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VILLAGE OF HEFLIN WATER SYSTEM
Heflin, Louisiana
ANNUAL FINANCIAL REPORT
December 31, 1996

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

Release Date MAY 14 1997

VILLAGE OF HEPLIN WATER SYSTEM

Annual Financial Report

December 31, 1996

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INDEPENDENT AUDITORS' REPORT

The Honorable Lloyd Beatty, Mayor,
and Members of the Board of Aldermen
Village of Heflin Water System
Heflin, Louisiana.

We have audited the general purpose financial statements of the Village of Heflin Water System as of December 31, 1990 and 1991, and for the years then ended. These financial statements are the responsibility of the Water System's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the Village of Heflin Water System and are not intended to present fairly the financial position and results of operations of the Village of Heflin, Louisiana, in conformity with generally accepted accounting principles.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Village of Heflin Water System as of December 31, 1990 and 1991, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

Our audits were conducted for the purpose of forming an opinion on the accompanying financial statements. The accompanying schedules listed as other supplementary information in the table of contents are presented for purposes of additional analysis and are not a required

part of the financial statements of the Village of Heflin Water System. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

James W. Math

Minden, Louisiana
April 24, 1987

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL STRUCTURE
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

The Honorable Lloyd Bonty, Mayor,
and Members of the Board of Aldermen
Village of Heflin Water System
Heflin, Louisiana.

We have audited the general purpose financial statements of the Village of Heflin Water System as of and for the year ended December 31, 1996, and have issued our report thereon dated April 24, 1997.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement.

The management of the Village of Heflin Water System is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the general purpose financial statements of the Village of Heflin Water System for the year ended December 31, 1996, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above.

This report is intended for the information of the Mayor and Aldermen of the Village of Heflin and the Legislative Auditor of the State of Louisiana. However, this report is a matter of public record and its distribution is not limited.



Minden, Louisiana
April 24, 1997

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

The Honorable Lloyd Beatty, Mayor,
and Members of the Board of Aldermen
Village of Heflin Water System
Heflin, Louisiana

We have audited the general purpose financial statements of the Village of Heflin Water System as of and for the year ended December 31, 1996, and have issued our report thereon dated April 24, 1997.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to the Village of Heflin Water System is the responsibility of the Village of Heflin's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Village of Heflin Water System's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

This report is intended for the information of the Mayor and Aldermen of the Village of Heflin and the Legislative Auditor of the State of Louisiana. However, this report is a matter of public record and its distribution is not limited.

Jameson, Wise & Martin
Monroe, Louisiana
April 24, 1997

FINANCIAL STATEMENTS

VILLAGE OF HEFLIN WATER SYSTEM

Comparative Balance Sheets

December 31, 1996 and 1995

ASSETS

	<u>1996</u>	<u>1995</u>
Current assets:		
Cash and interest-bearing bank deposits	\$ 12,879	6,017
Certificates of deposit	15,382	11,733
Accounts receivable	2,397	2,787
Accrued interest receivable	-	344
Total current assets	<u>30,658</u>	<u>20,881</u>
Property, plant and equipment - at cost:		
Water well and distribution system	137,682	137,682
Fence	360	360
	<u>138,042</u>	<u>138,042</u>
Less: accumulated depreciation	<u>73,342</u>	<u>73,882</u>
Net property, plant and equipment	<u>64,700</u>	<u>64,160</u>
Total assets	<u>\$ 95,358</u>	<u>85,043</u>

LIABILITIES AND FUND EQUITY

Current liabilities:		
Money deposits	4,800	4,475
Current maturities on long-term debt	2,643	2,242
Sales tax payable	289	289
Total current liabilities	<u>7,732</u>	<u>7,006</u>
Long-term debt, exclusive of current maturities	<u>28,278</u>	<u>28,912</u>
Total liabilities	<u>36,010</u>	<u>35,918</u>
Fund equity:		
Retained earnings:		
Reserved	38,793	15,424
Unreserved	41,564	38,799
Total fund equity	<u>80,357</u>	<u>54,223</u>
Total liabilities and fund equity	<u>\$ 95,358</u>	<u>85,043</u>

The accompanying notes constitute an integral part of these statements.

VILLAGE OF HIGHLIN WATER SYSTEM

Comparative Statements of Cash Flows

Years Ended December 31, 1996 and 1995

	1996	1995
Cash flows from operating activities:		
Cash received from customers	\$ 14,996	23,817
Cash payments for supplies and services	<u>(21,375)</u>	<u>(15,716)</u>
Net cash provided by operating activities	<u>3,621</u>	<u>8,101</u>
Cash flows from noncapital financing activities:		
Net increase in water deposits	<u>315</u>	<u>(25)</u>
Cash flows from capital and related financing activities:		
Additions to water system	-	(18,962)
Principal paid on long-term debt	(2,541)	(2,508)
Interest paid on long-term debt	<u>(593)</u>	<u>(888)</u>
Net cash used for capital and related financing activities	<u>(3,434)</u>	<u>(44,858)</u>
Cash flows from investing activities:		
Interest on interest-bearing deposits	<u>629</u>	<u>676</u>
Net increase (decrease) in cash	18,491	(6,284)
Cash at beginning of year	<u>17,370</u>	<u>24,054</u>
Cash at end of year	<u>\$ 35,861</u>	<u>17,770</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 9,183	6,868
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	3,444	3,297
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	190	(2,341)
Increase (decrease) in sales tax payable	<u>4</u>	<u>67</u>
Net cash provided by operating activities	<u>\$ 13,821</u>	<u>7,129</u>

The accompanying notes constitute an integral part of these statements.

VILLAGE OF HEPUN WATER SYSTEM

Schedules of Cash Balances

For Years Ended December 31, 1996 and 1995

OPERATIONS AND MAINTENANCE FUND:

	<u>1996</u>	<u>1995</u>
Transfer from Revenue Fund	\$ 21,080	18,100
Miscellaneous receipts	-	2,500
Less: Cost of operating and maintaining the water system	<u>(21,375)</u>	<u>(23,282)</u>
Net cash increase (decrease)	(375)	(1,682)
Cash at beginning of year	<u>389</u>	<u>2,671</u>
Cash at end of year	<u>\$ 414</u>	<u>789</u>

WATERWORKS REVENUE FUND:

Water sales	<u>\$ 34,340</u>	<u>26,080</u>
Less: Transfer to Operations and Maintenance Fund	21,900	19,185
Transfer to Debt Service Fund	3,600	3,590
Transfer to Reserve Fund	4,115	1,045
Meter Deposit	500	228
Office supplies	<u>-</u>	<u>821</u>
Total disbursements	<u>29,215</u>	<u>27,699</u>
Net cash increase (decrease)	5,325	981
Cash balance at beginning of year	<u>1,358</u>	<u>577</u>
Cash balance at end of year	<u>\$ 7,083</u>	<u>1,358</u>

VILLAGE OF HEPLIN WATER SYSTEM

Schedule of Cash Balances

For the Years Ended December 31, 1996 and 1995

CURRENT SERVICE FUNDS:	<u>1996</u>	<u>1995</u>
Transfer from Revenue Fund	\$ 3,600	3,980
Less: Principal and interest payments on notes	<u>(3,495)</u>	<u>(3,494)</u>
Net cash increase	105	486
Cash balance at beginning of year	<u>1,141</u>	<u>719</u>
Cash balance at end of year	<u>\$ 1,247</u>	<u>1,141</u>
RESERVE FUNDS:		
Water sales	\$ 154	-
Transfer from CIP	-	3,874
Transfer from savings	-	4,548
Transfer from Revenue Fund	4,115	3,045
Motor deposits	580	25
Interest income	<u>639</u>	<u>676</u>
Total receipts	<u>5,488</u>	<u>12,168</u>
Less: Chlorine	-	4,980
Refund of meter deposits	175	426
Water system extension	-	3,802
Line supplies and repairs	<u>-</u>	<u>4,867</u>
Total disbursements	<u>175</u>	<u>13,075</u>
Net cash increase (decrease)	5,313	(3,908)
Cash balance at beginning of year	<u>14,283</u>	<u>20,231</u>
Cash balance at end of year	<u>\$ 18,516</u>	<u>14,283</u>
Reserve Fund Cash:		
Checking	\$ 3,748	2,154
Savings	385	779
Certificates of Deposit	<u>15,383</u>	<u>11,350</u>
Total	<u>\$ 19,516</u>	<u>14,283</u>

SUPPLEMENTARY INFORMATION

VILLAGE OF DEERLIN WATER SYSTEM
Notes to Financial Statements
December 31, 1996

6. Compensation of Members of the Board of Aldermen

Board members, along with the mayor receive no per diem or other compensation for their advisory or other services rendered as elected leaders.

VILLAGE OF HEPLIN WATER SYSTEM
Notes to Financial Statements
December 31, 1996

3. Property, plant and equipment

The following is a summary of property, plant and equipment, with related depreciation, for the year ended December 31, 1996.

Description	Cost		Useful Life	Accumulated Depreciation		
	Balance — Bal.	Balance — Dec 31, 96		Balance — Bal.	Expansions — Dec 31, 96	Balance — Dec 31, 96
Buildings	124,131	124,131	20 Years	12,131	—	12,131
Water System	117,000	117,000	50 Years	2,340	1,661	3,001
Furniture	500	500	5 Years	100	—	100
	341,631	341,631		14,571	1,661	16,232

4. Long-term debt

Long-term debt of the Village of Heplin Water System at December 31, 1996, consisted of:

	Current Maturities	Long- term	Total
3-14% note payable; due in monthly installments of \$291.17, including interest, secured by a mortgage on the Water System to GEI Capital Corporation	\$2,603	21,325	23,928

The annual requirements to amortize all debt outstanding as of December 31, 1996, including interest payments of \$5,764, are as follows:

Year Ending December 31	
1997	\$ 3,494
1998	3,494
1999	3,494
2000	3,494
2001	3,494
Thereafter	18,212
	\$27,882

VILLAGE OF HEPLIN WATER SYSTEM
Notes to Financial Statements
December 31, 1996

- D. **Basis of accounting** - The accrual basis of accounting is used by the Water System whereby revenues are recognized when earned and expenses are recognized when incurred.
- E. **Cash and cash equivalents** - For reporting purposes, cash and interest-bearing deposits include cash, demand deposits and certificates of deposits. Cash and interest-bearing deposits are stated at cost. At year-end the Water System's total cash and interest-bearing deposits (book balance) was \$28,261.

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 pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. Bank balances of \$28,827 at December 31, 1996, are completely secured by federal deposit insurance.

2. **Accounts receivable - water customers**

At December 31, 1996, there were 173 metered water customers. Aging of the accounts receivable at December 31, 1996, is as follows:

Days	Amount
0-30	\$1,824
31-60	449
61-90	14
	<u>\$2,287</u>

VILLAGE OF HEFLIN WATER SYSTEM

Notes to Financial Statements

December 31, 1988

- a. The ability of the village to impose its will on the organization and/or
 - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the Village
2. Organizations for which the village does not appoint a voting majority but are fiscally dependent on the village
 3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

The Village of Heflin Water System is considered a component unit of the Village reporting entity because: (1) the Board of Aldermen of the Village of Heflin governs the activities of the System and (2) the System provides services to System members within the Village, even though services provided to System members do extend beyond the legal boundaries of the Village of Heflin.

- B. **Fixed accounting** - The accounting system is organized and operated on an enterprise fund basis, whereby a separate self-balancing set of accounts is maintained for operations of the Water System. Enterprise funds, categorized under proprietary fund types, are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.
- C. **Fixed assets and long-term debt** - The Water System, a proprietary fund, is accounted for on a cost-of-services or "capital maintenance" measurement focus, and all assets and all liabilities (whether current or noncurrent) are included on the balance sheet. The fixed assets are recorded at cost and depreciation is computed thereon under the straight-line method of depreciation based on the estimated useful lives of the individual assets.

VILLAGE OF HEFLIN WATER SYSTEM
Notes to Financial Statements
December 31, 1996

1. *Summary of significant accounting policies*

The Village of Heflin Water System was established in 1966 by resolution of the Board of Aldermen of the Village of Heflin. Authorization was made for the creation of separate self-balancing accounts for the operation and maintenance of a water system.

Financially, the Water System operates independently of the Village of Heflin pursuant to debt agreements. Services provided to system members extend beyond the legal boundaries of the Village of Heflin. However, the Board of Aldermen of the Village of Heflin governs the activities of the system.

The following is a summary of certain significant accounting policies:

- A. *Reporting entity* - The reporting entity for the Village of Heflin consists of the Village of Heflin, which, as governing authority of the Village, is the primary unit with oversight responsibility, and other governmental units (component units) within the Village over which the Village of Heflin exercises oversight responsibility. The financial reporting entity consists of (a) the primary government (Village of Heflin), (b) organizations for which the primary government are financially accountable, and (c) other organizations for which nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Governmental Accounting Standards Board Statement No. 14 established criteria for determining which component units should be considered part of the Village of Heflin for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability.

The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

1. Appointing a voting majority of an organization's governing body, and

VILLAGE OF HIGHLIN WATER SYSTEM

Comparative Statements of Revenues, Expenses and Changes in Retained Earnings

Years Ended December 31, 1996 and 1995

	<u>1996</u>	<u>1995</u>
Operating revenues - water sales	\$ <u>33,509</u>	<u>26,080</u>
Operating expenses:		
Meter reading and billing	8,800	7,080
Electricity	2,828	2,499
Line supplies and repairs	4,490	3,338
Office supplies	625	821
Audit	1,450	1,430
Insurance	1,886	936
Rental	-	40
Depreciation	3,444	3,297
Membership dues	150	335
Other	<u>473</u>	<u>79</u>
Total operating expenses	<u>23,326</u>	<u>28,812</u>
Operating income	<u>9,183</u>	<u>6,268</u>
Non-operating revenues (expenses):		
Interest income	395	347
Interest expense	<u>(853)</u>	<u>(865)</u>
Total non-operating revenues (expenses)	<u>(458)</u>	<u>(518)</u>
Net income	8,725	5,750
Retained earnings at beginning of year	28,298	26,888
(Increase)-decrease in reserves	<u>(5,339)</u>	<u>5,581</u>
Retained earnings at end of year	<u>41,584</u>	<u>38,298</u>

The accompanying notes constitute an integral part of these statements.