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VILLAGE OF HEFLIN, LOUISIANA
FINANCIAL REPORT
DECEMBER 31, 2003

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 7-21-04

VILLAGE OF HEFLIN
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A PROFESSIONAL ACCOUNTING CORPORATION

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MEMBERS

AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
SOCIETY OF LOUISIANA
CERTIFIED PUBLIC ACCOUNTANTS

ACCOUNTANTS' COMPILATION REPORT

The Honorable Stewart Beatty, Mayor,
and the Members of the Board of Aldermen
Village of Heflin, Louisiana

We have compiled the accompanying general-purpose financial statements of the Village of Heflin, Louisiana as of December 31, 2003, and for the year 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 compiled financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

In accordance with the Louisiana Governmental Audit Guide and the provisions of state law, we have issued a report, dated June 21, 2004, on the results of our agreed-upon procedures.

June 21, 2004
Minden, LA

JAMIESON, WISE & MARTIN

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Independent Accountants' Report on Applying Agreed-Upon Procedures

To the Honorable Stewart Beatty, Mayor,
and the Members of the Board of Aldermen
Village of Heflin, Louisiana

We have performed the procedures included in the *Louisiana Government Audit Guide* and enumerated below, which were agreed to by the management of the Village of Heflin, Louisiana and the Legislative Auditor, State of Louisiana, solely to assist the users in evaluating management's assertions about the Village of Heflin's compliance with certain laws and regulations during the year ended December 31, 2003 included in the accompanying *Louisiana Attestation Questionnaire*. This agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Public Bid Law

1. Select all expenditures made during the year for material and supplies exceeding \$15,000, or public works exceeding \$100,000, and determine whether such purchases were made in accordance with LSA-RS 38:2211-2251 (the public bid law).

For the year ended December 31, 2003, no expenditures were noted for materials or supplies exceeding \$15,000 or expenditures for public works exceeding \$100,000.

Code of Ethics for Public Officials and Public Employees

2. Obtain from management a list of the immediate family members of each board member as defined by LSA-RS 42:1101-1224 (the code of ethics), and a list of outside business interests of all board members and employees, as well as their immediate families.

Management provided us with the required list including the noted information.

3. Obtain from management a listing of all employees paid during the period under examination.

Management provided us with the required list.

4. Determine whether any of those employees included in the listing obtained from management in agreed-upon procedure (3) were also included on the listing obtained from management in agreed-upon procedure (2) as immediate family members.

One of the employees included on the list of employees provided by management for agreed-upon procedure (3) was also included on the list provided by management for agreed-upon procedure (2). Todd Leake was employed by the Village of Heflin Water Department while also serving as a village alderman.

Budgeting

5. Obtain a copy of the legally adopted budget and all amendments.

Management provided us with a copy of the original budget. There were no amendments to the budget during the year.

6. Trace the budget adoption and amendments to the minute book.

We traced the adoption of the original budget to the minutes of a meeting held on December 5, 2002 which indicated that the budget had been adopted by the aldermen of the Village of Heflin by a unanimous vote.

7. Compare the revenues and expenditures of the final budget to actual revenues and expenditures to determine if actual revenues failed to meet budgeted revenues by 5% or more or if actual expenditures exceed budgeted amounts by more than 5%.

We compared the revenues and expenditures of the final budget to actual revenues and expenditures. Actual revenues exceeded budgeted revenues by 44%. Actual expenditures for the year exceeded budgeted amounts by 49%.

Accounting and Reporting

8. Randomly select 6 disbursements made during the period under examination and:

(a) trace payments to supporting documentation as to proper amount and payee;

We examined supporting documentation for each of the six selected disbursements. Four disbursements were found to be for the proper amount and made to the correct payee. For two disbursements, supporting

documentation could not be located and it could not be determined if they were for the proper amount and made to the proper payee.

- (b) determine if payments were properly coded to the correct fund and general ledger account; and

Four disbursements were found to be properly coded to the correct fund and general ledger account. For two disbursements, supporting documentation could not be located and it could not be determined if they were properly coded.

- (c) determine whether payments received approval from proper authorities.

Four disbursements were found to be approved by the proper authorities. For two disbursements, supporting documentation could not be located and it could not be determined if they received the proper approval.

Meetings

- 9. Examine evidence indicating that agendas for meetings recorded in the minute book were posted or advertised as required by LSA-RS 42:1 through 42:12 (the open meetings law).

The Village of Heflin, Louisiana is only required to post a notice of each meeting and the accompanying agenda on the door of the village town hall. Although the management of the Village indicated that such documents were properly posted, we could find no evidence supporting such assertion.

Debt

- 10. Examine bank deposits for the period under examination and determine whether any such deposits appear to be proceeds of bank loans, bonds, or like indebtedness.

We inspected the underlying bank deposit records for the period under examination and noted no deposits that appeared to be proceeds of bank loans, bonds, or like indebtedness.

Advances and Bonuses

- 11. Examine payroll records and minutes for the year to determine whether any payments have been made to employees which may constitute bonuses, advance or gifts.

A reading of the minutes of the village for the year indicated no approval for the payments noted. We also inspected payroll records for the year and noted no instances which would indicate payments to employees which would constitute bonuses, advances, or gifts.

We were not engaged to, and did not, perform an examination, the objective of which would be the expression of an opinion on management's assertions. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of management of the Village of Heflin, Louisiana and the Legislative Auditor, State of Louisiana, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revises Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Minden, Louisiana
June 21, 2004

LOUISIANA ATTESTATION QUESTIONNAIRE
(For Attestation Engagements of Government)
_____ (Date Transmitted)

JAMILSON, WISE + MARTIN, CPA
P.O. Box 897
MINDEN, LA 71058
_____ (Auditors)

In connection with your compilation of our financial statements as of [date] and for the year then ended, and as required by Louisiana Revised Statute 24:513 and the *Louisiana Governmental Audit Guide*, we make the following representations to you. We accept full responsibility for our compliance with the following laws and regulation and the internal controls over compliance with such laws and regulations. We have evaluated our compliance with the following laws and regulations prior to making these representations.

These representations are based on the information available to us as of (date of completion/representations).

Public Bid Law

It is true that we have complied with the public bid law, LSA-RS Title 38:2212, and, where applicable, the regulations of the Division of Administration, State Purchasing Office..
Yes No

Code of Ethics for Public Officials and Public Employees

It is true that no employees or officials have accepted anything of value, whether in the form of a service, loan, or promise, from anyone that would constitute a violation of LSA-RS 42:1101-1124.
Yes No

It is true that no member of the immediate family of any member of the governing authority, or the chief executive of the governmental entity, has been employed by the governmental entity after April 1, 1980, under circumstances that would constitute a violation of LSA-RS 42:1119.
Yes No

Budgeting

We have complied with the state budgeting requirements of the Local Government Budget Act (LSA-RS 39:1301-14) or the budget requirements of LSA-RS 39:34.
Yes No

Accounting and Reporting

All non-exempt governmental records are available as a public record and have been retained for at least three years, as required by LSA-RS 44:1, 44:7, 44:31, and 44:36.
Yes No

We have filed our annual financial statements in accordance with LSA-RS 24:514, 33:463, and/or 39:92, as applicable.
Yes No

We have had our financial statements audited or compiled in accordance with LSA-RS 24:513.
Yes [] No []

Meetings

We have complied with the provisions of the Open Meetings Law, provided in RS 42:1 through 42:12.
Yes [] No []

Debt

It is true we have not incurred any indebtedness, other than credit for 90 days or less to make purchases in the ordinary course of administration, nor have we entered into any lease-purchase agreements, without the approval of the State Bond Commission, as provided by Article VII, Section 8 of the 1974 Louisiana Constitution, Article VI, Section 33 of the 1974 Louisiana Constitution, and LSA-RS 39:1410.60-1410.65.
Yes [] No []

Advances and Bonuses

It is true we have not advanced wages or salaries to employees or paid bonuses in violation of Article VII, Section 14 of the 1974 Louisiana Constitution, LSA-RS 14:138, and AG opinion 79-729.
Yes [] No []

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

We have provided you with any communications from regulatory agencies or other sources concerning any possible noncompliance with the foregoing laws and regulations, including any communications received between the end of the period under examination and the issuance of this report. We acknowledge our responsibility to disclose to you any known noncompliance which may occur subsequent to the issuance of your report.

Terri James Secretary 1-20-04 Date

Treasurer _____ Date

President _____ Date

Note: If the engagement is for a routine compilation/attest that will be completed within six months of the entity's fiscal year-end and the CPA will submit either a Fax Approval Form or an Email engagement approval form to the legislative auditor, the space for the legislative auditor's approval may be omitted.

GENERAL PURPOSE FINANCIAL STATEMENTS
(COMBINED STATEMENTS - OVERVIEW)

VILLAGE OF HEFLIN, LOUISIANA

Combined Balance Sheet - All Fund Types and Account Groups
December 31, 2003

	Governmental Fund Types		Proprietary Fund	Account Group	Totals (Memorandum Only)
	General	Capital Projects	Enterprise	General Fixed Assets	
Assets					
Cash	\$ 40,305	45	16,617	-	56,967
Investments	-	-	20,965	-	20,965
Receivables:					
Water customers	-	-	1,419	-	1,419
Restricted assets - cash	-	-	4,750	-	4,750
Land	-	-	-	6,150	6,150
Buildings	-	-	-	408,653	408,653
Improvements other than buildings	-	-	-	11,190	11,190
Equipment	-	-	-	17,533	17,533
Construction in progress	-	-	-	2,304	2,304
Enterprise fund property, plant and equipment	-	-	729,995	-	729,995
Enterprise fund construction in progress	-	-	101,980	-	101,980
Accumulated depreciation	-	-	(180,475)	-	(180,475)
Total assets	\$ 40,305	45	695,251	445,830	1,181,431
Liabilities and Fund Equity					
Liabilities:					
Accounts payable	\$ -	-	15	-	15
Payable from restricted assets - Meter deposits	-	-	4,750	-	4,750
Total liabilities	-	-	4,765	-	4,765
Fund equity:					
Contributed equity	-	-	666,313	-	666,313
Investment in general fixed assets	-	-	-	445,830	445,830
Retained earnings -					
Reserved	-	-	-	-	-
Unreserved	-	-	24,173	-	24,173
Fund balances - unreserved - undesignated	40,305	45	-	-	40,350
Total fund equity	40,305	45	690,486	445,830	1,176,666
Total liabilities and fund equity	\$ 40,305	45	695,251	445,830	1,181,431

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, 2003

	General Fund	Capital Projects	Totals (Memorandum Only)
Revenues:			
Occupational licenses	\$ 18,063	-	18,063
Utility and franchise taxes	6,847	-	6,847
Intergovernmental -			
Federal grants	-	101,980	101,980
State grants	12,039	-	12,039
Miscellaneous-			
Civic center rentals	1,770	-	1,770
Police Fines	12,688	-	12,688
Interest income	211	-	211
Other	2,298	-	2,298
Total revenues	<u>53,916</u>	<u>101,980</u>	<u>155,896</u>
Expenditures:			
General government			
Utilities	7,343	-	7,343
Secretarial and bookkeeping	1,425	-	1,425
Mayor & Aldermen	320	-	320
Office supplies	105	-	105
Advertising	1,513	-	1,513
Legal and accounting	990	-	990
Insurance	5,471	-	5,471
Supplies	28	-	28
Dues & subscriptions	125	-	125
Travel	247	-	247
Repairs and maintenance	3,642	-	3,642
Rent	24	-	24
Public safety - police			
Police salary	4,000	-	4,000
Repairs & maintenance	524	-	524
Court costs	1,395	-	1,395
Miscellaneous	105	-	105
Capital expenditures	15,308	101,980	117,288
Total expenditures	<u>42,565</u>	<u>101,980</u>	<u>144,545</u>
Excess of revenues over expenditures	11,351	-	11,351
Fund balance, beginning of year	<u>28,954</u>	<u>45</u>	<u>28,999</u>
Fund balance, end of year	<u>\$ 40,305</u>	<u>45</u>	<u>40,350</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, 2003

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Occupational licenses	\$ 14,000	18,063	4,063
Utility and franchise taxes	3,800	6,847	3,047
Intergovernmental -			
State grants	-	12,039	12,039
Miscellaneous-			
Civic center rentals	1,350	1,770	420
Police fines	3,000	12,688	9,688
Interest income	-	211	211
Other	1,500	2,298	798
Total revenues	23,650	53,916	30,266
Expenditures:			
General government			
Utilities	6,800	7,343	(543)
Secretarial and bookkeeping	1,800	1,425	375
Mayor & aldermen	-	320	(320)
Office supplies	350	105	245
Advertising	200	1,513	(1,313)
Legal and accounting	250	990	(740)
Insurance	4,700	5,471	(771)
Supplies	-	28	(28)
Dues and subscriptions	250	125	125
Travel	-	247	(247)
Repairs and maintenance	3,700	3,642	58
Rent	-	24	(24)
Public safety - police			
Police salary	1,200	4,000	(2,800)
Repairs & maintenance	-	524	(524)
Court costs	-	1,395	(1,395)
Miscellaneous	-	105	(105)
Capital expenditures	-	15,308	(15,308)
Total expenditures	19,250	42,565	(23,315)
Excess of revenues over expenditures	4,400	11,351	6,951
Fund balance, beginning of year	28,954	28,954	-
Fund balance, end of year	\$ 33,354	40,305	6,951

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, 2003

Operating revenues:	
Water	\$ 34,697
Installation fees	-
Total operating revenues	<u>34,697</u>
Operating expenses:	
Meter reading and billing	275
Salaries	9,746
Electricity	4,108
Line supplies and repairs	3,832
Office supplies	565
Accounting	1,500
Insurance	1,635
Depreciation	18,725
Taxes	1,490
Chemicals	360
Other	748
Total operating expenses	<u>42,984</u>
Operating income (loss)	<u>(8,287)</u>
Non-operating revenues (expenses):	
Interest income	396
Interest expense	(236)
Total non-operating revenues (expenses)	<u>160</u>
Net income	(8,127)
Retained earnings at beginning of year	32,300
Retained earnings at end of year	<u>\$ 24,173</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, 2003

Cash flows from operating activities:	
Cash received from customers	\$ 35,028
Cash payments for supplies and services	<u>(24,559)</u>
Net cash provided (used) by operating activities	<u>10,469</u>
Cash flows from noncapital financing activities:	
Net increase in meter deposits	<u>25</u>
Net cash provided (used) by noncapital financing activities	<u>25</u>
Cash flows from capital and related financing activities:	
Principal paid on long-term debt	(6,735)
Interest paid on long-term debt	(236)
Acquisition of property, plant and equipment	<u>(3,333)</u>
Net cash used for capital and related financing activities	<u>(10,304)</u>
Cash flows from investing activities:	
Interest on interest-bearing deposits	<u>396</u>
Net increase (decrease) in cash and cash equivalents	586
Cash and cash equivalents at beginning of year	<u>41,746</u>
Cash and cash equivalents at end of year	<u>\$ 42,332</u>
Reconciliation of operating income to net cash used by operating activities:	
Operating loss	\$ (8,287)
Adjustments to reconcile operating income to net cash used by operating activities:	
Depreciation	18,725
Changes in assets and liabilities -	
(Increase) decrease in accounts receivable	331
Increase (decrease) in sales tax payable	(300)
Increase (decrease) in accounts payable	<u>-</u>
Net cash used by operating activities	<u>\$ 10,469</u>

Noncash transactions: The Village received \$101,980 in grant funds from LCDBG which has been recorded in the Enterprise Fund as Contributed Capital and Construction in Progress.

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

VILLAGE OF HEFLIN

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

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:

VILLAGE OF HEFLIN

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

1. *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.
2. *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.
3. *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:

1. *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

VILLAGE OF HEFLIN

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

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.

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 the 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:

VILLAGE OF HEFLIN

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

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 Village may deposit funds in demand deposits, interest-bearing demand deposits, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

Under state law, the Village may invest in United States bonds, treasury notes, or certificates. These are classified as investments if their original maturities exceed 90 days: however, if the original maturities are 90 days or less, they are classified as cash equivalents. Investments are stated at cost.

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 Village 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.

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.

Fixed assets used in the proprietary fund operations are included on the balance sheet of the funds net of accumulated depreciation. Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against their operations. Depreciation

VILLAGE OF HEFLIN

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

has been provided over the estimated useful lives of the assets using the straight-line method.

J. FUND EQUITY

Contributed Capital

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

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

Designated Fund Balances

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 EQUIVELENTS

At December 31, 2003, the Village had cash and cash equivalents with book balances totaling \$61,717 as follows:

	<u>Governmental Funds</u>	<u>Proprietary Funds</u>
Demand deposits	\$15,789	\$15,374
Interest-bearing demand deposits	2	0
Certificates of deposit	24,559	5,993
Total	<u>\$40,350</u>	<u>\$21,367</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

VILLAGE OF HEFLIN

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

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, 2003, the Village had \$ 82,569 in deposits of collected bank balances. These deposits were secured entirely from risk by federal deposit insurance.

3. INVESTMENTS

On December 31, 2003, the proprietary fund held investments totaling \$20,965 in certificates of deposit whose maturities were greater than 90 days. The investments are in the name of the Village of Heflin and are held in the trust department of the custodial bank selected by the Village. The certificates are considered to be insured and are classified as Category 1 in applying the credit risk of GASB Codification Section 150.164.

4. ACCOUNTS RECEIVABLE - WATER CUSTOMERS

Accounts receivable for the water customers are analyzed periodically and accounts considered to be uncollectible are charged off. At December 31, 2003, there were 176 metered water customers. Aging of the accounts receivable at December 31, 2003, is as follows:

Days	Amount
0-30	\$1,419
31-60	-
61-90	-
Over 90	-
	<hr/>
	\$1,419

VILLAGE OF HEFLIN

NOTES TO FINANCIAL STATEMENTS
December 31, 2003

4. FIXED ASSETS

A summary of changes in general fixed assets follows:

	Balance January 1, 2003	Additions	Deletions	Balance December 31, 2003
Land	\$ 6,150	-	-	6,150
Buildings	408,653	-	-	408,653
Equipment	14,261	3,272	-	17,533
Improvements other than buildings	458	10,732	-	11,190
Construction in progress	-	2,304	-	2,304
Total general fixed assets	\$ 429,522	16,308	-	445,830

The following is a summary of property, plant and equipment, with related depreciation, for the year ended December 31, 2003:

	Balance January 1, 2003	Additions	Deletions	Balance December 31, 2003
Water System	\$ 725,127	550	-	725,677
Fence	1,535	-	-	1,535
Furniture & Equipment	-	2,783	-	2,783
Construction in progress	-	101,980	-	101,980
Subtotal	726,662	105,313	-	831,975
Less accumulated depreciation	(161,750)	(18,725)		(180,475)
Total	\$ 564,912	86,588	-	651,500

5. NOTE PAYABLE – ENTERPRISE FUND

The following is a summary of changes in the note payable for the year ended December 31, 2003:

VILLAGE OF HEFLIN

NOTES TO FINANCIAL STATEMENTS
December 31, 2003

Note payable, January 1, 2003	\$ 6,735
Principal payments	\$ <u>(6,735)</u>
Note payable, December 31, 2003	\$ <u>0</u>

8. NET WORKING CAPITAL – ENTERPRISE FUND

The following shows the net working capital for the Enterprise Fund - Utilities Fund at December 31, 2003:

Total current assets	\$ 43,751
Total current liabilities	<u>(4,765)</u>
Net working capital	\$ <u>38,986</u>

9. 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 may be 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, 2003, The Village of Heflin received revenues from the following grants:

Louisiana Community Development Block Grant	\$ 101,980
State of Louisiana Rural Development	<u>10,000</u>
Total grant revenues	\$ 110,980

10. CHANGES IN CONTRIBUTED CAPITAL

The following is summary of the changes in contributed capital:

Balance January 1, 2003	\$ 564,333
Additions:	
Louisiana Community Development Block Grant	<u>101,980</u>
Balance December 31, 2003	\$ <u>666,313</u>

SUPPLEMENTAL INFORMATION SCHEDULES

VILLAGE OF HEFLIN, LOUISIANA

SCHEDULE OF COMPENSATION PAID BOARD MEMBERS
Year Ended December 31, 2003

Board members, along with the mayor received the following for their advisory roles and other services rendered as elected leaders.

Stewart Beatty	Mayor	\$80.00
Catherine Lee	Alderman	\$80.00
Todd Leake	Alderman	\$80.00
Robert Stachowicz	Alderman	\$80.00

VILLAGE OF HEFLIN, LOUISIANA

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS

For the year ended December 31, 2002

FINDING 2002-1: BUDGET REQUIREMENTS

Finding: The Village Board of Alderman did not formally adopt the budget before year end. The budget for the year ending December 31, 2002 was adopted on January 2, 2003. LA RS 39:1306 requires the budget to be adopted no later than 15 days prior to the beginning of each fiscal year.

Corrective Action Taken: For the year ended December 31, 2003, the formal adoption of the budget was noted in the minutes of December 5, 2002.

VILLAGE OF HEFLIN, LOUISIANA

CORRECTIVE ACTION PLAN

December 31, 2003

FINDING 2003-1: PROHIBITED EMPLOYMENT

Finding: Todd Leake was employed as the superintendent of the water department from January 2003 to November 2003. He also served as an alderman of the Village of Heflin with a four year term beginning January 1, 2003. According to LA RS 42:63(D), no person shall hold at the same time employment in the government of this state, or in the same political subdivision in which he holds an elective office.

Corrective Action Plan: In a small community of about 250 people it is difficult to find people to serve. Mr. Leake due to his experience in this field agreed to perform the services. Upon the mayor and alderman understanding the prohibition in the law, Mr. Leake resigned and a replacement was sought. As of December 2003, Todd Leake is no longer employed by the Village of Heflin and a new water superintendent has been hired.

FINDING 2003-2: BUDGET VIOLATION

Finding: For the year ending December 31, 2003, actual expenditures exceeded budgeted expenditures by 49%. According to the Louisiana Local Government Budget Act, actual total expenditures and other uses should not exceed total budgeted expenditures and other uses by five percent or more.

Corrective Action Plan: The Village will take steps in the future to ensure that budgeting is done in accordance with Louisiana law.

FINDING 2003-3: MISSING DOCUMENTATION OF EXPENDITURES

Finding: Documentation for two expenditures selected for the agreed upon procedures testwork could not be located. For these two expenditures, it could not be determined if payment was made for the proper amount and to the proper payee, if the payments were properly coded to the correct fund and general ledger account, or whether the payments received proper approval.

Corrective Action: The Village will take steps to ensure that all expenditures have the required documentation and approval.