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VILLAGE OF HEFLIN WATER SYSTEM  
Heflin, Louisiana

FINANCIAL STATEMENTS

Years Ended December 31, 1998 and 1997

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, 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 3-24-99

VILLAGE OF HEFLIN WATER SYSTEM  
Heflin, Louisiana

**ANNUAL SWORN FINANCIAL STATEMENTS AND  
CERTIFICATION OF REVENUES \$50,000 OR LESS**

The annual sworn financial statements are required by Louisiana Revised Statute 24:514 to be filed with the Legislative Auditor within 90 days after the close of the fiscal year. The certification of revenues \$50,000 or less, if applicable, is required by Louisiana Revised Statute 24:513(I)(1)(c)(i).

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**AFFIDAVIT**

Personally came and appeared before the undersigned authority, Bill M. Wille who, duly sworn, deposes and says that the financial statements herewith given present fairly the financial position of the Village of Heflin Water System as of December 31, 1998, and the results of operations for the year then ended, in accordance with the basis of accounting described within the accompanying financial statements.

In addition, Bill M. Wille, who, duly sworn, deposes and says that the Village of Heflin Water System received \$50,000 or less in revenues and other sources for the fiscal year ending December 31, 1998, and, accordingly, is not required to have an audit for the previously mentioned fiscal year end.

Bill M. Wille  
Signature

Sworn to and subscribed before me, this 1 day of February, 1999.

Dennis James  
NOTARY PUBLIC

Officer Bill M. Wille  
Address P.O. Box 101, Heflin, LA 71039  
Telephone No. 318-377-7315

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MEMBERS

AMERICAN INSTITUTE OF  
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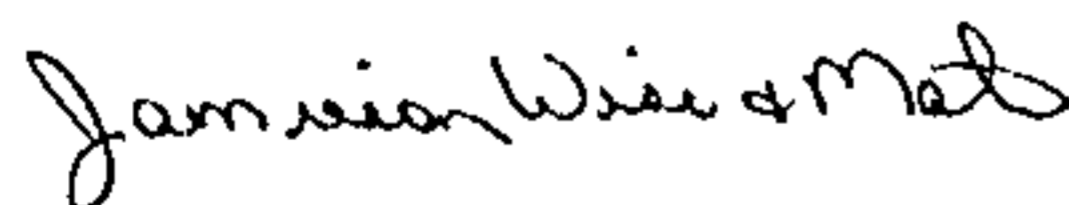
SOCIETY OF LOUISIANA  
CERTIFIED PUBLIC ACCOUNTANTS

## ACCOUNTANTS' COMPILATION REPORT

The Honorable Billy M. Deville, Mayor,  
and Members of the Board of Aldermen  
Village of Heflin Water System  
Heflin, Louisiana

We have compiled the accompanying balance sheets of Village of Heflin Water System as of December 31, 1998 and 1997 and the related statements of revenues, expenditures, and changes in retained earnings and cash flows for the years then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.



Minden, Louisiana

January 22, 1999

FINANCIAL STATEMENTS

VILLAGE OF HEFLIN WATER SYSTEM

Comparative Balance Sheets

December 31, 1998 and 1997  
(Unaudited)

ASSETS

	<u>1998</u>	<u>1997</u>
Current assets:		
Cash and interest-bearing bank deposits	\$ 12,565	19,931
Certificates of deposit	16,979	16,159
Accounts receivable	<u>2,760</u>	<u>2,311</u>
Total current assets	<u>32,304</u>	<u>38,401</u>
Property, plant and equipment - at cost:		
Water well and distribution system	144,564	137,682
Fence	<u>360</u>	<u>360</u>
	144,924	138,042
Less: accumulated depreciation	<u>(84,326)</u>	<u>(80,786)</u>
Net property, plant and equipment	<u>60,598</u>	<u>57,256</u>
Total assets	<u>\$ 92,902</u>	<u>95,657</u>
LIABILITIES AND FUND EQUITY		
Current liabilities:		
Meter deposits	\$ 5,120	5,120
Current maturities on long-term debt	2,848	2,743
Sales tax payable	<u>-</u>	<u>219</u>
Total current liabilities	<u>7,968</u>	<u>8,082</u>
Long-term debt, exclusive of current maturities	<u>15,671</u>	<u>18,539</u>
Total liabilities	<u>23,639</u>	<u>26,621</u>
Fund equity:		
Retained earnings:		
Reserved	23,783	22,537
Unreserved	<u>45,480</u>	<u>46,499</u>
Total fund equity	<u>69,263</u>	<u>69,036</u>
Total liabilities and fund equity	<u>\$ 92,902</u>	<u>95,657</u>

The accompanying notes constitute an integral part of the statements.

VILLAGE OF HEFLIN WATER SYSTEM

Comparative Statements of Revenue, Expenses and Changes in Retained Earnings

Years Ended December 31, 1998 and 1997  
(Unaudited)

	<u>1998</u>	<u>1997</u>
Operating revenues:		
Water sales	\$ 34,103	33,077
Installation fees	1,250	-
Total operating revenue	<u>35,353</u>	<u>33,077</u>
Operating expenses:		
Meter reading and billing	9,000	9,000
Electricity	3,122	3,980
Line supplies and repairs	14,622	6,092
Office supplies	810	731
Accounting	1,450	1,450
Insurance	1,120	135
Depreciation	3,540	3,444
Taxes	949	843
Chemicals	957	462
Other	155	180
Total operating expenses	<u>35,725</u>	<u>26,317</u>
Operating income (loss)	<u>(372)</u>	<u>6,760</u>
Non-operating revenues (expenses):		
Transfers in from Village of Heflin	500	-
Interest income	831	787
Interest expense	(732)	(858)
Total non-operating revenues (expenses)	<u>599</u>	<u>(71)</u>
Net income	227	6,689
Retained earnings at beginning of year	46,499	41,584
(Increase) decrease in reserve	<u>(1,246)</u>	<u>(1,774)</u>
Retained earnings at end of year	<u>\$ 45,480</u>	<u>46,499</u>

The accompanying notes constitute an integral part of the statements.

VILLAGE OF HEFLIN WATER SYSTEM

Comparative Statements of Cash Flows  
 Years Ended December 31, 1998 and 1997  
 (Unaudited)

	<u>1998</u>	<u>1997</u>
Cash flows from operating activities:		
Cash received from customers	\$ 34,904	33,163
Cash payments for supplies and services	<u>(32,404)</u>	<u>(22,947)</u>
Net cash provided by operating activities	<u>2,500</u>	<u>10,216</u>
Cash flows from noncapital financing activities:		
Transfers in from other funds	500	-
Net increase in meter deposits	<u>-</u>	<u>320</u>
Net cash provided by noncapital financing activities	<u>500</u>	<u>320</u>
Cash flows from capital and related financing activities:		
Property additions and improvements	(6,882)	-
Principal paid on long-term debt	(2,763)	(2,636)
Interest paid on long-term debt	<u>(732)</u>	<u>(858)</u>
Net cash used for capital and related financing activities	<u>(10,377)</u>	<u>(3,494)</u>
Cash flows from investing activities:		
Interest on interest-bearing deposits	<u>831</u>	<u>787</u>
Net increase (decrease) in cash	(6,546)	7,829
Cash at beginning of year	<u>36,090</u>	<u>28,261</u>
Cash at end of year	<u>\$ 29,544</u>	<u>36,090</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating Income (Loss)	\$ (372)	6,760
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	3,540	3,444
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(449)	86
Increase (decrease) in sales tax payable	<u>(219)</u>	<u>(74)</u>
Net cash provided by operating activities	<u>\$ 2,500</u>	<u>10,216</u>

The accompanying notes constitute an integral part of these statements.

# VILLAGE OF HEFLIN WATER SYSTEM

## Notes to Financial Statements

December 31, 1998

### 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 govern 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 HEFLIN WATER SYSTEM

Notes to Financial Statements

December 31, 1998

- 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 Alderman of the Village of Heflin govern 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. Fund 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, 1998

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 \$29,544.

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 \$29,770 at December 31, 1998, are completely secured by federal deposit insurance.

2. Accounts receivable - water customers

At December 31, 1998, there were 168 metered water customers. Aging of the accounts receivable at December 31, 1998, is as follows:

<u>Days</u>	<u>Amount</u>
0-30	\$2,268
31-60	401
61-90	49
Over 90	<u>42</u>
	<u>\$2,760</u>

VILLAGE OF HEFLIN WATER SYSTEM  
Notes to Financial Statements  
December 31, 1998

3. Property, plant and equipment

The following is a summary of property, plant and equipment, with related depreciation, for the year ended December 31, 1998:

Description	Cost			Straight-line Depreciation Rate	Accumulated Depreciation		
	Balance 12-31-97	Additions	Balance 12-31-97		Balance 12-31-97	Depreciation This Year	Balance 12-31-98
Water System	\$137,682	6,882	144,564	2.5% & 5%	80,426	3,540	83,966
Fence	360	-	360	5%	360	-	360
	<u>\$138,042</u>	<u>6,882</u>	<u>144,924</u>		<u>80,786</u>	<u>3,540</u>	<u>84,326</u>

4. Long-term debt

Long-term debt of the Water System at December 31, 1998, consisted of:

	Current maturities	Long- term	Total
3-3/4% note payable; due in monthly installments of \$291.17, including interest; secured by a mortgage on the Water System to GMAC Commercial Mortgage	\$ <u>2,848</u>	<u>15,671</u>	<u>18,519</u>

The annual requirements to amortize all debt outstanding as of December 31, 1998, including interest payments of \$2,160, are as follows:

Year Ending December 31	
1999	\$ 3,494
2000	3,494
2001	3,494
2002	3,494
2003	3,494
Thereafter	<u>3,210</u>
	<u>\$20,680</u>

VILLAGE OF HEFLIN WATER SYSTEM  
Notes to Financial Statements  
December 31, 1998

5. Flow of funds; restrictions on use

Under the terms of the indenture to GMAC Commercial Mortgage, the Village of Heflin shall set aside into the "Waterworks Revenue Fund" all gross income and revenues. Monies deposited therein shall be expended and used only in the manner and order as follows:

- (a) Each month, there will be set aside into an account called the "Debt Service Account" an amount constituting 1/12 of the annual installments becoming due on the next succeeding January 1. Whenever amounts in excess of the requirements accumulate, they may be used by the Village to make prepayments on the loan.
- (b) There shall also be set aside each month a sufficient portion of income and revenue to pay all reasonable and necessary current expenses of operating and maintaining the waterworks for the current month.
- (c) Each month, the sum of \$55 is to be set aside into the "Reserve Account" until there is accumulated \$3,500 in excess of meter deposits, after which no further deposits need to be made except to replace withdrawals. All cash deposits for connections not needed in construction shall be deposited in the Reserve Account and shall be in addition to the sums required by the foregoing sentence. Money in this account shall be used only for paying the cost of repairing or replacing any damage to the System which may be caused by any unforeseen catastrophe, for making extensions or improvements to the System, and when necessary, for the purpose of making payments of principal and interest in the event the amount in the Debt Service Account is insufficient. Any funds may be invested in time deposits, savings accounts or obligations of the U. S. Government which may be readily converted to cash, and income therefrom will always remain a part of the Reserve Fund.
- (d) Subject to the foregoing, which are cumulative, any balance remaining in the Waterworks Revenue Fund shall be used for the purpose of prepaying on said bond and/or note or for any other lawful purpose.

VILLAGE OF HEFLIN WATER SYSTEM  
Notes to Financial Statements  
December 31, 1998

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.