

HOLUM WATER SYSTEM, INC.

GRAYSON, LOUISIANA

FINANCIAL STATEMENTS

DECEMBER 31, 2010

BY

JIMMIE SELF, CPA

A PROFESSIONAL ACCOUNTING CORPORATION

2908 CAMERON STREET, SUITE - C

MONROE, LA 71201

Phone 318/323-4656 • Fax 318/388-0724

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 8/17/11

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Financial Statements
December 31, 2010

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Holum Water System, Inc

I have audited the accompanying Statement of Financial Position of Holum Water System, Inc. (a nonprofit organization) as of December 31, 2010, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Holum Water System, Inc.'s management. My responsibility is to express an opinion 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. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my 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, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying supplementary information is listed in the table of contents under Supplementary information Schedules. It is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, therefore, I express no opinion on it.



Jimmie Self, CPA
Monroe, Louisiana
June 24, 2011

Financial Statements

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

EXHIBIT 1

**STATEMENT OF FINANCIAL POSITION
December 31, 2010**

ASSETS

Current Assets:

Cash and cash equivalents	\$ 121,366
Accounts Receivable	16,860
Total Current Assets	<u>138,226</u>

Property and Equipment

Land	7,400
Water System Cost	240,152
Building and Equipment	72,625
Accumulated Depreciation	(205,027)
Total Property and Equipment	<u>115,150</u>
Total Assets	<u>\$ 253,376</u>

LIABILITIES AND NET ASSETS

Liabilities

Accounts Payable	\$ 4,675
Total Liabilities	<u>4,675</u>

Net Assets:

Unrestricted	<u>248,701</u>
Total Net Assets	<u>248,701</u>
Total Liabilities and Net Assets	<u>\$ 253,376</u>

See accompanying notes to financial statements.

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

EXHIBIT 2

**STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2010**

Revenues

Services

Total Revenues

\$ 141,205

Operating Expenses

Car Expense

1,200

Depreciation

15,239

Dues and subscriptions

250

Insurance

5,771

Legal & Professional

4,172

Materials and supplies

1,921

Maintenance

6,535

Miscellaneous

236

New Construction

1,527

Office Expense

1,593

Payroll taxes

1,423

Postage and supplies

1,374

Salaries

18,600

Telephone

3,083

Truck expense

6,000

Utilities

7,227

Water Purchase

43,459

Total Expenses

119,610

Change in Net Assets

21,595

Net Assets at Beginning of Year

227,106

Net Assets at End of Year

\$ 248,701

See accompanying notes to financial statements.

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

EXHIBIT 3

**STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2010**

Cash flows from operating activities:	
Cash received from customers	\$ 139,423
Cash paid to suppliers	(83,105)
Cash paid to employees	(18,600)
Net cash provided by operating activities	<u>37,718</u>
Cash flows from investing	
Purchase of Equipment	(5,252)
Purchase of Land	(7,400)
Net Cash Used in Investing	<u>(12,652)</u>
Change in Net Assets	25,067
Cash and cash equivalents as of beginning of year	96,299
Cash and cash equivalents as of end of yea	<u>\$ 121,366</u>
Reconciliation of change in net assets to net cash used in operating activities:	
Change in net assets	\$ 21,595
Adjustments to reconcile change in net assets to net cash used by operating activities::	
Depreciation	15,239
Increase/Decrease in receivable	1,781
Increase/decrease in accounts payable	(897)
Interest income for investments	
Net cash provided by operating activities	<u>\$ 37,718</u>

See accompanying notes to financial statements.

Notes to the Financial Statements

HOLUM WATER SYSTEM, INC.
Grayson, Louisiana
Notes to the Financial Statements
As of and for the Year Ended December 31, 2010

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) (3) 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.

HOLUM WATER SYSTEM, INC.
Grayson, Louisiana
Notes to the Financial Statements
As of and for the Year Ended December 31, 2010

F. INVESTMENTS

The System has investments in the form of a Certificate of Deposit held by the Citizen's Progressive Bank in Columbia, LA.

G. ACCOUNTS RECEIVABLE

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

H. 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.

I. 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, 2010, are summarized as follows:

Cash and Cash Equivalents	Total \$ 121,366
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NOTE 3. ACCOUNTS RECEIVABLE

Accounts Receivable as of December 31, 2010, is summarized as follows:

Accounts Receivable	Total \$ 16,860
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NOTE 4. ACCOUNTS PAYABLE

Accounts Payable as of December 31, 2010 is summarized as follows:

Accounts Payable	\$ 4,675
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HOLUM WATER SYSTEM, INC.
Grayson, Louisiana
Notes to the Financial Statements
As of and for the Year Ended December 31, 2010

NOTE 5. WATER SYSTEM AND EQUIPMENT

Water System	\$ 240,152
Building	10,300
Equipment	57,073
Total	307,525
Additions Equipment	5,252
Land	7,400
Total	32,017
Less Prior Depreciation	(189,788)
Less Current Depreciation	(15,239)
Net Capital Assets	\$ 115,150

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

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 Lafayette Insurance Company in Cedar Rapids, Iowa serviced locally through the Community Financial Insurance Center, Monroe, LA. 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, 2010.

HOLUM WATER SYSTEM, INC.
Grayson, Louisiana
Notes to the Financial Statements
As of and for the Year Ended December 31, 2010

NOTE 9. SUBSEQUENT EVENTS

Subsequent events were evaluated by management up to and including the issue date of this report, June 24, 2011. There were no subsequent events noted which would affect the financial statements for the year ended December 31, 2010.

**SUPPLEMENTARY
INFORMATION SCHEDULES**

HOLUM WATER SYSTEM, INC.

Grayson, Louisiana

SCHEDULE OF COMPENSATION PAID COMMISSIONERS

For the year ended December 31, 2010

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

J. R. Carnahan – President 4675 Hwy 126 E Grayson, LA 71435 318/649-2156	\$0
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Edward Malcomb – Vice President P. O. Box 718 649 Parker Road Grayson, LA 71435 318/649-7957	\$0
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Joe C. Bates – Board Member 135 Neathery Road Columbia, LA 71418 318/649-5939	\$0
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Gary Rider – Board Member 196 Whippoorwill Lane Grayson, LA 71435 318/649-7623	\$0
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Carrie D. Grant – Board Member 2067 Hwy 126 E Grayson, LA 71435 318/649-7208	\$0
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Board members receive no type of compensation.

HOLUM WATER SYSTEM, INC.
Grayson, Louisiana

SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended December 31, 2010

Summary of Audit Results

The auditor's report for the year ended December 31, 2010 expressed an unqualified opinion on the basic financial statements of the Holum Water System, Grayson, Louisiana.

Finding 2010-1

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.

SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES
For the Year Ended December 31, 2009

There were no findings for the year ended December 31, 2009.

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SUMMARY SCHEDULE OF FINDINGS

HOLUM WATER SYSTEM, INC.
For the Year Ended December 31, 2010

I have audited the financial statements of Holum Water System, Inc. as of and for the year ended December 31, 2010 and have issued my report dated June 24, 2011. 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 December 31, 2010 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.