

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 statement of financial position as of October 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2022 and 2021, 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.

**Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Lake Lorman Utility Corporation d/b/a Lake Lorman Utility District and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

NOTES TO FINANCIAL STATEMENTS - CONTINUED  
FOR THE YEARS ENDED OCTOBER 31, 2022 AND 2021

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Lake Lorman Utility Corporation d/b/a Lake Lorman Utility District's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Lake Lorman Utility Corporation d/b/a Lake Lorman Utility District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Lake Lorman Utility Corporation d/b/a Lake Lorman Utility District's ability to continue as a going concern for a reasonable period of time.

**4. BOARD DESIGNATED NET ASSETS**

Net assets without donor restrictions have been set aside for the following purposes:

	<u>2022</u>	<u>2021</u>
Bond cushion	\$ -	\$ 21,400
Depreciation	-	10,650
Contingent	-	10,650
Operating reserve	<u>42,700</u>	<u>-</u>
	<u>\$ 42,700</u>	<u>\$ 42,700</u>

Subsequent to October 31, 2022, the Commissioners retroactively transferred net assets from the three funds reflected above to an operating reserve fund.

**5. 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, 2022 and 2021 totaled \$12,428 and \$11,828, respectively.

**6. LIQUIDITY**

The following reflects the Organization's financial assets as of October 31, 2022 reduced by amounts not available for general use within one year because of contractual or donor-imposed restrictions.

Cash and cash equivalents	\$ 497,097
Accounts receivable	28,116
Prepaid expenses	<u>11,503</u>
Financial assets available	536,716
Less those unavailable for general expenditures within one year due to:	
Subject to expenditure for specified purpose	<u>(42,700)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 494,016</u>

LAKE LORMAN UTILITY CORPORATION  
d/b/a Lake Lorman Utility District

NOTES TO FINANCIAL STATEMENTS - CONTINUED  
FOR THE YEARS ENDED OCTOBER 31, 2022 AND 2021

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

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

Ridgeland, Mississippi  
February 14, 2023

2. RESTRICTED CASH – (Continued)

Agency Funds

The Organization has meter deposits received from customers that are held in a restricted cash account along with other board designated funds.

3. LONG-TERM DEBT

The details of long-term debt are as follows:

	<u>2022</u>	<u>2021</u>
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.	\$ 350,654	\$ 408,456
Less curent installments	<u>(59,263)</u>	<u>(57,802)</u>
	<u>\$ 291,391</u>	<u>\$ 350,654</u>

At October 31, 2022, maturities of long-term debt are as follows:

<u>Year Ending October 31</u>	
2023	\$ 59,263
2024	60,762
2025	62,299
2026	63,874
2027	65,489
Thereafter	<u>38,967</u>
	<u>\$ 350,654</u>



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

STATEMENTS OF FINANCIAL POSITION  
AT OCTOBER 31, 2022 AND 2021

ASSETS	<u>2022</u>	<u>2021</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 497,097	\$ 425,423
Accounts receivable, net of allowance for uncollectible accounts of \$824 and \$1,352 for 2022 and 2021, respectively	28,116	29,044
Prepaid expenses	<u>11,503</u>	<u>11,104</u>
	<u>536,716</u>	<u>465,571</u>
CASH RESTRICTED (Note 2)	<u>66,864</u>	<u>57,665</u>
<b>PROPERTY AND EQUIPMENT</b>		
Land	64,440	64,440
Water facilities and equipment	2,805,213	2,784,681
Software	<u>8,357</u>	<u>8,357</u>
	2,878,010	2,857,478
Less: accumulated depreciation	<u>(2,683,661)</u>	<u>(2,581,542)</u>
	<u>194,349</u>	<u>275,936</u>
DEPOSITS	<u>150</u>	<u>150</u>
	<u>\$ 798,079</u>	<u>\$ 799,322</u>

LAKE LORMAN UTILITY CORPORATION  
d/b/a Lake Lorman Utility District

NOTES TO FINANCIAL STATEMENTS - CONTINUED  
FOR THE YEARS ENDED OCTOBER 31, 2022 AND 2021

1. SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Revenue Recognition

The Organization recognizes revenue as water and sewer services are provided to its customers, which happens over time as the service is deliverable and the performance obligation is satisfied. Generally, payment is due within 30 days once a bill is issued to a customer.

Water revenues represent revenues earned for supplying customers with water service. Sewer revenues represent revenues earned for treating wastewater and releasing it into the water supply. Other revenues are associated fees that relate to the regulated business but are not water and sewer revenues.

Income Taxes

The Organization 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. Federal Form 990, Return of Organization Exempt from Income Tax, is subject to examination by the Internal Revenue Service, generally for three years after it is filed.

2. RESTRICTED CASH

Restricted cash is as follows:

	<u>2022</u>	<u>2021</u>
Bond cushion funds	\$ -	\$ 21,400
Contingent fund	-	10,650
Depreciation funds	-	10,650
Operating reserve	42,700	-
Customer meter deposits	<u>24,164</u>	<u>14,965</u>
	<u>\$ 66,864</u>	<u>\$ 57,665</u>

See notes to financial statements.

LAKE LORMAN UTILITY CORPORATION  
d/b/a Lake Lorman Utility District

NOTES TO FINANCIAL STATEMENTS - CONTINUED  
FOR THE YEARS ENDED OCTOBER 31, 2022 AND 2021

1. SIGNIFICANT ACCOUNTING POLICIES – (Continued)

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.

The Organization maintains cash deposits at banks which are insured by the Federal Deposit Insurance Corporation (FDIC). The FDIC insures cash balances up to \$250,000 per institution extends to interest bearing and non-interest-bearing accounts. At October 31, 2022 and 2021, the uninsured cash balance was \$187,381 and \$102,944, respectively.

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, 2022 and 2021 totaled \$824 and \$1,352, respectively.

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

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

STATEMENTS OF FINANCIAL POSITION - CONTINUED  
AT OCTOBER 31, 2022 AND 2021

LIABILITIES AND NET ASSETS

	<u>2022</u>	<u>2021</u>
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ -	\$ 587
Current installments of long-term debt	59,263	57,802
Accrued interest payable	336	392
Meter deposits	<u>24,164</u>	<u>14,965</u>
	<u>83,763</u>	<u>73,746</u>
LONG-TERM DEBT, net of current portion (Note 3)	<u>291,391</u>	<u>350,654</u>
	<u>375,154</u>	<u>424,400</u>
<b>NET ASSETS</b>		
Without donor restrictions		
Undesignated	380,225	332,222
Board designated	<u>42,700</u>	<u>42,700</u>
	<u>422,925</u>	<u>374,922</u>
	<u>\$798,079</u>	<u>\$799,322</u>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED OCTOBER 31, 2022 AND 2021

1. SIGNIFICANT ACCOUNTING POLICIES

Organization and Activities

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

Basis of Presentation

The financial statements of the Organization have been prepared in on the accrual basis in accordance with accounting principles generally accepted in the United States of America, which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions. These net assets may be used at the discretion of the Organization's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts and disclosures. Actual amounts could differ from those results.

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

STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED OCTOBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 48,003	\$ 57,190
Adjustment to reconcile change in net assets to net cash provided by operating activities		
Depreciation	102,119	101,333
Decrease (increase) in		
Accounts receivable	928	30,643
Prepaid expenses	(399)	(3,533)
Increase (decrease) in		
Accounts payable	(587)	587
Accrued interest	(56)	(93)
Meter deposits and agency funds payable	9,199	(7,984)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>159,207</u>	<u>178,143</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(20,532)	(50,646)
Increase (decrease) in restricted cash	(9,199)	7,984
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<u>(29,731)</u>	<u>(42,662)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayments of long-term debt	(57,802)	(62,716)
<b>NET INCREASE IN CASH</b>	71,674	72,765
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>425,423</u>	<u>352,658</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$497,097</u>	<u>\$ 425,423</u>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>		
Cash paid during the year for interest	<u>\$ 9,608</u>	<u>\$ 11,071</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, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
<b>NET ASSETS WITHOUT RESTRICTIONS</b>		
<b>REVENUES AND OTHER SUPPORT</b>		
Water revenue	\$ 162,100	\$ 193,244
Sewer revenue	216,232	214,595
Tap and trench - new meters	830	1,135
Interest income	30	1,683
Late fees	3,529	6,566
Sewer connection	1,600	7,133
Other income	72	904
	<u>384,393</u>	<u>425,260</u>
<b>EXPENSES</b>		
Program	295,244	316,697
Management and general	41,146	51,373
	<u>336,390</u>	<u>368,070</u>
<b>CHANGE IN NET ASSETS</b>	48,003	57,190
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>374,922</u>	<u>317,732</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 422,925</u>	<u>\$ 374,922</u>

See notes to financial statements.

LAKE LORMAN UTILITY CORPORATION

STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED OCTOBER 31, 2022

	<u>Program</u>	<u>Management &amp; General</u>	<u>Fundraising</u>	<u>Total</u>
Audit, engineer, and legal	\$ -	\$ 7,941	\$ -	\$ 7,941
Bank service charges	-	1,523	-	1,523
Depreciation	101,098	1,021	-	102,119
Insurance	4,621	1,304	-	5,925
Interest	-	9,552	-	9,552
Management fees (Note 5)	-	12,428	-	12,428
Miscellaneous	4,567	4,566	-	9,133
Per diem	-	2,030	-	2,030
Postage	781	781	-	1,562
Repairs and maintenance	162,153	-	-	162,153
Utilities - water and sewer	22,024	-	-	22,024
	<u>\$ 295,244</u>	<u>\$ 41,146</u>	<u>\$ -</u>	<u>\$ 336,390</u>
Percentage of allocations	<u>88%</u>	<u>12%</u>	<u>0%</u>	<u>100%</u>

See notes to financial statements.

LAKE LORMAN UTILITY CORPORATION

STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED OCTOBER 31, 2021

	<u>Program</u>	<u>Management &amp; General</u>	<u>Fundraising</u>	<u>Total</u>
Audit, engineer, and legal	\$ -	\$ 10,771	\$ -	\$ 10,771
Bank service charges	-	1,337	-	1,337
Depreciation and amortization	100,320	1,013	-	101,333
Insurance	4,255	1,202	-	5,457
Interest	-	10,978	-	10,978
Management fees (Note 5)	-	11,828	-	11,828
Miscellaneous	12,004	12,003	-	24,007
Per diem	-	1,820	-	1,820
Postage	421	421	-	842
Repairs and maintenance	175,262	-	-	175,262
Utilities - water and sewer	24,435	-	-	24,435
	<u>\$ 316,697</u>	<u>\$ 51,373</u>	<u>\$ -</u>	<u>\$ 368,070</u>
Percentage of allocations	<u>86%</u>	<u>14%</u>	<u>0%</u>	<u>100%</u>

See notes to financial statements.