

HOLMESVILLE WATER SYSTEM, INC.
DOWNSVILLE, LOUISIANA

Financial Statements
As of and For the Year Ended
December 31, 2018



HOLMESVILLE WATER SYSTEM, INC.
FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors
Holmesville Water System, Inc.
Downsville, Louisiana

I have reviewed the accompanying financial statements of Holmesville Water System, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of entity management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, I do not express such an opinion.

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.

Accountant's Responsibility

My responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require me to perform procedures to obtain limited assurance as a basis for reporting whether I am aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. I believe that the results of my procedures provide a reasonable basis for my conclusion.

Accountant's Conclusion

Based on my review, I am not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.



To the Board of Directors
Holmesville Water System, Inc.
Downsville, Louisiana

Other Matters

Supplementary Information

The accompanying schedule of compensation, reimbursements, benefits, and other payments to agency head and schedule of insurance policies in force are presented for purposes of additional analysis and is not a required part of the basic financial statements. The information is the representation of management. I have reviewed the information and, based on my review, I am not aware of any material modifications that should be made to the information in order for it to be in accordance with accounting principles generally accepted in the United States of America. I have not audited the supplementary information and, accordingly, do not express an opinion on such information.

Maxwell CPA, LLC

Monroe, Louisiana
July 26, 2019

HOLMESVILLE WATER SYSTEM, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018

ASSETS

<u>Current Assets</u>	
Cash	\$ 159,355
Accounts Receivable (net of allowance for uncollectible accounts)	36,376
Total Current Assets	195,731
 <u>Designated Cash</u>	
Customer Meter Deposits	40,475
Debt Service	124,994
Capital Additions and Contingencies	58,445
Construction	1,068
Total Designated Cash	224,982
Receivable from Louisiana Department of Health - Designated for Construction	15,919
Investments - Certificates of Deposit - Designated for Debt Service	25,236
Property and Equipment (net of accumulated depreciation)	2,589,624
<u>TOTAL ASSETS</u>	\$ 3,051,492

LIABILITIES AND NET ASSETS

<u>Current Liabilities</u>	
Accounts Payable	\$ 18,812
Accrued Interest Payable	1,203
Customer Meter Deposits Payable	38,400
Current Portion of Loans Payable	72,727
Total Current Assets	131,142
 <u>Long-Term Liabilities</u>	
Loans Payable	1,741,684
<u>Total Liabilities</u>	1,872,826
 <u>Net Assets</u>	
Unrestricted	1,178,666
<u>TOTAL LIABILITIES AND NET ASSETS</u>	\$ 3,051,492

The accompanying notes are an integral part of this financial statement.

HOLMESVILLE WATER SYSTEM, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

<u>Operating Revenues</u>	
Water Sales	\$ 467,716
Meter Installations	5,825
Total Operating Revenues	473,541
 <u>Operating Expenses</u>	
Contract Labor	126,156
Depreciation	40,014
Insurance	6,768
Postage and Delivery	3,333
Professional Fees	5,600
Repairs and Maintenance	3,590
Sales and Property Taxes	13,659
Supplies	29,680
Utilities	39,846
Total Operating Expenses	268,646
<u>Operating Income</u>	204,895
 <u>Non-Operating Revenues (Expenses)</u>	
Interest Income	391
Interest Expense	(44,824)
Other Income	31,709
Loan Principal Forgiveness	70,346
Total Non-Operating Revenues (Expenses)	57,622
<u>Change in Net Assets</u>	262,517
<u>Net Assets at Beginning of Year</u>	916,149
<u>NET ASSETS AT END OF YEAR</u>	\$ 1,178,666

The accompanying notes are an integral part of this financial statement.

HOLMESVILLE WATER SYSTEM, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018

<u>Cash Flows From Operating Activities</u>	
Change in Net Assets	\$ 262,517
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation Expense	40,014
Increase in Accounts Receivable	(124)
Decrease in Receivable from Louisiana Department of Health	221,101
Decrease in Accounts Payable	(338,958)
Decrease in Accrued Interest Payable	(39)
Increase in Customer Deposits	1,250
Loan Principal Forgiveness	(70,346)
Total Adjustments	<u>(147,102)</u>
Net Cash Provided by Operating Activities	115,415
 <u>Cash Flows From Investing Activities</u>	
Purchase and Construction of Capital Assets	(392,676)
 <u>Cash Flows From Financing Activities</u>	
Principal Paid on Long-Term Debt	(53,300)
Proceeds from Loan	<u>352,968</u>
Net Cash Provided by Financing Activities	299,668
 <u>Net Increase in Cash and Cash Equivalents</u>	 22,407
 <u>Cash and Cash Equivalents at Beginning of Year</u>	 <u>361,930</u>
 <u>CASH AND CASH EQUIVALENTS AT END OF YEAR</u>	 <u><u>\$ 384,337</u></u>
 <u>Reconciliation of Cash per Statement of Cash Flows to Cash per Statement of Financial Position:</u>	
Cash	\$ 159,355
Designated Cash	224,982
Total Cash	<u><u>\$ 384,337</u></u>
 <u>Supplemental Disclosures of Cash Flow Information:</u>	
Cash paid during the Year for Interest	<u><u>\$ 44,863</u></u>

The accompanying notes are an integral part of this financial statement.

HOLMESVILLE WATER SYSTEM, INC.
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018

Note 1 - Summary of Significant Accounting Policies

A. Nature of Activities

Holmesville Water System, Inc. (the water system) is a nonprofit corporation domiciled in Downsville, Louisiana, and organized under the provisions of Louisiana Revised Statutes 12:201-269. The water system is governed by a five-member board of directors who are members of the water system and are elected by members of the water system. The water system provides water to members residing within the territorial boundaries of the water system. The water system has approximately 768 active members and no employees.

B. Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

C. Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid debt instruments with an initial maturity of three months or less.

D. Receivables

Accounts receivable consists of amounts due from members for water service provided prior to year end and loan proceeds due from the Louisiana Department of Health Drinking Water Revolving Loan Fund. Receivables are reported net of an allowance for uncollectible accounts that is an estimate based on historical collection percentages and management's evaluation of the amount of outstanding receivables that are considered uncollectible. Nonpayment of customer accounts within thirty days from the due date are cut-off. Past due accounts are written off when they are considered uncollectible by management.

E. Fixed Assets

Major improvements to the water system, buildings, and equipment purchases with a cost of \$1,000 or more are capitalized by the water system. Fixed assets are recorded at actual cost. Depreciation is computed on a straight-line basis over the useful lives of the assets generally as follows:

Water System Improvements	25 - 50 Years
Furniture and Equipment	5 - 15 Years

Depreciation of all exhaustible fixed assets is charged as an expense against operations. Depreciation expense for the year ended December 31, 2018, was \$40,014.

F. Income Taxes

Holmesville Water System, Inc. is a nonprofit corporation exempted from federal income taxes under Section 501 (c)(12) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made; however, should the water system engage in activities unrelated to its exempt purpose, taxable income could result. The water system had no material unrelated business income for the year ended December 31, 2018. The earliest income tax year that is subject to examination is 2016.

HOLMESVILLE WATER SYSTEM, INC.
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018

Note 1 - Summary of Significant Accounting Policies (Continued)

G. 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

H. Functional Allocation of Expenses

The water system's only activity is to provide water service to its members. All costs incurred by the water system are incurred for the purpose of providing water service; therefore, it is not feasible to allocate expenses between program services and support services.

Note 2 - Deposits with Financial Institutions

The water system has various checking, certificate and time deposit accounts at local financial institutions as follows:

	<u>System</u> <u>Balances</u>	<u>Bank</u> <u>Balances</u>
Checking accounts	\$ 322,097	\$ 323,909
Money Market	62,241	62,241
Certificates of Deposit	<u>25,236</u>	<u>25,236</u>
<u>TOTAL</u>	<u>\$ 409,574</u>	<u>\$ 411,386</u>

The water system's deposits are collateralized as follows:

FDIC Insured Deposits	\$ 250,000
Uninsured Deposits	<u>161,386</u>
Total Deposits	<u>\$ 411,386</u>

Note 3 - Accounts Receivable

As of December 31, 2018, accounts receivable from water sales was \$36,376 net of allowance for uncollectible accounts of \$4,042.

The Louisiana Department of Health issued loan proceeds of \$15,919 for work done to the water system through December 2018. This amount was reported as a receivable on the statement of financial position at December 31, 2018.

Note 4 - Property and Equipment

Property and equipment consisted of the following:

HOLMESVILLE WATER SYSTEM, INC.
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018

Note 4 - Property and Equipment (continued)

	Balance at January 1, 2018	Increases	Decreases	Balance at December 31, 2018
Land	\$ 17,639	\$ -	\$ -	\$ 17,639
Water System	1,598,139	-	-	1,598,139
Equipment	3,071	-	-	3,071
Construction in Progress	1,489,548	392,676	-	1,882,224
Total Property and Equipment	<u>3,108,397</u>	<u>392,676</u>	<u>-</u>	<u>3,501,073</u>
Less Accumulated Depreciation:				
Water System	868,830	39,781	-	908,611
Equipment	2,605	233	-	2,838
Total Accumulated Depreciation	<u>871,435</u>	<u>40,014</u>	<u>-</u>	<u>911,449</u>
Property and Equipment, Net	<u>\$ 2,236,962</u>	<u>\$ 352,662</u>	<u>\$ -</u>	<u>\$ 2,589,624</u>

The additions to property and equipment for the year were associated with the construction of two new treatment plants, ground storage facilities, booster stations, chlorination systems, site piping and associated items. The project was completed during 2019.

Note 5 - Loans Payable

At December 31, 2018, there is a total of \$1,814,411, remaining on the principal balances of three loans. Two of the loans were obtained from the United States Department of Agriculture – Rural Development and one was obtained from the Louisiana Department of Health Drinking Water Revolving Loan Fund. The loans are secured by mortgages of certain properties owned by the system that are described within the related instruments of mortgage and pledge of revenues. Proceeds from the loans were used to fund the cost of construction and acquisition of the system's fixed assets.

Loans payable at December 31, 2018 are comprised of the following loans:

1997 \$471,000 Promissory Note due to USDA Rural Development in monthly installments of \$2,294 through 2037; interest at 5 percent.

Balance 1/1/2018	Loan Proceeds	Principal Payments	Balance 12/31/2018
\$ 341,061	\$ -	\$ 10,720	\$ 330,341

1997 \$100,000 Promissory Note due to USDA Rural Development in monthly installments of \$487 through 2037; interest at 5 percent.

Balance 1/1/2018	Loan Proceeds	Principal Payments	Balance 12/31/2018
\$ 71,110	\$ -	\$ 2,342	\$ 68,768

HOLMESVILLE WATER SYSTEM, INC.
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018

Note 5 - Loans Payable (continued)

2017 \$2,040,000 Promissory Note due to Louisiana Department of Health and Hospitals in twenty annual installments of principal based on percentages specified in the note and semi-annual installments of interest at 3.45 percent through 2038. The agreement provides for 20% principal forgiveness on each principal drawdown so the maximum amount of principal repayment will be \$1,632,000.

<u>Balance</u>	<u>Loan</u>	<u>Principal</u>	<u>Principal</u>	<u>Balance</u>
<u>1/1/2018</u>	<u>Proceeds</u>	<u>Payments</u>	<u>Forgiveness</u>	<u>12/31/2018</u>
\$ 1,172,918	\$ 352,968	\$ 40,238	\$ 70,346	\$ 1,415,302

The aggregate principal amounts scheduled for repayment is as follows:

<u>Fiscal Year Ended</u>	<u>Amount</u>
<u>December 31,</u>	
2019	72,727
2020	73,430
2021	74,169
2022	74,945
Thereafter	<u>1,519,140</u>
TOTAL	<u>\$ 1,814,411</u>

Interest paid on the notes payable was \$44,824 for the year ending December 31, 2018.

Note 6 - Designated Net Assets

The loan agreement with the United States Department of Agriculture – Rural Development for the loans discussed in Note 5 above, requires the system to set aside an amount equal to the annual installment of principal and interest due on all outstanding loans. At December 31, 2018, the water system was required to have \$33,372 set aside in reserve accounts. The water system had sufficient reserve funds to satisfy USDA requirements.

The loan agreement with the Louisiana Department of Health and Hospitals (DHH) discussed in Note 5 above, require the water system to establish and maintain the following accounts:

2017 Debt Service Fund – monthly payments equal to 1/12 of that year’s debt service payments. Funds are to be used to pay principal and interest on the loan.

2017 Debt Service Reserve Fund – monthly or annual payments until a maximum of \$49,000 has been accumulated within a period not to exceed five years from the date of the loan. Funds are to be used to pay equal to 1/12 of that year’s debt service payments. Funds are to be used to pay principal and interest on the loan to which there would otherwise be default.

2017 Capital Additions and Contingencies Fund – monthly payments equal to 5% of the gross revenues of the preceding month after making payments required by the accounts described above. Such payments are to continue until a maximum of \$50,000 has been accumulated. Funds are to be used for extensions, additions, improvements, renewals, and

HOLMESVILLE WATER SYSTEM, INC.
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018

Note 6 - Designated Net Assets (continued)

replacements necessary to properly operate the water system and may also be used to pay principal and interest on the loan when there is not sufficient funds in the debt service and debt service reserve funds.

Construction Fund – all proceeds derived from the 2018 loan shall be deposited into this fund and used solely for the purpose of paying the costs of the water system improvement project.

The following is a summary of the transactions in the accounts during the year ended December 31, 2018:

	Balance at January 1, 2018	Deposits	Withdrawals	Balance at December 31, 2018
2017 Debt Service Fund	\$ 4,897	\$ 9,001	\$ -	\$ 13,898
2017 Debt Service Reserve Fund	48,153	89,731	63,546	74,338
Contingencies Fund	11,335	21,628	-	32,963
Construction Fund	118,153	597,831	714,916	1,068
Money Market – Debt Service	36,681	77	-	36,758
Money Market – Depreciation	25,429	53	-	25,482
Customer Meter Deposits	40,415	60	-	40,475
	<u>\$ 285,063</u>	<u>\$ 718,381</u>	<u>\$ 778,462</u>	<u>\$ 224,982</u>

Note 7 - Commitments Under Contracts

The total budgeted cost for the water system improvement is \$2,040,000 which is being funded by a loan from the Louisiana Department of Health and Hospitals Drinking Water Revolving Loan Fund. As of December 31, 2018, the water system has incurred a total of \$1,882,224 in costs associated with the project that are reported as construction in progress in the accompanying financial statements. During 2018, the water system entered into contracts in connection with its water system improvement project. As of December 31, 2018, the balance remaining on these contracts is approximately \$158,000.

Note 8 - Contingencies

During the year ended December 31, 2018, the water system expended \$351,729 in federal loan funds from the Environmental Protection Agency passed through the Louisiana Department of Health. These expenses are subject to audit and adjustment by federal and state agencies; therefore, to the extent that the water system has not complied with the rules and regulations governing the loan funds, refunds of any money received may be required. In the opinion of the water system's management, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the loan funds; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

HOLMESVILLE WATER SYSTEM, INC.
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018

Note 9 - Subsequent Events

Subsequent events have been evaluated through July 26, 2019, which is the day the financial statements were available to be issued, and it has been determined that no significant events have occurred for disclosure.

SUPPLEMENTAL INFORMATION

HOLMESVILLE WATER SYSTEM, INC.
SCHEDULE OF COMPENSATION, BENEFITS,
AND OTHER PAYMENTS TO AGENCY HEAD
FOR THE YEAR ENDED DECEMBER 31, 2018

SCHEDULE 1

Agency Head
Title

Robert Riser
President

Purpose
Compensation

None

HOLMESVILLE WATER SYSTEM, INC.
SCHEDULE OF INSURANCE POLICIES IN FORCE (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2018

SCHEDULE 2

<u>Type</u>	<u>Insurance Company</u>	<u>Coverage Amount</u>	<u>Expiration of Policy</u>	<u>Policy Number</u>
Auto Liability	Allied World Speciality Insurance	\$ 1,000,000	6/3/2020	5105-1780-03
Property Insurance	Allied World Speciality Insurance	\$ 1,237,600	6/3/2020	5105-1780-03
Fidelity Policy	Allied World Speciality Insurance	\$ 100,000	6/3/2020	5105-1780-03
General Liability	Allied World Speciality Insurance	\$ 3,000,000	6/3/2020	5105-1780-03

See Independent Accountant's Review Report

OTHER INFORMATION



INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

To the Board of Directors
Holmesville Water System, Inc.

I have performed the procedures included in the *Louisiana Government Audit Guide* and enumerated below, which were agreed to by the management of Holmesville Water System, Inc. and the Legislative Auditor, State of Louisiana, solely to assist the users in evaluating management's assertions about Holmesville Water System, Inc.'s compliance with certain laws and regulations during the year ended December 31, 2018, as required by Louisiana Revised Statute 24:513 and the *Louisiana Governmental Audit Guide*. Holmesville Water System, Inc.'s management is responsible for its financial records and compliance with applicable laws and regulations. The sufficiency of these procedures is solely the responsibility of the specified parties. Consequently, I make no representation regarding the sufficiency of the procedures enumerated below either for the purpose for which this report has been requested or for any other purpose.

Federal, State, and Local Awards

1. Obtain the list of federal, state, and local government grant award expenditures for the fiscal year, by grant and grant year, from the Agency's management.

Holmesville Water System, Inc. provided me with the following list of expenditures made for state grant awards received during the fiscal year ended June 30, 2018.

*Louisiana Department of Health
Grant Year was January 1, 2018 – December 31, 2018
CFDA No. 66.468
Total Expenditures for the fiscal year was \$351,729*

2. For each federal, state, and local grant award, randomly select six disbursements from each grant administered during the fiscal year, provided that no more than 30 disbursements are selected.

I selected six disbursements for testing.

3. Obtain documentation for the disbursements selected in Procedure 2. Compare the selected disbursements to supporting documentation, and report whether the disbursements agree to the amount and payee in the supporting documentation.

Each of the selected disbursements agreed to the amount and payee in the supporting documentation.



4. Report whether the selected disbursements were coded to the correct fund and general ledger account.

All disbursements appear to be coded to the correct general ledger account.

5. Report whether the selected disbursements were approved in accordance with the Agency's policies and procedures.

Holmesville Water System, Inc.'s policy is for the board president to approve all disbursements. Each of the selected disbursements included the signature of the board president.

6. For each selected disbursement made for federal grant awards, obtain the *Compliance Supplement* for the applicable federal program. For each disbursement made for a state or local grant award, or for a federal program not included in the *Compliance Supplement*, obtain the grant agreement. Compare the documentation for each disbursement to the program compliance requirements or the requirements of the grant agreement relating to activities allowed or unallowed, eligibility, and reporting; and report whether the disbursements comply with these requirements.

Each of the selected disbursements appeared to be in compliance with the grant agreement.

7. Obtain the close-out reports, if required, for any program selected in procedure 2 that was closed out during the fiscal year. Compare the close-out reports, if applicable, with the Agency's financial records; and report whether the amounts in the close-out reports agree with the Agency's financial records.

Not applicable.

Open Meetings

8. Obtain evidence from management that agendas for meetings recorded in the minute book were posted as required by Louisiana Revised Statute 42:11 through 42:28 (the open meetings law), and report whether there are any exceptions.

Management represented that Holmesville Water System, Inc. provided notice regarding their annual meeting to customers by including a notification on the customer's bill for two months prior to the meeting. Although management has asserted that such documents were properly issued, no evidence was provided to support management's assertion.

Budget

9. For each grant exceeding five thousand dollars, obtain the comprehensive grant budgets that the agency provided to the applicable federal, state or local grantor agency. Report whether the budgets for federal, state and local grants included the purpose and duration of the grants; and whether budgets for state grants also included specific goals, objectives, and measures of performance.

Holmesville Water System, Inc. provided the comprehensive budgets which included the purpose and duration of the grant program.

Holmesville Water System, Inc.
July 26, 2019

State Audit Law

10. Report whether the agency provided for a timely report in accordance with R.S. 24:513.

Holmesville Water System, Inc. report was not submitted by the statutory due date of June 30, 2019.

11. Inquire of management and report whether the agency entered into any contracts that utilized state funds as defined in R.S. 39:72.1 A. (2); and that were subject to the public bid law (R.S. 38:2211, et seq.), while the agency was not in compliance with R.S. 24:513 (the audit law).

Holmesville Water System, Inc.'s management represented that no contracts were entered into during the fiscal year that were subject to the public bid law.

Prior-Year Comments

12. Obtain and report management's representation as to whether any prior year suggestions, exceptions, recommendations, and/or comments have been resolved.

Not applicable.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants, and the standards applicable to attestation engagements contained in *Government Auditing Standards*, issued by the United States Comptroller General. I was not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on Holmesville Water System, Inc.'s compliance with the foregoing matters. Accordingly, I do not express such an opinion or conclusion. Had I performed additional procedures, other matters might have come to my attention that would have been reported to you.

The purpose of this report is solely to describe the scope of testing performed on Holmesville Water System, Inc.'s compliance with certain laws and regulations contained in the accompanying Louisiana Attestation Questionnaire, as required by Louisiana Revised Statute 24:513 and the Louisiana Governmental Audit Guide, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

Maxwell CPA, LLC

Monroe, Louisiana
July 26, 2019

**ATTACHMENTS:
SIGNED LOUISIANA ATTESTATION QUESTIONNAIRE**

**LOUISIANA ATTESTATION QUESTIONNAIRE
(For Attestation Engagements of Quasi-public Agencies)**

August 1, 2019

Maxwell CPA, LLC
8649 Hwy 165 N, STE 2
Monroe, LA 71203

In connection with your engagement to apply agreed-upon procedures to the control and compliance matters identified below, as of June 30, 2018 and for the year then ended, and as required by Louisiana Revised Statute (R.S) 24:513 and the *Louisiana Governmental Audit Guide*, we make the following representations to you.

Federal, State, and Local Awards

We have detailed for you the amount of federal, state, and local award expenditures for the fiscal year, by grant and grant year.

Yes [X] No []

All transactions relating to federal, state, and local grants have been properly recorded within our accounting records and reported to the appropriate state, federal, and local grantor officials.

Yes [X] No []

The reports filed with federal, state, and local agencies are properly supported by books of original entry and supporting documentation.

Yes [X] No []

We have complied with all applicable specific requirements of all federal, state, and local programs we administer, to include matters contained in the OMB Compliance Supplement, matters contained in the grant awards, eligibility requirements, activities allowed and unallowed, and reporting and budget requirements.

Yes [X] No []

Open Meetings

Our meetings, as they relate to public funds, have been posted as an open meeting as required by R.S. 42:11 through 42:28 (the open meetings law). **Note: Please refer to Attorney General Opinion No. 13-0043 and the guidance in the publication “[Open Meeting FAQs](#),” available on the Legislative Auditor’s website to determine whether a non-profit agency is subject to the open meetings law.**

Management represented that Holmesville Water System, Inc. provided notice regarding their annual meeting to customers by including a notification on the customer’s bill for two months prior to the meeting. Although management has asserted that such documents were properly issued, no evidence was provided to support management’s assertion.

Yes [X] No []

Budget

For each federal, state, and local grant we have filed with the appropriate grantor agency a comprehensive budget for those grants that included the purpose and duration, and for state grants included specific goals and objectives and measures of performance.

Yes [X] No []

Reporting

We have had our financial statements reviewed in accordance with R.S. 24:513.

Yes [X] No []

Prior-Year Comments

We have resolved all prior-year recommendations and/or comments.

Yes [X] No []

General

We are responsible for our compliance with the foregoing laws and regulations and the internal controls over compliance with such laws and regulations.

Yes [X] No []

We have evaluated our compliance with these laws and regulations prior to making these representations.

Yes [X] No []

We have disclosed to you all known noncompliance of the foregoing laws and regulations, as well as any contradictions to the foregoing representations.

Yes [X] No []

We have made available to you all records that we believe are relevant to the foregoing agreed-upon procedures.

Yes [X] No []

We have provided you with any communications from regulatory agencies, internal auditors, other independent practitioners or consultants or other sources concerning any possible noncompliance with the foregoing laws and regulations, including any communications received between the end of the period under examination and the issuance of your report.

Yes [X] No []

We will disclose to you, the Legislative Auditor, and the applicable state grantor agency/agencies any known noncompliance that may occur up to the date of your report.

Yes [X] No []

The previous responses have been made to the best of our belief and knowledge.

<u>Lydia Artley</u>	Secretary	7-26-19	Date
<u>Chris Kelley</u>	Board Member	7-26-19	Date
<u>Robert Ribe</u>	Treasurer		
	President	7-26-19	Date

HOLMESVILLE WATER SYSTEM, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Section II – Financial Statement Findings

2018-01 Inadequate Segregation of Accounting Duties

Criteria:

Proper internal controls require that accounting duties be performed by separate individuals so that one individual could not perpetrate and conceal errors or irregularities without those errors and irregularities being detected by another individual who was performing his or her assigned duties.

Condition:

The water system has too few personnel involved in the accounting system to have adequate separation of duties for internal control.

Cause:

The small size and limited revenues of the water system.

Effect:

Lack of segregation of accounting duties increases the risk that errors or irregularities would not be detected or corrected in a timely manner.

Recommendation:

Establish guidelines for the Board of Directors on a rotating basis to closely monitor reports for billings, payments, and credits issued by the water system. Furthermore, bank statements and bank reconciliations should be reviewed by the board each month.

Management's Response and Corrective Action Plan:

The water system has an accounting workload that can be easily managed by one person. It is not economically feasible to correct this deficiency based on the size of the water system. However, the board will begin reviewing and monitoring reports, bank statements and bank reconciliations as suggested.

2018-02 Accounts Receivable and Water Cutoff

Criteria:

It is the water system's policy to cutoff customer accounts that are past due by thirty days.

Condition:

The water system does not have a system in place to notify management of customer accounts that become past due to allow proper cutoff until payment is received.

Cause:

The water system tracks accounts receivable manually but does not have the capability of using the billing software to notify them of old accounts which could lead to some customer accounts going past due and not being caught timely.

Effect:

Customers could have accounts that go beyond ninety days and leave before the water system becomes aware of the issue.

HOLMESVILLE WATER SYSTEM, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2018 (continued)

2018-02 Accounts Receivable and Water Cutoff (continued)

Recommendation:

Management should consider calling the software company to learn how to run reports that will give them accurate information to timely make decisions about customer accounts.

Management's Response and Corrective Action Plan:

The water system is now handling accounts receivable and water cutoff differently than years past. The cutoff policy has been updated in 2019 to state that meters will be shut off after thirty days of delinquency. The water system also hired a new employee who is responsible for handling accounts receivable and making the system aware when customer's accounts are past due and when the water needs to be shutoff. These changes have made a significant impact on delinquent accounts.

2018-03 Noncompliance with State Laws and Regulations

Criteria:

Louisiana Revised Statute 24:513 requires that a not-for-profit that receives or expends local or state assistance during the year to submit its financial statements to the Louisiana Legislative Auditor no later than six months after the end of the most recent fiscal year.

Condition:

The water system did not submit its reviewed financial statements to the Louisiana Legislative Auditor within the prescribed time period.

Cause:

The water system didn't have accounting records ready in time to complete the review before the deadline.

Effect:

The water system was not in compliance with the State Statute.

Recommendation:

I recommend that the financial records be ready for audit no later than May 1 of each year.

Management's Response and Corrective Action Plan:

The water system will make sure the books are closed and all year-end adjustments are made so that the records will be ready for audit no later than May 1 each year.

HOLMESVILLE WATER SYSTEM, INC.
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2018

2017-01 Inadequate Segregation of Accounting Duties

Condition Found:

Inadequate segregation of duties.

Effect:

Lack of segregation of accounting duties increases the risk that errors or irregularities would not be detected or corrected in a timely manner.

Recommendation to Prevent Future Occurrences:

Establish guidelines for the Board of Directors on a rotating basis to closely monitor reports for billings, payments, and credits issued by the water system. Furthermore, bank statements and bank reconciliations should be reviewed by the board each month.

Current Status:

The finding was repeated as finding 2018-01.

2017-02 Accounts Receivable and Water Cutoff

Condition Found:

The water system does not have a system in place to notify management of customer accounts that become past due to allow proper cutoff until payment is received.

Effect:

Customers could have accounts that go beyond ninety days and leave before the water system becomes aware of the issue.

Recommendation to Prevent Future Occurrences:

Management should consider calling the software company to learn how to run reports that will give them accurate information to timely make decisions about customer accounts.

Current Status:

The finding was repeated as finding 2018-02.

2017-03 Noncompliance with State Laws and Regulations

Condition Found:

The water system did not submit its reviewed financial statements to the Louisiana Legislative Auditor within the prescribed time period.

Effect:

The water system was not in compliance with the State Statute.

Recommendation to Prevent Future Occurrences:

I recommend that the financial records be ready for audit no later than May 1 of each year.

Current Status:

The finding was repeated as finding 2018-03.