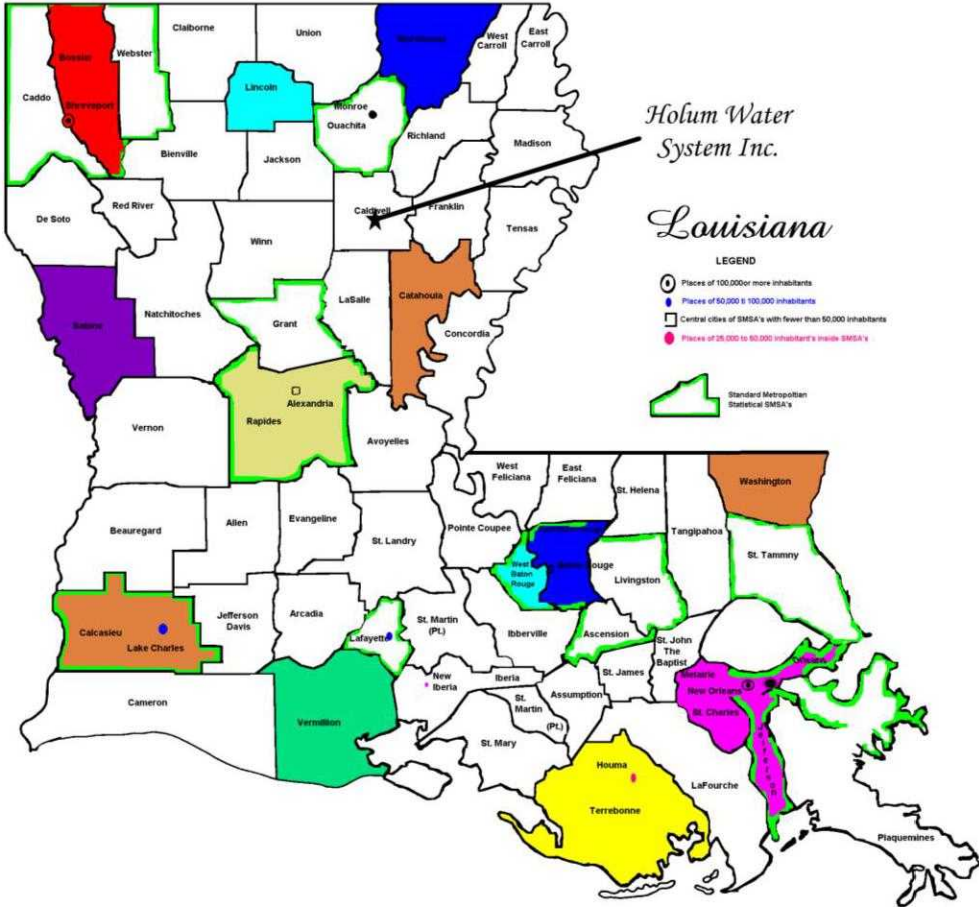


HOLUM WATER SYSTEM INC.

**Financial Statements
December 31, 2020**

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



* Holum Water System is a nonprofit corporation established under the laws of the State of Louisiana on March 10, 1970, to provide water to residents of the Holum Community. The system is governed by a Board of Directors elected by the membership.

**HOLUM WATER SYSTEM INC.
TABLE OF CONTENTS**

December 31, 2020

	EXHIBIT	PAGE NO.
Independent Auditor's Report		1-2
Statement of Financial Position.....	A	3
Statement of Activities.....	B	4
Statement of Functional Expenses.....	C	5
Statement of Cash Flow.....	D	6
Notes to the Basic Financial Statements.....		7-15
Supplemental Schedules and Statements:		
Schedule of Insurance (Unaudited).....		17
Schedule of Compensation Benefits and Other Payments to Agency Head Or Chief Executive Officer.....		18
Other Reports:		
Independent Auditor's Report on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		20-21
Schedule of Findings and Questioned Cost.....		22-23
Management Letter Comments.....		24
Management's Summary of Prior Year Findings.....		25

John R. Vercher C.P.A.
jrv@centurytel.net

Jonathan M. Vercher M.S., C.P.A.
jonathanvercher@centurytel.net

David R. Vercher M.B.A., C.P.A., C.F.E.
davidvercher@centurytel.net

THE VERCHER GROUP

*A Professional Corporation of
Certified Public Accountants*

P.O. Box 1608
1737 N 2nd St. – Suite A
Jena, Louisiana 71342
Tel: (318) 992-6348
Fax: (318) 992-4374

MEMBERS

American Institute of
Certified Public Accountants

Society of Louisiana
Certified Public Accountants

Association of
Certified Fraud Examiners

INDEPENDENT AUDITOR'S REPORT

Edward Malcomb, President
& Members of the Board of Directors
Holum Water System, Inc.
Grayson, Louisiana 71435

We have audited the accompanying financial statements of Holum Water System Inc. (a nonprofit organization), which comprise the Statement of Financial Position as of December 31, 2020, and the related statements of activities, statement of functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Holum Water System Inc. as of December 31, 2020, and the changes in its net assets and its cash flows for year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 28, 2021, on our consideration of Holum Water System Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental schedules are presented for the purpose of additional analysis and are not a required part of the financial statements of the Holum Water System Inc. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, therefore, we express no opinion or any other form of assurance on such information.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Holum Water System Inc.'s financial statements as a whole. The supplemental schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information, except that portion marked "unaudited", 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, except for that portion marked "unaudited" on which we express no opinion or any other form of assurance, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The Vercher Group

Jena, Louisiana
May 28, 2021

HOLUM WATER SYSTEM INC.
Statement of Financial Position
December 31, 2020

ASSETS	2020
CURRENT ASSETS	
Cash	\$ 176,348
Investments	36,844
Accounts Receivable, Net	19,031
TOTAL CURRENT ASSETS	<u>232,223</u>
RESTRICTED ASSETS	
Debt Service Reserve	24,100
Depreciation Short-Lived Assets	34,448
Customer Deposits CD	25,047
TOTAL RESTRICTED ASSETS	<u>83,595</u>
NON-CURRENT ASSETS	
Capital Assets	1,632,838
Less Accumulated Depreciation	(449,323)
TOTAL NON-CURRENT ASSETS	<u>1,183,515</u>
TOTAL ASSETS	<u>1,499,333</u>
LIABILITIES & NET ASSETS	
CURRENT LIABILITIES	
Accounts Payable	7,223
Accrued Interest Payable	173
USDA Notes Payable – Current Portion	7,776
TOTAL CURRENT LIABILITIES	<u>15,172</u>
NON-CURRENT LIABILITIES	
Customer Deposits	25,047
USDA – Notes Payable	593,971
TOTAL NON-CURRENT LIABILITIES	<u>619,018</u>
TOTAL LIABILITIES	<u>634,190</u>
NET ASSETS	
Net Assets Without Donor Restrictions	865,143
TOTAL NET ASSETS	<u>865,143</u>
TOTAL LIABILITIES & NET ASSETS	<u>\$ 1,499,333</u>

The accompanying notes are an integral part of this statement.

HOLUM WATER SYSTEM INC.
Statement of Activities
December 31, 2020

CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>2020</u>
REVENUES	
Services	\$ 173,837
Interest Income	1,848
TOTAL REVENUES	<u>175,685</u>
EXPENSES	
Program Services	193,058
Supporting Services	-0-
TOTAL EXPENSES	<u>193,058</u>
INCREASE/DECREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	(17,373)
NET ASSETS, BEGINNING	<u>882,516</u>
NET ASSETS, ENDING	<u>\$ 865,143</u>

The accompanying notes are an integral part of this statement.

HOLUM WATER SYSTEM INC.
Statement of Functional Expenses
December 31, 2020

		<u>2020</u>
PROGRAM SERVICES:		
Car Expense	\$	1,200
Depreciation		33,757
Dues and Subscriptions		100
Insurance		6,336
Interest Expense		21,309
Legal & Professional		24,004
Management Fees		39,598
Materials and Supplies		2,495
Repairs & Maintenance		8,448
Miscellaneous		1,846
Office Expense		8,769
Salaries & Related		27,759
Telephone		3,342
Truck Expense		2,210
Utilities		11,849
Water Purchase		36
TOTAL PROGRAM SERVICES		<u>193,058</u>
 SUPPORTING SERVICES:		
		<u>-0-</u>
TOTAL SUPPORTING SERVICES	\$	<u><u>-0-</u></u>

The accompanying notes are an integral part of this statements.

HOLUM WATER SYSTEM INC.
Statement of Cash Flow
For December 31, 2020

	2020
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Customers & Users	\$ 175,828
Receipts from Interest Earned on Investments	1,848
Payments to Suppliers	(111,303)
Payments to Employees	(27,759)
Payments on Loans for Interest	(21,309)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	17,305
CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES	
Additions to Capital Assets	(38,329)
Additions to Long-Term Debt	73,174
Principal Payment on Long-Term Debt	(7,776)
NET CASH PROVIDED (USED) BY CAPITAL & RELATED FINANCING ACTIVITIES	27,069
CASH FLOWS FROM INVESTING ACTIVITIES	
Change in Investments	7,745
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	7,745
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	52,119
CASH & CASH EQUIVALENTS, BEGINNING OF YEAR	182,777
CASH & CASH EQUIVALENTS, END OF YEAR	234,896
RECONCILIATION TO BALANCE SHEET	
Cash and Cash Equivalents	176,348
Debt Service Revenue	24,100
Depreciation Short-Lived Assets	34,448
TOTAL CASH AND CASH EQUIVALENTS	\$ 234,896
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Change in Net Assets	\$ (17,373)
Depreciation Expense	33,757
(Increase) Decrease in Accounts Receivable	708
Increase (Decrease) in Accounts Payable	(1,068)
Increase (Decrease) in Accrued Interest Payable	(3)
Increase (Decrease) in Customer Deposits	1,284
TOTAL ADJUSTMENTS	34,678
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 17,305

The accompanying notes are an integral part of this statement.

**NOTES TO THE BASIC
FINANCIAL STATEMENTS**

HOLUM WATER SYSTEM INC.

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. GENERAL

Holum Water System is a nonprofit corporation established under the laws of the State of Louisiana on March 10, 1970, to provide water to residents of the Holum Community. The system is governed by a board of directors elected by the membership. The directors receive no pay or fees for their services to the system. The corporation is exempt from federal income taxes under (section 501(c) (04)) of nonprofit tax laws.

The books of the system are maintained on the cash basis of accounting and adjusted to the accrual basis of accounting at year-end for financial reporting purposes. The accounting and reporting methods used for the water system are those used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered through user charges.

B. FINANCIAL STATEMENT REPRESENTATION

The water system has adopted the provision of FASB Accounting Standard Update 2015-14 “*Not-for-Profit- Organizations (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*”. Under FASB ASU 2016-14, the water system is required to report information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions. In addition, the water system is required to present a statement of cash flows.

The financial statements of the water system have been prepared on the accrual basis and accordingly reflect all significant receivables, payables, and other liabilities. The significant accounting policies followed are described below.

C. NET ASSETS

The net assets of the water system and changes therein are classified and reported as follows:

Net Assets with Donor Restrictions – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions may be temporary in nature. These restrictions will be satisfied by actions of the Water System or by the passage of time.

Net Assets without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the water system. These net assets may be used at the discretion of the water system’s management and board of directors.

HOLUM WATER SYSTEM INC.

NOTES TO THE BASIC FINANCIAL STATEMENTS CONTINUED

D. INCOME TAXES

The water system is a nonprofit organization exempt from Federal and State income taxes. Accounting principles generally accepted in the United State of America require management to evaluate tax positions taken by the water system and recognize a tax liability (or asset) if the water system has undertaken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Management has analyzed the tax positions taken by the water system, and has concluded that as of December 31, 2020 and 2019, respectively, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The water system is subject to routine audit by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

E. STATEMENT OF CASH FLOWS

The water system considers all highly liquid investment with a maturity of three months or less at the date of acquisition to be cash equivalents.

F. CASH & INVESTMENTS (CDs IN EXCESS OF 90 DAYS)

Cash and cash equivalents is comprised of interest-bearing deposits which are stated at cost, which approximates market. All short-term investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the date of purchase

Amounts on deposit are secured by the following pledges:

<u>Description</u>		
FDIC (Category 1)	\$	312,687
Securities (Category 2)		70,583
Unsecured (Category 3)		-0-
Total Securities	\$	383,270

Deposits were fully secured as of December 31, 2020.

The water system maintains bank accounts at one institution. Accounts at the institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 for interest bearing accounts and up to \$250,000 for noninterest bearing accounts.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the government will not be able to recover its deposits. Under state law, these deposits (or the resulting bank balances) 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.

HOLUM WATER SYSTEM INC.

NOTES TO THE BASIC FINANCIAL STATEMENTS CONTINUED

These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the Entity that the fiscal agent bank has failed to pay deposit funds upon demand. Further, Louisiana Revised Statute 39:1224 states that securities held by a third party shall be deemed to be held in the Entity's name.

G. COMPENSATED ABSENCES & RETIREMENT PLANS

The system does not compensate unused vacation and sick leave. System employees are covered under the social security system.

H. CAPITAL ASSETS

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable columns in the basic financial statements. Capital assets are capitalized at historical cost. The entity maintains a threshold level of \$1,000 or more for capitalizing capital assets.

All fixed assets are recorded at cost and are depreciated using the straight-line method over the following useful lives:

Water System & Building	40-50 Yrs.
Equipment & Workover	5-15 Yrs.

I. ACCOUNTS RECEIVABLE

Accounts receivable are reported net of allowance for bad debts. The allowance account has been established at approximately 5% of accounts receivable. Detail accounts receivables follow:

Accounts Receivable	\$ 19,031
Accounts Receivable (Net)	\$ 19,031

NOTE 2 – PLANT, PROPERTY, & EQUIPMENT

Changes in plant, property, and equipment are as follows:

	Balance		Additions		Deletions		Balance
	12-31-19						12-31-20
Fixed Assets *	\$ 1,594,509	\$	38,329	\$	-0-	\$	1,632,838
Accumulated Depreciation	(415,566)		(33,757)		-0-		(449,323)
Net Total	\$ 1,178,943	\$	4,572	\$	-0-	\$	1,183,515

* Fixed assets include land in the amount of \$7,400 that is not being depreciated.

The system's assets are pledged as security for the system's long-term debt.

HOLUM WATER SYSTEM INC.

NOTES TO THE BASIC FINANCIAL STATEMENTS CONTINUED

NOTE 3 – ACCOUNTS PAYABLE AND ACCRUALS

At December 31, 2020, the water system's payables consisted of the following:

Vendor Payables	\$	4,003
Safe Drinking Water Payable		1,171
Fire Fees Payable		2,041
Accrued Payroll Taxes		8
Accrued Interest		173
Total	\$	<u>7,396</u>

NOTE 4 – ASSET LIQUIDITY

The water system regularly monitors the availability of resources required to meet its operating needs and other contractual commitments. For purposes of analyzing resources available to meet general expenses over a 12-month period, the water system considers all expenses related to its regular, recurring, and ongoing program service activities as well as the conduct of services undertaken to support those activities to be general expenses. The water system anticipates revenues to be sufficient to meet its general expense needs.

The water system does not consider assets including deposits and fixed assets to be available for general expense. Fixed assets cannot be liquidated due to donor and self-imposed restrictions.

As of December 31, 2020, the following schedule identifies financial assets that could be made readily available within one year of the statement of financial position date to meet general expenditures:

Cash and Cash Equivalents	\$	296,787
Receivables		19,031
Fixed Assets, Net of Accumulated Depreciation		<u>1,183,515</u>
Total Financial Assets, Period End		<u>1,499,333</u>
Less, those unavailable for general expenses within one year, due to:		
Restricted Cash		83,595
Fixed Assets, Net of Accumulated Depreciation		<u>1,183,515</u>
Financial assets available to meet cash needs for general expenses within one year	\$	<u>232,223</u>

HOLUM WATER SYSTEM INC.

**NOTES TO THE BASIC FINANCIAL STATEMENTS
CONTINUED**

NOTE 5 – 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 member of the Social Security System. In addition to the employees’ contribution of 7.65%, 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 6 – LONG-TERM DEBT

USDA Development Loan

Holum Water System, Inc. received a USDA Rural Development Loan/Grant funding to improve the water distribution system on 8/30/2013. The Rural Development Note is detailed in the table below.

Louisiana Department of Health Drinking Water Revolving Loan

Holum Water System, Inc. received a Drinking Water Revolving Loan to improve the water system on 12/01/2020. The System has only received a portion of the loan amount. The Drinking Water Revolving Note is detailed in the table below.

<u>NOTE NO.</u>	<u>91-07</u>	<u>1021007</u>	<u>Total</u>
Date of Loan	8/30/2013	12/01/2020	
Maturity	2053	2053	
Interest Rate	4.0%	4.0%	
Original Balance	\$ <u>573,000</u>	\$ <u>637,340</u>	\$ <u>1,210,340</u>
2020 Beginning Balance	\$ 536,349	\$ -0-	\$ 563,349
2020 Principle	(7,776)	-0-	(7,776)
2020 Additions	<u>-0-</u>	<u>73,174</u>	<u>73,174</u>
2020 Ending Balance	\$ <u>528,573</u>	\$ <u>73,174</u>	\$ <u>601,747</u>
2020 Interest	\$ 21,312	\$ -0-	\$ 21,312
Monthly Payments	\$ 2,424	\$ -0-	\$ 2,424

HOLUM WATER SYSTEM INC.

NOTES TO THE BASIC FINANCIAL STATEMENTS CONTINUED

The following is the system's five-year debt requirement, including interest:

<u>Year</u>		<u>91-07</u>		<u>Total</u>
2021	\$	29,088	\$	29,088
2022		29,088		29,088
2023		29,088		29,088
2024		29,088		29,088
2025		29,088		29,088
2026-2030		145,440		145,440
2031-2035		145,440		145,440
2036-2040		145,440		145,440
2041-2045		145,440		145,440
2046-2050		145,440		145,440
2051-2055		116,352		116,352
Totals	\$	<u>988,992</u>	\$	<u>988,992</u>

NOTE 7 – RESTRICTED ASSETS & RESTRICTED NET ASSETS

Restricted assets as presented on the balance sheet are set aside as follows:

Debt Service Fund - The system is required by USDA loan agreements to transfer \$260 each month from its operating account to a reserve fund until a balance of \$24,100 is obtained. These funds are to be used as an emergency fund for maintenance/repairs and debt repayment should the need arise.

Depreciation Short-Lived Assets - The system transfers \$564 monthly from its operating account to depreciation reserve until a balance of \$34,448 is obtained. These funds are restricted to repairs of the system when funds are not available in the operating account.

Customer Deposits - Restricted for customer deposits.

Net assets has been restricted as follows:

Debt Service Reserve Fund	\$	24,100
Depreciation Short-Lived Assets		34,448
Customer Deposits		<u>25,047</u>
Total Restricted Net Assets	\$	<u>83,595</u>

HOLUM WATER SYSTEM INC.

NOTES TO THE BASIC FINANCIAL STATEMENTS CONTINUED

NOTE 8 – THE BOARD MEMBERS' NAMES & ADDRESSES ARE AS FOLLOWS:

Edward Malcomb – President
P.O. Box 718
649 Parker Road
Grayson, LA 71435
318-649-7957

Steve Joyner – Vice President
530 Joyner Road
Grayson, LA 71435
318-649-7033
318-805-2421

Carrie D. Grant – Secretary
2067 Hwy 126 E
Grayson, LA 71435
318-649-7208

Mark Braddock – Board Member
1132 Parker Road
Grayson, LA 71435
318-614-6143

James Talbert
2972 Hwy 849
Grayson, LA 71435
318-594-0301

Board members are paid \$-0- for their services.

NOTE 9 – COMMITMENTS AND CONTINGENCIES

The water system is currently not involved in any lawsuits.

NOTE 10 – THE SYSTEM HAS THE FOLLOWING NUMBER OF CUSTOMERS AND WATER RATES

Residential Customers – 414

\$16.50 Minimum per month for 1st 2,000 Gallons used
\$5.25 Per 1,000 gallons for amount used over 2,000 Gallons
\$3.25 Per 1,000 gallons for amount used over 6,000 Gallons

NOTE 11 – USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures, and expense during the reporting period. Actual results could differ from those estimates.

HOLUM WATER SYSTEM INC.

NOTES TO THE BASIC FINANCIAL STATEMENTS CONTINUED

NOTE 12 – SUBSEQUENT EVENTS

Management has evaluated events and transactions subsequent to the Statement of Net Position date though, May 28, 2021, of the independent auditor's report for potential recognition or disclosure in the financial statements.

NOTE 13 – RECENT ACCOUNTING PRONOUNCEMENT

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09 *Revenue from Contracts with Customers* as a new Topic, Accounting Standards Codification *Topic 606*. The ASU is intended to provide a more robust framework for addressing revenue issues, improving comparability of revenue recognition practices and improve disclosure requirements. In August 2015, the FASB issued ASU No. 2015-14, *Revenue from Contracts: Deferral of the Effective Date*, which deferred the effective date of ASU No. 2014-09 by one year. This ASU is effective for annual reporting periods beginning after December 13, 2019, and shall be applied using either a full retrospective or modified retrospective approach. Early adoption is permitted. The water system is currently evaluating the impact on the results of operations, financial condition and cash flows, and has not determined the impact on its financial statement at this time.

In August 2016, the FASB issued ASU No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, which is intended to improve how a not-for-profit entity classifies its net assets, as well as the information it presents in its financial statements about liquidity and availability of resources, expenses and investment return, and cash flows. ASU No. 2016-14 is effective for annual reporting periods beginning after December 15, 2018, and shall be applied retrospectively. Early adoption is permitted. The water system has implemented 2016-14 as of July 1, 2018. The net effect is a reclassification of net assets among classes, but total net assets remain the same.

NOTE 14 – CONTINGENCIES

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a “Public Health Emergency of International Concern” and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public place and businesses. The coronavirus and actions taken to mitigate it have had and are expected to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Authority operates. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration. Therefore, while the Authority anticipates this could negatively affects its operating results, the related financial impact and duration cannot be reasonably estimated at this time.

**SUPPLEMENTAL STATEMENTS
& SCHEDULES**

HOLUM WATER SYSTEM INC.

**Schedule of Insurance
Unaudited
December 31, 2020**

Type	Agent	Amount	Date Expired
Property	Benard Insurance Agency LLC	\$147,300	11/26/2021
General Liability	Benard Insurance Agency LLC	\$3,000,000	11/26/2021
Surety Bond	CNA Surety	\$50,000	4/19/2021
Workmen's Comp.	Benard Insurance Agency LLC	\$500,000	11/26/2021

See independent auditor's report.

HOLUM WATER SYSTEM INC.
Grayson, Louisiana

**Schedule of Compensation Benefits and Other Payments
to Agency Head or Chief Executive Officer
For the Year Ended December 31, 2020**

-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-
Un-vouchered Expenses*	-0-
Special Meals	\$ -0-

*An example of an un-vouchered expense would be a travel advance.

See independent auditor's report.



Other Reports

John R. Vercher C.P.A.
jrv@centurytel.net

Jonathan M. Vercher M.S., C.P.A.
jonathanvercher@centurytel.net

David R. Vercher M.B.A., C.P.A., C.F.E.
davidvercher@centurytel.net

THE VERCHER GROUP

*A Professional Corporation of
Certified Public Accountants*

P.O. Box 1608
1737 N 2nd St. – Suite A
Jena, Louisiana 71342
Tel: (318) 992-6348
Fax: (318) 992-4374

MEMBERS

American Institute of
Certified Public Accountants

Society of Louisiana
Certified Public Accountants

Association of
Certified Fraud Examiners

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*

Edward Malcomb- President
& Members of the Board of Directors
P.O. Box 249
Grayson, Louisiana 71435

We 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 Holum Water System Inc. (a nonprofit organization), as of and for the year ended December 31, 2020, and the related statements of activities, statement of functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the Holum Water System Inc.’s basic financial statements, and have issued our report thereon dated May 28, 2021.

Internal Control Over Financial Reporting

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

Our 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 have not been identified. Given these limitations, during our audit we did not identify any

deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be significant deficiencies **(2020-1 Small Size of Entity)**.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Holum Water System Inc.'s financial statements are free from material misstatement, we 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 our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Holum Water System Inc.'s Response to Findings

The Holum Water System Inc.'s response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The Holum Water System Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

The Vercher Group

Jena, Louisiana
May 28, 2021

HOLUM WATER SYSTEM INC.

**SCHEDULE OF FINDINGS AND QUESTIONED COST
For the Year Ended December 31, 2020**

We have audited the financial statements of the Holum Water System Inc., as of and for the two years ended December 31, 2020, and have issued our report thereon dated May 28, 2021. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Section I. Summary of Auditor's Results

Our audit of the financial statements as of December 31, 2020, resulted in an unmodified opinion.

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

Internal Control

Material Weaknesses Yes Significant Deficiencies Yes

Compliance

Compliance Material to Financial Statements Yes

b. Federal Awards (Not Applicable)

Internal Control

Material Weaknesses Yes Other Conditions Yes

Type of Opinion on Compliance Unmodified Qualified
For Major Programs Disclaimer Adverse

Are the finding required to be reported in accordance with Uniform Guidance?

Yes No

c. Identification of Major Programs:

CFDA Number (s)	Name of Federal Program (or Cluster)
------------------------	---

Dollar threshold used to distinguish between Type A and Type B Programs: \$

Is the auditee a 'low-risk' auditee, as defined by OMB Uniform Guidance? Yes No

HOLUM WATER SYSTEM INC.

**SCHEDULE OF FINDINGS AND QUESTIONED COST- (CONT.)
For the Year Ended December 31, 2020**

Section II Financial Statement Findings

2020-1 Small Size Entity (Internal Control)

Condition: Because of the small size of the Water System and the lack of separation of duties of employees, many of the important elements of internal controls cannot always be achieved to ensure adequate protection of the Water System's cash.

Criteria: Important elements of good internal controls often require that the same employee does not handle the functions of accounting, collections, billing, receiving and check writing.

Cause of Condition: Small size of entity and lack of employees

Effect of Condition: Significant internal control deficiency.

Recommendation: We recommend that management continue to provide the necessary oversight in its current internal control procedures, specifically in the areas of cash receipts, collections receipt activities, recordation of those receipts, depositing of funds collected, and review of checks written.

Client Response and Corrective Action: Management will continue to provide the necessary oversight in its current internal control procedures, specifically in the areas of cash receipts, collection receipt activities, recordation of those receipts, redepositing of funds collected, and review of checks written.

Section III Federal Awards Findings and Questioned Costs

Not applicable.

**HOLUM WATER SYSTEM INC.
DECEMBER 31, 2020**

MANAGEMENT LETTER COMMENTS

During the course of our audit, we observed conditions and circumstances that may be improved. Below are situations that may be improved (if any) and recommendations for improvements.

CURRENT YEAR MANAGEMENT LETTER COMMENTS

There are no current year management letter comments.

**HOLUM WATER SYSTEM INC.
DECEMBER 31, 2020**

**MANAGEMENT'S SUMMARY
OF PRIOR YEAR FINDINGS**

The management of Holum Water System Inc. has provided the following action summaries relating to findings brought to their attention as a result of their audit for the year ended December 31, 2019.

PRIOR YEAR FINDINGS

2019-1 Small Size Entity (Unresolved)

Condition: Because of the small size of the Water System and the lack of separation of duties of employees, many of the important elements of internal controls cannot always be achieved to ensure adequate protection of the Water System's cash.

Criteria: Important elements of good internal controls often require that the same employee does not handle the functions of accounting, collections, billing, receiving and check writing.

Cause of Condition: Small size of entity and lack of employees

Effect of Condition: Significant internal control deficiency.

Recommendation: We recommend that management continue to provide the necessary oversight in its current internal control procedures, specifically in the areas of cash receipts, collections receipt activities, recordation of those receipts, depositing of funds collected, and review of checks written.

Client Response and Corrective Action: Management will continue to provide the necessary oversight in its current internal control procedures, specifically in the areas of cash receipts, collection receipt activities, recordation of those receipts, redepositing of funds collected, and review of checks written.