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VILLAGE OF HEFLIN, LOUISIANA
FINANCIAL REPORT
DECEMBER 31, 1998

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 ~~JUN 9 1999~~

VILLAGE OF HEFLIN, LOUISIANA
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MEMBERS

AMERICAN INSTITUTE OF
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SOCIETY OF LOUISIANA
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying general-purpose financial statements of the Village of Heflin, Louisiana, as of and for the year ended December 31, 1998, as listed in the table of contents. These general-purpose financial statements are the responsibility of the Village of Heflin, Louisiana's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

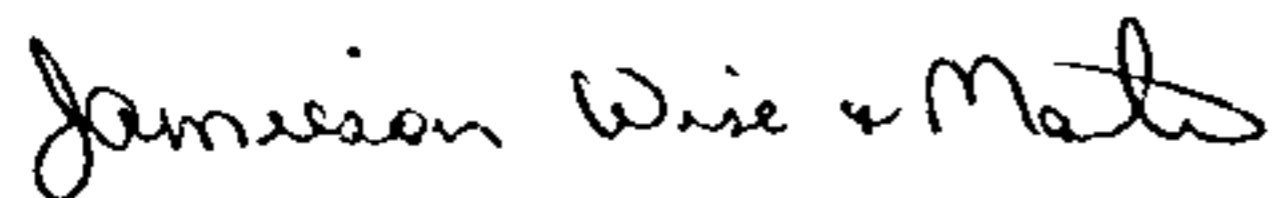
Except as discussed in the following paragraph, we conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit 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. We believe that our audit provides a reasonable basis for our opinion.

Governmental Accounting Standards Board Technical Bulletin 98-1, *Disclosures about Year 2000 Issues*, requires disclosure of certain matters regarding the Year 2000 issue. The Village of Heflin, Louisiana, has included such disclosures in Note 10. Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Accordingly, insufficient audit evidence exists to support the Village of Heflin, Louisiana's disclosures with respect to the Year 2000 issue made in Note 10. Further, we do not provide assurance that the Village of Heflin, Louisiana is or will be Year 2000 ready, that the Village's Year 2000 remediation efforts will be successful in whole or in part, or that parties with which the Village of Heflin, Louisiana does business will be Year 2000 ready.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine evidence regarding Year 2000 disclosures, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Village of Heflin, Louisiana, as of December 31, 1998, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated May 6, 1999 on our consideration of the Village of Heflin, Louisiana's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements of the Village of Heflin, Louisiana, taken as a whole. The accompanying schedule of grant activity listed in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the Village of Heflin, Louisiana. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.



Minden, Louisiana
May 6, 1999

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited the financial statements of the Village of Heflin, Louisiana, as of and for the year ended December 31, 1998, and have issued our report thereon dated May 6, 1999, which was qualified because insufficient audit evidence exists to support the Village of Heflin, Louisiana's disclosures with respect to the Year 2000 issue. Except as discussed in the preceding sentence, we have 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.

Compliance

As part of obtaining reasonable assurance about whether the Village of Heflin, Louisiana's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings and questioned costs as item 98-1.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Heflin, Louisiana's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the 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 over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of management, the Legislative Auditor of the State of Louisiana, and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Jameson Wise + Math

Minden, Louisiana
May 6, 1999

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of the Village of Heflin, Louisiana, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 1998. The Village of Heflin, Louisiana's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Village of Heflin, Louisiana's management. Our responsibility is to express an opinion on the Village of Heflin, Louisiana's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Village of Heflin, Louisiana's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Village of Heflin, Louisiana's compliance with those requirements.

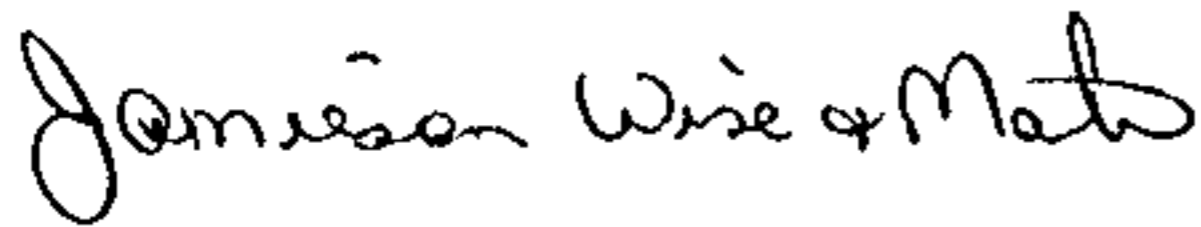
In our opinion the Village of Heflin, Louisiana complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 1998.

Internal Control Over Compliance

The management of the Village of Heflin, Louisiana, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Village of Heflin, Louisiana's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be a material weakness. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program 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 over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of management and the Legislative Auditor of the State of Louisiana, and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.



Minden, Louisiana
May 6, 1999

**GENERAL PURPOSE FINANCIAL STATEMENTS
(COMBINED STATEMENTS - OVERVIEW)**

VILLAGE OF HEFLIN, LOUISIANA

Combined Balance Sheet - All Fund Types and Account Groups
December 31, 1998

	Governmental Fund Types		Proprietary Fund	Account Group	Totals (Memorandum Only)
	General	Capital Projects	Enterprise	General Fixed Assets	
Assets					
Cash	\$ 5,029	45	5,761	-	10,835
Receivables:					
Water customers	-	-	2,760	-	2,760
Grants receivable	14,819	6,484	-	-	21,303
Restricted assets - cash	-	-	23,783	-	23,783
Land	-	-	-	6,150	6,150
Buildings	-	-	-	39,426	39,426
Improvements other than buildings	-	-	-	458	458
Equipment	-	-	-	10,877	10,877
Enterprise fund property, plant and equipment	-	-	709,257	-	709,257
Accumulated depreciation	-	-	(89,536)	-	(89,536)
Total assets	\$ 19,848	6,529	652,025	56,911	735,313
Liabilities and Fund Equity					
Liabilities:					
Accounts payable	\$ -	6,484	-	-	6,484
Payable from restricted assets -					
Meter deposits	-	-	5,120	-	5,120
Note payable-current portion	-	-	2,848	-	2,848
Note payable	-	-	15,671	-	15,671
Total liabilities	-	6,484	23,639	-	30,123
Fund equity:					
Contributed equity	-	-	564,333	-	564,333
Investment in general fixed assets	-	-	-	56,911	56,911
Retained earnings -					
Reserved	-	-	23,783	-	23,783
Unreserved	-	-	40,270	-	40,270
Fund balances - unreserved - undesignated	19,848	45	-	-	19,893
Total fund equity	19,848	45	628,386	56,911	705,190
Total liabilities and fund equity	\$ 19,848	6,529	652,025	56,911	735,313

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

VILLAGE OF HEFLIN, LOUISIANA

Combined Statement of Revenues, Expenditures and Changes
in Fund Balances - All Governmental Fund Types
Year Ended December 31, 1998

	General Fund	Capital Projects	Totals (Memorandum Only)
Revenues:			
Occupational licenses	\$ 15,769	-	15,769
Utility and franchise taxes	5,430	-	5,430
Intergovernmental -			
Tobacco taxes	1,368	-	1,368
State grants	14,819	-	14,819
Federal grants	1,084	527,975	529,059
Miscellaneous-			
Civic center rentals	1,130	-	1,130
Interest income	151	-	151
Total revenues	<u>39,751</u>	<u>527,975</u>	<u>567,726</u>
Expenditures:			
General government			
Utilities	6,219	-	6,219
Secretarial and bookkeeping	1,800	-	1,800
Office supplies	108	-	108
Advertising	1,013	-	1,013
Legal and accounting	146	-	146
Insurance	556	-	556
Supplies	153	-	153
Dues and subscriptions	483	-	483
Repairs and maintenance	3,012	-	3,012
Coroner's expense	889	-	889
Public safety - police	300	-	300
Capital expenditures	16,023	527,975	543,998
Total expenditures	<u>30,702</u>	<u>527,975</u>	<u>558,677</u>
Excess of revenues over expenditures	9,049	-	9,049
Fund balance, beginning of year	<u>10,799</u>	<u>45</u>	<u>10,844</u>
Fund balance, end of year	<u>\$ 19,848</u>	<u>45</u>	<u>19,893</u>

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

VILLAGE OF HEFLIN, LOUISIANA

Statement of Revenues, Expenditures and Changes
in Fund Balances - Budget (GAAP Basis) and Actual -
General Fund
Year Ended December 31, 1998

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Occupational licenses	\$ 15,000	15,769	769
Utility and franchise taxes	5,000	5,430	430
Intergovernmental -			
Tobacco taxes	1,370	1,368	(2)
State grants	15,000	14,819	(181)
Federal grants	-	1,084	1,084
Miscellaneous-			
Civic center rentals	1,200	1,130	(70)
Interest income	150	151	1
Total revenues	37,720	39,751	2,031
Expenditures:			
General government			
Utilities	6,400	6,219	181
Secretarial and bookkeeping	1,800	1,800	-
Office supplies	150	108	42
Advertising	200	1,013	(813)
Legal and accounting	-	146	(146)
Insurance	548	556	(8)
Supplies	500	153	347
Dues and subscriptions	294	483	(189)
Repairs and maintenance	2,800	3,012	(212)
Coroner's expense	100	889	(789)
Public safety - police	300	300	-
Capital expenditures	15,000	16,023	(1,023)
Total expenditures	28,092	30,702	(2,610)
Excess of revenues over expenditures	9,628	9,049	(579)
Fund balance, beginning of year	10,799	10,799	-
Fund balance, end of year	\$ 20,427	19,848	(579)

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

VILLAGE OF HEFLIN, LOUISIANA

Statement of Revenues, Expenses and Changes In Retained Earnings
 Proprietary Fund Type - Enterprise Fund - Water System
 Year Ended December 31, 1998

Operating revenues:	
Water	\$ 34,103
Installation fees	1,750
Total operating revenues	<u>35,853</u>
Operating expenses:	
Meter reading and billing	9,000
Electricity	3,122
Line supplies and repairs	14,622
Office supplies	810
Accounting	1,450
Insurance	1,120
Depreciation	8,750
Taxes	949
Chemicals	957
Other	155
Total operating expenses	<u>40,935</u>
Operating income (loss)	<u>(5,082)</u>
Non-operating revenues (expenses):	
Interest income	831
Interest expense	(732)
Total non-operating revenues (expenses)	<u>99</u>
Net income	(4,983)
Retained earnings at beginning of year	46,499
(Increase) decrease in reserve	<u>(1,246)</u>
Retained earnings at end of year	<u>\$ 40,270</u>

The accompanying notes to financial statements are an integral part of this statement

VILLAGE OF HEFLIN, LOUISIANA

Statement of Cash FlowS
 Proprietary Fund Type - Enterprise Fund - Water System
 Year Ended December 31, 1998

Cash flows from operating activities:	
Cash received from customers	\$ 34,904
Cash payments for supplies and services	(32,404)
Other operating revenues	500
Net cash used by operating activities	<u>3,000</u>
Cash flows from noncapital financing activities:	
Net increase in meter deposits	<u>-</u>
Net cash provided by noncapital financing activities	<u>-</u>
Cash flows from capital and related financing activities:	
Principal paid on long-term debt	(2,763)
Interest paid on long-term debt	(732)
Acquisition of property, plant and equipment	(6,882)
Net cash used for capital and related financing activities	<u>(10,377)</u>
Cash flows from investing activities:	
Interest on interest-bearing deposits	<u>831</u>
Net increase in cash and cash equivalents	(6,546)
Cash and cash equivalents at beginning of year	<u>36,090</u>
Cash and cash equivalents at end of year	<u>\$ 29,544</u>
Reconciliation of operating income to net cash used by operating activities:	
Operating loss	\$ (5,082)
Adjustments to reconcile operating income to net cash used by operating activities:	
Depreciation	8,750
Changes in assets and liabilities -	
(Increase) decrease in accounts receivable	(450)
Increase (decrease) in sales tax payable	<u>(218)</u>
Net cash used by operating activities	<u>\$ 3,000</u>

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

VILLAGE OF HEFLIN, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
December 31, 1998

INTRODUCTION

The Village of Heflin, Louisiana (the Village) was incorporated under the provisions of the Lawrason Act. The Village is located in the Parish of Webster, being in the northwest corner of the State. The Village operates under a Mayor-Board of Aldermen form of government.

1. Summary of significant accounting policies

- A. Basis of presentation - The accounting and reporting policies of the Village conform to generally accepted accounting principles as applicable to governments. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:517 and to the guidelines set forth in the Louisiana Municipal Audit and Accounting Guide, and to the industry audit guide, Audits of State and Local Governmental Units.
- B. Reporting entity - GASB Statement No. 14 established criteria for determining the governmental reporting entity. For financial reporting purposes, in conformance with GASB 14, the Village of Heflin includes all funds, account groups, et cetera, that are within the financial accountability of the Village. Certain units of local government over which the Village exercises no financial accountability are excluded from the accompanying financial statements. These units of government are considered separate reporting entities and issue financial statements separate from those of the Village of Heflin.
- C. Fund accounting - The accounts of the Village of Heflin are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprises its assets, liabilities, fund equity, revenues and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into two categories which, in turn, are divided into "fund types," as follows:

Governmental Funds

Governmental funds are used to account for all or most of the Village's general activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of general fixed assets, and the servicing of general long-term obligations. Governmental funds include:

General Fund - The General Fund is the general operating fund of the Village. It is used to account for all financial resources, except those required to be accounted for in another fund.

VILLAGE OF HEFLIN, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
December 31, 1998

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specific purposes.

Capital Projects Funds - Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Proprietary Funds

Proprietary funds account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Proprietary funds differ from governmental funds in that their focus is on income measurement, which, together with the maintenance of equity, is an important financial indicator. Proprietary funds include:

Enterprise Funds - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the Village is that the 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; or (b) where the Village has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The Enterprise Fund of the Village consists of a water system which provides water services both within and outside the boundaries of the Village.

- D. Basis of accounting - Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Most revenues are recorded when cash is received. Taxpayer-assessed income, gross receipts, and sales taxes are considered "measurable" when in the hands of intermediary collecting governments and are recognized as revenue at that time. Federal and state grants are expenditure-driven and revenues are recognized when the grant expenditures are incurred.

With the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred, except that principal and interest on general long-term debt is recognized when due.

All proprietary funds are accounted for using the accrual basis of accounting whereby revenues are recognized when they are earned and expenses are recognized when incurred.

VILLAGE OF HEFLIN, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
December 31, 1998

E. Budgets and budgetary accounting - The Village follows these procedures in establishing the budgetary data reflected in these financial statements:

- a) The Village clerk prepares a proposed budget and submits same to the Mayor and the Board of Aldermen no later than fifteen days prior to the beginning of each fiscal year.
- b) The public is notified that the proposed budget is available for public inspection. At that time, a public hearing is called.
- c) A public hearing is held on the proposed budget at least ten days after publication of the call for the hearing.
- d) After the holding of the public hearing and completion of all action necessary to finalize and implement the budget, the budget is adopted through passage of an ordinance prior to the commencement of the fiscal year for which the budget is being adopted.
- e) Budgetary amendments involving the transfer of funds from one department, program or function to another or involving increases or decreases in expenditures resulting from revenues exceeding or failing to meet amounts estimated require the approval of the Board of Aldermen.
- f) All budgetary appropriations lapse at the end of each fiscal year.
- g) Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts, as originally adopted, are amended from time to time by the Board of Aldermen. Such amendments are not material in relation to the original appropriations. Budget comparisons are not presented for the following capital projects funds due to the restriction of these funds for the purposes authorized by the underlying grants:

1996 Louisiana Community Development Block Grant (LCDBG)

F. Encumbrances - The Village does not employ encumbrance accounting in the governmental funds. Management does not believe that the use of encumbrance accounting would serve any significant benefit for budgetary purposes.

G. Cash and cash equivalents - Cash and cash equivalents includes amounts in demand deposits, interest-bearing demand deposits, and money market accounts. Under state law, the City may deposit funds in demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

For purposes of the statements of cash flows, cash and cash equivalents include cash, demand deposits, and certificates of deposit. Cash and cash equivalents are stated at cost

H. Accounts receivable - The City considers substantially all customers' utility receivables and other receivables to be fully collectible; accordingly, an allowance for doubtful accounts is not required. If amounts become uncollectible, in the opinion of management, they are charged to operations at that time.

VILLAGE OF HEFLIN, LOUISIANA
 NOTES TO FINANCIAL STATEMENTS
 December 31, 1998

- I. Fixed assets - Fixed assets used in governmental fund type operations (general fixed assets) are capitalized in the General Fixed Assets Account Group, and recorded as expenditures in the governmental fund types when purchased. The Village has not capitalized all public domain (infrastructure) fixed assets. All fixed assets are valued at historical cost or estimated cost if actual historical cost is not available.

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against their operations. Depreciation has been provided over the estimated useful lives of the assets using the straight-line method.

- J. Fund equity - Contributed capital is recorded in the Enterprise Fund for capital grants restricted for the acquisition or construction of capital assets. Contributed capital is not amortized based on the depreciation recognized on that portion of the assets acquired or constructed from such resources.

Reserves represent those portions of fund equity not appropriable for expenditures or legally segregated for a specific future use.

Designated fund balances represent tentative plans for future use of financial resources.

- K. Total columns on combined statements - Total columns on combined statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither are such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

2. Cash and cash equivalents

At December 31, 1998, the Village had cash and cash equivalents with book balances totaling \$34,618 as follows:

Demand deposits	\$	13,440
Interest-bearing deposits		4,199
Certificate of deposit		<u>16,979</u>
Total	\$	<u>34,618</u>

These deposits are stated at cost, which approximates market. 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 at least equal the amount on deposit with the fiscal agent. 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. At December 31, 1998, the Village had \$ 47,412 in deposits of collected bank balances. These deposits were secured entirely from risk by federal deposit insurance.

VILLAGE OF HEFLIN, LOUISIANA
 NOTES TO FINANCIAL STATEMENTS
 December 31, 1998

3. Accounts receivable - water customers

Accounts receivable - water customers are analyzed periodically and accounts considered to be uncollectible are charged off. 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>

4. Fixed assets

A summary of changes in general fixed assets follows:

	<u>Balance</u> <u>January 1, 1998</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>December 31, 1998</u>
Land	\$ 6,150	-	-	6,150
Buildings	39,426	-	-	39,426
Equipment	9,673	1,204	-	10,877
Improvements other than buildings	<u>458</u>	<u>-</u>	<u>-</u>	<u>458</u>
Total general fixed assets	\$ <u>55,707</u>	<u>1,204</u>	<u>-</u>	<u>56,911</u>

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

<u>Description</u>	<u>Cost</u>			<u>Straight-line</u> <u>Depreciation</u> <u>Rate</u>	<u>Accumulated Depreciation</u>		
	<u>Balance</u> <u>12-31-97</u>	<u>Additions</u>	<u>Balance</u> <u>12-31-98</u>		<u>Balance</u> <u>12-31-97</u>	<u>Depreciation</u> <u>This Year</u>	<u>Balance</u> <u>12-31-98</u>
Water System	\$137,682	571,215	708,897	2.5% & 5%	80,426	8,750	89,176
Fence	<u>360</u>	<u>-</u>	<u>360</u>	5%	<u>360</u>	<u>-</u>	<u>360</u>
	<u>\$138,042</u>	<u>571,215</u>	<u>709,257</u>		<u>80,786</u>	<u>8,750</u>	<u>89,536</u>

Of the \$ 571,575 of water systems additions, \$ 549,514 was contributed from the FY 1996 Louisiana Community Development Block Grant and \$ 14,819 was contributed from a state grant.

VILLAGE OF HEFLIN, LOUISIANA
 NOTES TO FINANCIAL STATEMENTS
 December 31, 1998

5. Note payable - Enterprise Fund - Water System

The following is a summary of changes in the note payable for the year ended December 31, 1998:

Note payable, January 1, 1998	\$ 21,282
Principal payments	\$ <u>(2,763)</u>
Note payable, December 31, 1998	\$ <u>18,519</u>

The note payable of the Water System at December 31, 1998, consisted of:

	<u>Current maturities</u>	<u>Long- term</u>	<u>Total</u>
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:

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

6. Flow of funds, restrictions on use - Enterprise Fund (Water System)

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.

VILLAGE OF HEFLIN, LOUISIANA
 NOTES TO FINANCIAL STATEMENTS
 December 31, 1998

- (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.

7. Net working capital - Enterprise fund

The following shows the net working capital for the Enterprise Fund - Utilities Fund at December 31, 1998:

Total current assets	\$ 32,304
Total current liabilities	<u>(7,968)</u>
Net working capital	\$ <u>24,336</u>

8. Intergovernmental revenues

The Village periodically receives various grants and entitlements from Federal and State governmental units. These funds are used to finance various activities beneficial to the community. Grants normally specify what the funds may be used for and are audited annually under the Single Audit Approach as provided by Circular A-133 of the Office of Management and Budget.

During the year ended December 31, 1998, the following amount of grants and entitlements are recorded in the accompanying financial statements:

General fund:	
State grants and entitlements	\$ <u>14,819</u>
Louisiana Commission on Law Enforcement	\$ <u>1,084</u>
Capital Projects fund:	
Louisiana Community Development Block Grant	\$ <u>527,975</u>

VILLAGE OF HEFLIN, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
December 31, 1998

9. 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.

10. Year 2000 issue

Year 2000 is an issue arising from computers being programmed in prior years to use only two digits (under the assumption that the first two digits would always be 19) to identify the year when processing date-sensitive information. This method of identifying dates could cause problems when processing information with dates in the year 2000 or later. As a result, the systems that use only two digits to identify dates could process data incorrectly or stop functioning altogether. The effects of the Year 2000 is expected to extend beyond systems and any equipment that is dependent on microchip technology.

The Village of Heflin provides public services, public safety and various other public works to its citizens. The execution of these services generally does not rely upon microchip technology since these services are not automated in nature. However, the effect of the year 2000 issue upon the Village's vendors, revenue sources, grantors, and other entities with which it conducts business has not been determined. As a result, the effect of any of these entities' non-compliance with the year 2000 issue upon the Village has also not been determined.

For the year ended December 31, 1998, the Village of Heflin incurred no material remediation costs concerning the year 2000 issue. No significant loss due to impairment of equipment that is not year 2000 compliant was recognized for the year ended December 31, 1998.

OTHER SUPPLEMENTARY INFORMATION

VILLAGE OF HEFLIN, LOUISIANA

Schedule of Grant Activity -
 FY 1996 Louisiana Community Development Block Grant
 Period Ended December 31, 1998

	10/1/97 through 12/31/97	1/1/98 through 12/31/98	Total
Revenues:			
Federal LCDBG revenues	<u>\$ 21,539.06</u>	<u>527,975.19</u>	<u>549,514.25</u>
Expenditures:			
Public Works, Facilities, Site Improvements -			
Water (Fire Protection)	5,000.00	510,737.34	515,737.34
Administration -			
Other	<u>16,539.06</u>	<u>17,237.85</u>	<u>33,776.91</u>
Total expenditures	<u>21,539.06</u>	<u>527,975.19</u>	<u>549,514.25</u>
Excess Revenues (Expenditures)	<u>\$ -</u>	<u>-</u>	<u>-</u>
	<u>12/31/97</u>	<u>12/31/98</u>	
Grant receivable	<u>\$ 8,308.65</u>	<u>6,484.00</u>	
Accounts payable	<u>\$ 8,308.65</u>	<u>6,484.00</u>	

VILLAGE OF HEFLIN, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 1998

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses a qualified opinion on the general purpose financial statements of the Village of Heflin, Louisiana as of and for the year ended December 31, 1998. A qualified opinion was issued on the general purpose financial statements because insufficient audit evidence existed to support the Village of Heflin, Louisiana's disclosures with respect to the Year 2000 issue.
2. No reportable conditions relating to the audit of the general purpose financial statements were disclosed during the audit.
3. One instance of noncompliance material to the general purpose financial statements of the Village of Heflin, Louisiana was disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal award programs were disclosed during the audit.
5. The auditors' report on compliance for the major federal award programs for the Village of Heflin, Louisiana expresses an unqualified opinion.
6. No audit findings relative to the major federal award programs for the Village of Heflin, Louisiana are reported in this schedule.
7. The Village of Heflin, Louisiana had one major program consisting of the FY 1996 Louisiana Community Development Block Grant (LCDBG).
8. The threshold for distinguishing Types A and B programs was \$300,000.

VILLAGE OF HEFLIN, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

Year Ended December 31, 1998

B. FINDINGS RELATED TO FINANCIAL STATEMENTS WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

98-1:

Criteria: The "Louisiana Local Government Budget Act (LSA-RS 39:1301-14)" sets forth certain requirements for the formal adoption of a budget for the General Fund and all special revenue funds.

Condition: Although a budget was prepared for the General Fund for the year ending December 31, 1998, the budget was not formally adopted by the Village Board of Aldermen or recorded in the official minutes.

Recommendation: The officials of the Village of Heflin should review the "Louisiana Local Government Budget Act (LSA-RS 39:1301-14)" and the requirements for adoption of the budget(s) should be followed.

C. FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS

The results of our auditing procedures of the general purpose financial statements as of and for the year ended December 31, 1998, of the Village of Heflin, Louisiana, disclosed no items that are required to be reported in accordance with OMB Circular A-133.

VILLAGE OF HEFLIN, LOUISIANA

CORRECTIVE ACTION PLAN

December 31, 1998

The Village of Heflin, Louisiana submits the following corrective action plan for the year ended December 31, 1998 for the Schedule of Findings and Questioned Costs.

Findings related to financial statements which are required to be reported in accordance with GAGAS

Finding 98-1 - Budget Requirements

Recommendation: The officials of the Village of Heflin should review the "Louisiana Local Government Budget Act (LSA-RS 39:1301-14)" and the requirements for adoption of the budget(s) should be followed.

Action Taken: The appropriate officials of the Village of Heflin, Louisiana will review the "Louisiana Local Government Budget Act." The requirements contained in the Act will be followed and the required budget(s) will be appropriately adopted.

Findings and questioned costs related to federal awards

As stated in the Schedule of Findings and Questioned Costs, in connection with the audit of the general purpose financial statements as of and for the year ended December 31, 1998, of the Village of Heflin, Louisiana, there were no items required to be reported in accordance with OMB Circular A-133.

VILLAGE OF HEFLIN, LOUISIANA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

December 31, 1998

Prior Audit Findings Related to Federal Awards

There were no prior audit findings relative to federal awards reported.

Prior Audit Findings Related to Financial Statements

There were no prior audit findings relative to financial statements.

VILLAGE OF HEFLIN, LOUISIANA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended December 31, 1998

<u>Federal Grantor/Pass Through Grantors/Program Title</u>	<u>Federal CFDA #</u>	<u>Grant ID #</u>	<u>Program or Award Amount</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>
<u>Department of Housing & Urban Development</u> Passed through the State of Louisiana - Division of Administration:					
LA Community Development Block Grant - FY 1996	14.228	107-700155	\$ 552,441	\$ 527,975	\$ 527,975
<u>U.S. Department of Justice</u> Passed through Louisiana Commission on Law Enforcement and Administration of Criminal Justice:					
Law Enforcement Equipment	16.592	96-Z1-Z.1C-0632	\$ 1,084	\$ 1,084	\$ 1,084
Total Federal Assistance, all programs				\$ 529,059	\$ 529,059