

HOLUM WATER SYSTEM, INC.

GRAYSON, LOUISIANA

FINANCIAL STATEMENTS

DECEMBER 31, 2018

BY

JIMMIE SELF, CPA

A PROFESSIONAL ACCOUNTING CORPORATION

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HOLUM WATER SYSTEM, INC

Basic Financial Statements
As of and For the Year Ended
December 31, 2018
With Supplementary Information Schedules

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Holum Water System, Inc.
Grayson, Inc.

Report on the Financial Statements

I have audited the accompanying financial statements of the business-type activities of Holum Water System, Inc. (the System), as of and for the year ended, December 31, 2018, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

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

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that I 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, I 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.

INDEPENDENT AUDITOR'S REPORT

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Holum Water System, Inc., as of December 31, 2018, and the respective changes in financial position, and cash flows, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the System's basic financial statements. The accompanying supplementary information, Compensation paid Commissioners, Schedule of Findings and Responses, Summary Schedule of Findings, and Schedule of Compensation, Benefits and other payments to Agency Head or Chief Executive Officers, is listed in the table of contents under Supplementary Information presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has not been

INDEPENDENT AUDITOR'S REPORT

subjected to the auditing procedures applied in the audit of the basic financial statements, therefore, I express no opinion on it.

Other Reporting Required by Government *Auditing* Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated May 31, 2019, on my consideration of the Holum Water System, Inc.'s internal control over financing reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the System's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Holum Water System, Inc.'s internal control over financial reporting and compliance.



Jimmie Self, CPA
Monroe, Louisiana
May 31, 2019

Required Supplementary Information (part 1)

**HOLUM WATER SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and for the Year Ended December 31, 2018**

Our Management Discussion and Analysis (MD&A) of the Holum Water System (the System) provides an overview of the activities for the year ended December 31, 2018, with selected comparative information for the years ended December 31, 2017 and December 31, 2018.

The prior period report was for a twelve month period beginning January 1, 2017 and ending December 31, 2017.

The MD&A is a format for reporting the information required by the Governmental Accounting Standards Board Statement Number 34 (known as GASB 34) which is now required for reporting the financial activities of all state and local governmental units. It is only a part of the financial report as presented in the annual financial audit for the fiscal year and should be read and considered with the financial statements, notes to the financial statements, and the audit report as a whole.

Financial Highlights

The System is being reported as a business-type activity.

This annual report consists of a series of financial statements. The basic financial statements are:

Statement of Net Position
The Statement of Revenues, Expenses, and Changes in Net Position
The Statement of Cash Flows

The financial statements are prepared on an accrual basis of accounting in accordance with accounting principals generally accepted in the United States of America, as promulgated by the Government Accounting Standards Board (GASB). See the notes to the financial statements for a summary of the System's significant accounting policies.

The *Statement of Net Position* depicts the System's financial position at December 31, 2018, at the end of the System's fiscal year. The statement shows all the financial assets and liabilities of the System. Capital assets are capitalized and are depreciated (except land) over their estimated useful lives. Certain funds are reported as restricted based upon restraints placed on their use by contributors, grants, and debt covenants.

The *statement of revenues, expenses, and changes in net position* reports total operating revenues, operating expenses, non operating income and expenses, capital contributions, and other changes in net position during the fiscal year ending December 31, 2018. All changes in net position are reported as the underlying event giving the changes occurred, regardless of the timing of the cash flows. Revenues are recognized when earned, not when received. Expenses are recognized when incurred, not when paid.

**HOLUM WATER SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and for the Year Ended December 31, 2018**

The *statement of cash flows* presents information showing how the System's cash and cash equivalent position changed during the fiscal year and provides information about the activities of the Holum Water System, Inc., as a whole. The statement classifies cash receipts and cash payments by operating, non-capital-related financing activities, investing activities, and capital and related financing activities.

Financial Position Summary

These reports provide information about the funds maintained by the System as a whole and about its activities in a way that helps to answer one of the most important questions asked about The System's finances, "Is the System, as a whole, better off or worse off as a result of the year's activities?" These statements include all assets and liabilities using the accrual basis of accounting used by most private sector companies. Accrual of the current year's revenues and expenses are taken into account regardless of when cash was received or paid.

These statements report the System's net position and changes in those assets. The net assets, the difference between the assets and the liabilities, is one way to measure the summary of the basic government-wide financial statements as follows:

SUMMARY OF THE STATEMENT OF NET POSITION

December 31, 2018

NET ASSETS-BUSINESS TYPE ACTIVITIES	12/31/18	12/31/2017
Current Assets	62,460	93,243
Investments	189,709	176,182
Receivables	22,497	22,164
Property and Equipment	1,591,509	1,591,428
Less Accumulated Depreciation	-382,505	-349,495
Total Noncurrent Assets	1,209,003	1,242,013
 Total Assets	 1,483,760	 1,533,602
 Current Liabilities	 23,091	 18,524
Non-Current Liabilities-USDA	536,643	544,103
Total Liabilities	559,734	562,627
Net Position:		
Invested in Capital Assets, Net (See Note 7)	665,182	678,699
Restricted for Capital Assets	57,448	57,448
Unrestricted	201,305	234,828
Total Net Position	923,936	970,975

**HOLUM WATER SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and for the Year Ended December 31, 2018**

Changes in Net Assets

For the Year ended June 30, 2018

CHANGE IN NET ASSETS	12/31/2018	12/31/2017
Revenues:		
Charges for Services	156,027	155,204
Interest	1,315	2,259
	<u>157,342</u>	<u>157,463</u>
Expenditures		
Operating Services	73,983	35,185
Truck Expense	5,530	7,152
Water Purchase	36	42
Utilities and Telephone	18,643	18,042
Salaries	51,270	41,241
Depreciation	33,010	33,010
Interest Expense	21,910	22,457
Total Operating Expense	<u>204,382</u>	<u>157,069</u>
Total Change in Net Position	<u>-47,040</u>	<u>404</u>

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**HOLUM WATER SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and for the Year Ended December 31, 2018**

Governmental Activities

For the prior period ended December 31, 2017, the System's assets exceeded its liabilities by \$970,975 (Net Assets). This was an Increase of 404 over the prior year.

For the current year ended December 31, 2018, the System's assets exceeded its liabilities by \$923,925 (Net Assets). This was a decrease of \$47,040.

Unrestricted Net Assets \$201,305 represent the portion available to maintain the System's obligation to both citizens and creditors at the close of the year ended December 31, 2018. This is a decrease of \$33,523 over the prior one year period.

FINANCIAL ANALYSIS OF THE FUNDS

As the District completed the prior year ended December 31, 2017, the enterprise fund reported total assets of \$1,544,791. At the conclusion of the current year ended December 31, 2018, the enterprise fund reported total assets of \$1,483,670.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the close of the prior year ended December 31, 2017, the District showed an investment in Capital Assets of \$1,591,508, and a net value after depreciation of \$349,495 of \$1,242,013.

As of the close of the current year ended December 31, 2018, the System showed Capital Assets with an investment of \$1,591,508, and a net value of \$1,209,004 after accumulated depreciation of \$382,505.

CAPITAL ASSETS – PROPERTY, PLANT & EQUIPMENT

Total Capital Assets Investment - December 31, 2017	1,591.508
Additions – 2018	0
Total Capital Assets Investment – December 31, 2018	1,591,508
Less - Accumulated Depreciation	-382,505
Total Net Capital Assets – December 31, 2018	1,209,003

**HOLUM WATER SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and for the Year Ended December 31, 2018**

There were no capital outlays for the twelve month period ended 12/31/2018.

There were no capital outlays for the twelve month period ended 12/31/2017.

Debt

As of December 31, 2017, the beginning of the current year (2017), the System had a note payable to USDA in the amount of \$551,001.

During the current year ending 12/31/2018, the System had a note payable to USDA in the amount of \$543,821. Below is a summary of that transaction.

NOTE 9. NONCURRENT LIABILITIES

<u>12/31/2016</u>	<u>USDA</u>	<u>Principal added</u>	<u>Principal paid</u>	<u>Interest</u>	<u>Balance</u>
					\$557,889
12/31/2017			6,898	22,457	551,001
12/31/2018			7,177	21,910	543,821

Non-Current Liabilities shown on page 11, consist of a Note Payable to USDA for \$557,899, @ 4% interest for 40 years, with monthly payments of \$2,424 to be made at December 31, 2015. Payment of principal of \$6,628 was made in 2016. Interest of \$186 was accrued. As shown above, the balance of the USDA loan of \$557,899 was received, with principal paid of \$6,628 and interest paid of \$22,450, leaving a balance @ 12/31/2016 of \$557,899, and a principal payment of \$6,898 (current payable) in 2017, left a balance of \$551,001 long-term. During 2009, principal payment of \$7,177 was made, leaving a balance at 12-31-2018 of \$543,821.

ECONOMIC FACTORS AFFECTING THE UPCOMING YEAR'S BUSINESS

The continued growth of the economy throughout the year of 2018, and the resulting trends of increased employment in the United States has caused further growth for many individuals and businesses. It is not possible to predict the long-term effects of these trends and how they will affect this community, including prices of fuel, repairs, materials, and equipment, and other items of expense to the System.

Contacting The Office's Financial Management

This Management Discussion and Analysis is designed to provide our citizens and taxpayers with a general overview for the funds maintained by the System and to show accountability for the money it receives. If you have any questions or need additional financial information, contact Holum Water System, Susan Robinson P. O. Box 249, Grayson, Louisiana 71435.

Basic Financial Statements

**HOLUM WATER SYSTEM, INC
GRAYSON, LOUISIANA**

EXHIBIT A

**STATEMENT OF NET POSITION
Proprietary Funds
December 31, 2018**

ASSETS

Current Assets:

Cash and cash equivalents	\$ 73,837
Short-term Investments	120,885
Restricted assets:	
Cash for equipment repairs	57,448
Accounts Receivable	22,497
Total Current Assets	<u>274,667</u>

Noncurrent Assets

Land	7,400
Water System Cost	1,501,562
Building and Equipment	82,546
Less accumulated depreciation	<u>(382,505)</u>
Total capital assets	<u>1,209,003</u>
Total Assets	<u>\$ 1,483,670</u>

LIABILITIES

Current Liabilities

Accounts Payable	\$ 15,734
Accrued Interest Payable	179
Current Portion of noncurrent liabilities	7,177
Total Current Liabilities	<u>23,090</u>

Noncurrent liabilities-USDA- (See Note 9)

Total noncurrent Liabilities	<u>536,644</u>
Total liabilities	<u>559,734</u>

Net Position:

Net investment in capital assets	649,269
Restricted for equipment repairs	57,448
Unrestricted	217,219
Total Net Position	<u>\$ 923,936</u>

See accompanying notes to financial statements.

HOLUM WATER SYSTEM, INC
GRAYSON, LOUISIANA

EXHIBIT B

Statement OF Revenues, Expenses, and Changes in Net Position
Proprietary Funds
Year ended December 31, 2018

Operating Revenues:	
Services	\$ 156,027
Total operating revenues	<u>156,027</u>
Operating Expenses:	
Car Expense	1,200
Depreciation	33,010
Dues and subscriptions	155
Consulting	16,065
Insurance	9,175
Professional	5,863
Materials and supplies	18,731
Maintenance	2,821
Miscellaneous	3,524
Office Expense	4,903
Outside Contracts	1,166
Payroll taxes	3,922
Postage and supplies	2,298
Repairs	4,000
Salaries	51,270
Telephone	3,657
Travel and Meetings	168
Truck expense	5,530
Utilities	14,978
Water Purchase	36
Total operating expenses	<u>182,472</u>
Operating income	<u>(26,445)</u>
Nonoperating revenues and expenses	
Interest Income	1,315
Interest Expense	(21,910)
Total nonoperating revenues	<u>(20,595)</u>
Change in Net Position	(47,040)
Net Position Beginning of Year	<u>970,976</u>
Net Position End of Year	<u>\$ 923,936</u>

See accompanying notes to financial statements.

**HOLUM WATER SYSTEM, INC
GRAYSON, LOUISIANA**

EXHIBIT C

**STATEMENT OF CASH FLOWS
Proprietary Funds
As of December 31, 2018**

Cash flows from operating activities:	
Cash received from customers	\$ 156,693
Cash payments to suppliers	(105,423)
Cash payments to employees	(51,270)
	-
Net cash provided by operating activities	<u>(23,118)</u>
Cash flows from investing activities	
Interest	1,315
Net cash used in investing activities	<u>1,315</u>
Cash flows from capital and related financing activities	
Payment on long-term debt	(7,177)
Net cash used in capital and related financing activities	<u>(7,177)</u>
	(17,256)
Net increase (decrease) in cash and cash equivalents	(17,256)
Cash and cash equivalents:	
Beginning of year	269,426
End of year	<u>\$ 252,170</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating Income (loss)	\$ (47,040)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation	33,010
Payment on Long-term debt	(7,177)
Increase/Decrease in Receivable/Payable	(1,911)
Net cash provided by operating activities	<u>\$ (23,118)</u>

See accompanying notes to financial statements.

Notes

HOLUM WATER SYSTEM, INC.
Grayson, Louisiana
Notes to the Financial Statements
As of and for the Year Ended December 31, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Nature of Operations

The Holum Water System, Inc. (the System) is a private non-profit organization domiciled in Grayson, Louisiana. The System was chartered by the State of Louisiana on March 10, 1970. The System is recognized as a tax-exempt (non-profit) organization under section 501 (c) (4) of the Internal Revenue Service Code, and is exempt from federal and state income taxes. The System was formed for the purpose of providing water for the community of Holum, Louisiana.

B. Basis of Presentation

The System follows provisions of Statement of Financial Accounting Standards No. 117, Financial Statements of Not-for-Profit Organizations. Statement No. 117 requires the System to distinguish between contributions that increase permanently restricted net assets, and unrestricted net assets. It also requires recognition of contributions, including contributed services meeting certain criteria, at fair values. Statement No. 117 establishes standards for general-purpose external financial statements of not-for-profit organizations and requires a statement of financial position, a statement of activities, and a statement of cash flows.

C. Public Support and Revenue

Revenue and public support consists mainly of service charges for the provision of water to the residents of the area.

D. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of management's estimates. Accordingly, actual results could differ from those estimates.

E. Cash and Cash Equivalents

The System considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents for purposes of the statement of cash flows exclude permanently restricted cash and cash equivalents. Under state law, the agency may deposit funds in demand accounts, interest bearing accounts, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana. Deposits in bank accounts are stated at cost, which approximates market. Under state law these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These pledged securities are required to be held in the name of the pledging fiscal

HOLUM WATER SYSTEM, INC.
Grayson, Louisiana
Notes to the Financial Statements
As of and for the Year Ended December 31, 2018

Agent or custodial bank in the form of safekeeping receipts. The entity does not have a policy for custodial credit risk.

F. Short Term Investments

Short term investments consist of Certificates of Deposits of \$120,885
Cash restricted of \$57,448 has been restricted for repairs to equipment. (See Note 10)

GASB Statement 40, which amended GASB Statement 3, eliminated the requirement to disclose all deposits by three categories of risk. GASB Statement 40 requires only the disclosure of deposits that are considered to be exposed to custodial credit risk. An entity's deposits are exposed to custodial credit risk if the deposit balances are either 1) uninsured and uncollateralized, 2) uninsured and collateralized with securities held by the pledging financial institution, or 3) uninsured and collateralized with securities held by the pledging financial institution's trust department agent, but not in the entity's name.

The total cash is adequately secured by Federal Deposit Insurance and First National Bankers Bank of Baton Rouge, Louisiana, Face amount \$25,186. Par amount is \$25,531.

H. Accounts Receivable

The system has accounts receivable recorded in the Assets section of the Statement of Net Position.

G. ALLOWANCE FOR DOUBTFUL ACCOUNTS

No allowance for doubtful accounts has been established. The deposits for installation and cut-off of service are entered into one of the checking accounts and are used as necessary.

H. PROPERTY AND EQUIPMENT

The water system and equipment are capitalized at cost. It is the System's policy to capitalize expenditures for these items in excess of \$500. Lesser amounts are expensed. The water system and any applicable equipment are depreciated over estimated useful lives of five to fifty years using a straight-line method.

NOTE 2. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of December 31,
2018, are summarized as follows:
Cash and cash equivalents

Total
<hr/> \$ 252,170 <hr/>

HOLUM WATER SYSTEM, INC.
Grayson, Louisiana
Notes to the Financial Statements
As of and for the Year Ended December 31, 2018

NOTE 3. ACCOUNTS RECEIVABLE

Accounts Receivable as of December 31, 2018, is summarized as follows:

Accounts Receivable	Total
	<u>\$ 22,497</u>

NOTE 4. ACCOUNTS PAYABLE

Accounts Payable as of December 31, 2018 is summarized as follows:

Accounts Payable	15,734
Accrued Interest Payable	119
Current portion of noncurrent liabilities	<u>7,177</u>
Accounts Payable	<u>23,090</u>

NOTE 5. WATER SYSTEM AND EQUIPMENT

Land	\$ 7400
Water System	1,501,562
Building and Equipment	<u>82,546</u>
Less depreciation	<u>-382,505</u>
Net Capital Assets @ 12-31-18	<u>1,209,003</u>

Land is not depreciated.

All assets over which the Board of Directors has discretionary control have been included in the Statement of Financial Position.

NOTE 6. PENSION PLAN

The Holum Water System, Inc. does not have a retirement program for its employees and the employees are not members of the State of Louisiana Retirement System. All employees of the Holum Water System, Inc. are members of the Social Security System. In addition to the employees' contribution of 7.65 percent, the agency contributes an equal amount to the Social Security System. The Holum Water System, Inc. does not guarantee the benefits granted by the Social Security System.

NOTE 7. POST EMPLOYMENT BENEFITS OR RETIREMENT PLAN

The System does not provide post-employment benefits or a retirement plan for its employees.

NOTE 8. RISK MANAGEMENT

HOLUM WATER SYSTEM, INC.
Grayson, Louisiana
Notes to the Financial Statements
As of and for the Year Ended December 31, 2018

The System is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets, and injuries to employees. To handle such risks of loss, the System carries insurance coverage with service locally through the Bernard Insurance Agency of Shreveport, Louisiana. The policy covers property, including fire, general liability, crime and fidelity, employee liability, and others. No claims have been paid on any of the policies during the past three years that exceeds the policies' coverage amounts. There were no significant reductions in insurance coverage during the year ended December 31, 2018.

NOTE 9. NONCURRENT LIABILITIES

Non-Current Liabilities, shown on page 11, consist of a Note Payable to USDA for \$536,644 long term and 7,177 current payable, total balance @ 12,31,2018 of 543,821, @ 4% interest for 40 years, with monthly payments of \$2,424 to be made.

	Principal Added	Principal Paid	Interest Paid	Balance
12-31-2017 USDA				\$ 543,821

The annual requirements to amortize all long-term debt outstanding which began December 31, 2013, are as follows:

12/31/2017	557,899	6,898	22,457	551,001
12/31/2018	551,100	7,168	22,074	543,932
12/31/2019	543,932	7,438	21,804	536,494
12/31/2020	536,494	7,708	21,537	528,786
12/31/2021	528,786	7,978	21,087	530,808
2022/2026	530,808	43,940	101,381	486,868
2027-2031	486,868	51,345	69,666	435,523
2034-2038	435,523	92,478	52,962	343,045
2044-2049	343,045	104,692	32,523	138,737
2050-2054	138,737	138,737	10,732	-

NOTE 10. RESTRICTED CASH

Cash restricted for maintenance and repair	\$ 57,448
Unrestricted Cash	<u>11,377</u>
Total Citizens Bank CD	<u>\$ 68,826</u>

NOTE 11. SUBSEQUENT EVENTS

Subsequent events were evaluated by management up to and including the issue date of this report, May 31, 2019. There were no subsequent events noted which would affect the financial statements for the year ended December 31, 2018

Other Independent Auditor's Reports

Jimmie Self, CPA
A Professional Accounting Corporation
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors
Holum Water System, Inc.
Grayson, Louisiana

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business activities of Holum Water System, Inc., (a non-profit organization), as of and for the year ended December 31, 2018, and the related notes to the financial statements which collectively comprise the Holum Water System, Inc.'s basic financial statements, and have issued my report thereon dated May 31, 2019.

Internal Control over Financial Reporting

In planning and performing my audit of the financial statements, I considered the System's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, I do not express an opinion on the effectiveness of the System's internal control.

A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the System's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during my audit, I did not identify any deficiencies in internal control that I consider to be material weaknesses. I did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that I consider to be a significant deficiency in internal control over financial reporting, as item #2018-01.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the System's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item # 2018-01.

Holum water System Inc.'s Response to Findings

The System's response to the findings identified in my audit is described in the accompanying schedule of findings and responses. The System's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the System's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the system's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

This report is intended solely for the information and use of management of the System, others within the System, and the Louisiana Legislative Auditor and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



Jimmie Self, CPA
Monroe, Louisiana
May 31, 2018

Supplementary Information

HOLUM WATER SYSTEM, INC.
Grayson, Louisiana

COMPENSATION PAID COMMISSIONERS
For the year ended December 31, 2018

The names of the commissioners who serve on the board are listed below. They are as follows:

Edward Malcomb – President P. O. Box 718 649 Parker Road Grayson, LA 71435 318/649-7957	\$0
Carrie D. Grant –Secretary 2067 Hwy 126 E Grayson, LA 71435 318/649-7208	\$0
Steve Joiner-Vice President 530 Joiner Rd Grayson, LA 71435 318-649-7033-Office 318-805-2421	\$0
Katie Southern – Board Member 195 Malcolm Rd Grayson, LA 71435 318/649-5939	\$0
Mark Braddock– Board Member 1132 Parker Rd Grayson, LA 71435 318/614-6143	\$0

Board members receive no type of compensation.

**HOLUM WATER SYSTEM, INC.
Grayson, Louisiana**

SCHEDULE OF FINDINGS AND RESPONSES

For the Year Ended December 31, 2018

Finding 2018-1

CONDITION: No segregation of duties – only one clerk.

CRITERIA: Duties should be distributed among employees.

CAUSE OF CONDITION: The staff consists of only one clerk.

EFFECT OF CONDITION: Proper internal control is weakened by the limited staff

RECOMMENDATION: Hire more employees and redistribute duties.

CLIENT RESPONSE: The System states this cannot be remedied due to lack of funds and such a small entity.

FINANCIAL IMPACT OF FINDING: Finding without cause- resolution of finding is under the control of the agency and would be cost effective.

SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES

For the Year ended 12-31-2017

Finding 2017-1

CONDITION: No segregation of duties – only one clerk.

CRITERIA: Duties should be distributed among employees.

CAUSE OF CONDITION: The staff consists of only one clerk.

EFFECT OF CONDITION: Proper internal control is weakened by the limited staff

RECOMMENDATION: Hire more employees and redistribute duties.

CLIENT RESPONSE: The System states this cannot be remedied due to lack of funds and such a small entity

FINANCIAL IMPACT OF FINDING: Finding without cause- resolution of finding is under the control of the agency and would be cost effective.

Jimmie Self, CPA
A Professional Accounting Corporation
2908 Cameron Street, Suite C
Monroe, Louisiana 71201
Phone (318) 323-4656 Fax (318) 388-0724

SUMMARY SCHEDULE OF FINDINGS

HOLUM WATER SYSTEM, INC.
For the Year Ended December 31, 2018

I have audited the financial statements of Holum Water System, Inc. as of and for the year ended December 31, 2018, and have issued my report dated May 31, 2019. I conducted my audit in accordance with generally accepted auditing standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. My audit of the financial statements as of December 31, 2018 resulted in an unqualified opinion (qualified, adverse, disclaimer).

Section I Summary of Auditor's Reports

a. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control

Material Weaknesses yes no Internal Control Deficiencies yes no

Compliance

Compliance material to Financial Statements yes no

b. Federal Awards: None

c. Identification of major Programs:

None.

Holum Water System, Inc.
Grayson Louisiana

Schedule of Compensation,
Benefits and Other Payments to Agency Head,
or Chief Executive Officer
12-31-2018

Agency Head Name: Edward Malcomb, President

Purpose	Amount
Salary	\$0
Benefits-insurance	0
Benefits-retirement	0
Benefits-<list any other here>	0
Car allowance	0
Vehicle provided by government	0
Per diem	0
Reimbursements	0
Travel	0
Registration fees	0
Conference travel	0
Continuing professional education fees	0
Housing	0
Unvouchered expenses	0
Special meals	0

All board members, including Mr. Edward Malcomb, President receive no compensation, or any other benefits.

Susan Robison, received \$12,600 as Town Clerk, and no other benefits.

Four other part-time employees received a total of \$38,670, and no other benefits.

Year Ended 12-31-2018