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VILLAGE OF FOREST HILL, LOUISIANA

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FOREST HILL, LOUISIANA

JUNE 30, 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 12-07-98

VILLAGE OF FOREST HILL, LOUISIANA

JUNE 30, 1998

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VILLAGE OF FOREST HILL, LOUISIANA

JUNE 30, 1998

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PAYNE, MOORE & HERRINGTON, LLP

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Honorable Marcia Young, Mayor
and the Members of the Board of Aldermen
Village of Forest Hill, Louisiana

We have audited the accompanying general purpose financial statements of the Village of Forest Hill, Louisiana as of and for the year ended June 30, 1998, as listed in the table of contents. These general purpose financial statements are the responsibility of the Village of Forest Hill, Louisiana's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Village of Forest Hill, Louisiana as of June 30, 1998, and the results of its operations and cash flows of its proprietary fund types for the year then ended, in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 1, 1998, on our consideration of the Village of Forest Hill, 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 conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The individual fund and account group financial statements listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the Village of Forest Hill, Louisiana. Such information

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PAYNE, MOORE & HERRINGTON, LLP

To the Honorable Marcia Young, Mayor
and the Members of the Board of Aldermen
Village of Forest Hill, Louisiana

has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

Payne, Moore & Herrington, LLP
Certified Public Accountants

September 1, 1998

VILLAGE OF FOREST HILL, LOUISIANA
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUP
 JUNE 30, 1998

EXHIBIT A

	GOVERNMENTAL FUND TYPES		PROPRIETARY FUND TYPE	ACCOUNT GROUP	TOTAL
	GENERAL	SPECIAL REVENUE	ENTERPRISE	GENERAL FIXED ASSETS	(MEMORANDUM ONLY)
ASSETS					
Cash and cash equivalents	\$15,373	\$3,139	\$ 88,812	\$	\$ 107,324
Investments at cost			279,623		279,623
Receivables			31,012		31,012
Accounts			192		192
Interest					5,277
Intergovernmental	550	4,727			3,314
Taxes	3,314				281,906
Due from other funds			281,906		33,682
Restricted assets			33,682		2,569,817
Property, plant, and equipment			2,164,463	405,354	(798,351)
Accumulated depreciation			(798,351)		55,326
Construction in progress			55,326		
TOTAL ASSETS	\$19,237	\$7,866	\$2,136,665	\$405,354	\$2,569,122
LIABILITIES, EQUITY, AND OTHER CREDITS					
LIABILITIES					
Accounts payable	\$ 2,227	\$	\$ 281,906	\$	\$ 2,227
Due to other funds					281,906
Payable from restricted assets					
Customer meter deposits			33,682		33,682
Total Liabilities	2,227	-0-	315,588	-0-	317,815
EQUITY AND OTHER CREDITS					
Investment in general fixed assets				405,354	405,354
Contributed capital			1,076,915		1,076,915
Retained earnings			744,162		744,162
Unreserved					
Fund Balances					
Unreserved - Undesignated	17,010	7,866			24,876
Total Equity and Other Credits	17,010	7,866	1,821,077	405,354	2,251,307
TOTAL LIABILITIES, EQUITY, AND OTHER CREDITS	\$19,237	\$7,866	\$2,136,665	\$405,354	\$2,569,122

The accompanying notes are an integral part of the financial statements.

VILLAGE OF FOREST HILL, LOUISIANA
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES
 ALL GOVERNMENTAL FUND TYPES
 YEAR ENDED JUNE 30, 1998

EXHIBIT B

	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>	<u>TOTAL (MEMORANDUM ONLY)</u>
REVENUES			
Taxes	\$ 18,197	\$	\$ 18,197
Licenses and permits	21,648		21,648
Intergovernmental	46,633	11,882	58,515
Fines	28,862		28,862
Interest	581		581
Miscellaneous	<u>10,326</u>		<u>10,326</u>
Total Revenues	126,247	11,882	138,129
EXPENDITURES			
Current			
General government	118,632		118,632
Public safety	8,687	8,903	17,590
Highways, streets, and sanitation	35,383		35,383
Capital outlay	<u>18,382</u>	<u>4,769</u>	<u>23,151</u>
Total Expenditures	<u>181,084</u>	<u>13,672</u>	<u>194,756</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(54,837)	(1,790)	(56,627)
OTHER FINANCING SOURCES			
Operating transfers in	<u>34,750</u>	<u>5,000</u>	<u>39,750</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	(20,087)	3,210	(16,877)
FUND BALANCES, BEGINNING OF YEAR	<u>37,097</u>	<u>4,656</u>	<u>41,753</u>
<u>FUND BALANCES, END OF YEAR</u>	<u>\$ 17,010</u>	<u>\$ 7,866</u>	<u>\$ 24,876</u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF FOREST HILL, LOUISIANA
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 GENERAL AND SPECIAL REVENUE FUNDS
 YEAR ENDED JUNE 30, 1998

EXHIBIT C

	GOVERNMENTAL FUND TYPES				VARIANCE FAVORABLE (UNFAVORABLE)
	GENERAL FUND		SPECIAL REVENUE FUND		
	BUDGET	ACTUAL	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES					
Taxes	\$ 16,460	\$ 18,197	\$	\$	\$
Licenses and permits	16,775	21,648			4,873
Intergovernmental	38,950	46,633	11,635	11,882	247
Fines	26,500	28,862			2,362
Interest	550	581			31
Miscellaneous	12,000	10,326			(1,674)
Total Revenues	<u>111,235</u>	<u>126,247</u>	<u>11,635</u>	<u>11,882</u>	<u>247</u>
EXPENDITURES					
Current					
General government	121,835	118,632			3,203
Public safety	4,975	8,687	17,350	8,903	8,447
Highways, streets, and sanitation	29,445	35,383			(5,938)
Capital outlay	10,000	18,382			(8,382)
Total Expenditures	<u>166,255</u>	<u>181,084</u>	<u>17,350</u>	<u>13,672</u>	<u>(4,769)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(55,020)	(54,837)	(5,715)	(1,790)	3,925
OTHER FINANCING SOURCES					
Operating transfers in	<u>50,000</u>	<u>34,750</u>		<u>5,000</u>	<u>5,000</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	(5,020)	(20,087)	(5,715)	3,210	8,925
FUND BALANCES, BEGINNING OF YEAR	<u>26,207</u>	<u>37,097</u>	<u>1,008</u>	<u>4,656</u>	<u>3,648</u>
<u>FUND BALANCES, END OF YEAR</u>	<u>\$ 21,187</u>	<u>\$ 17,010</u>	<u>\$ (4,707)</u>	<u>\$ 7,866</u>	<u>\$ 12,573</u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF FOREST HILL, LOUISIANA
 COMBINED STATEMENT OF REVENUES, EXPENSES, AND
 CHANGES IN RETAINED EARNINGS - ALL PROPRIETARY FUND TYPES
 YEAR ENDED JUNE 30, 1998

EXHIBIT D

	ENTERPRISE FUNDS			TOTAL (MEMORANDUM ONLY)
	GAS SYSTEM FUND	WATER SYSTEM FUND	SEWER SYSTEM FUND	
OPERATING REVENUES				
Charges for services - sales	\$203,913	\$176,827	\$ 13,002	\$393,742
Miscellaneous income	<u>58</u>	<u>227</u>	<u> </u>	<u>285</u>
Total Operating Revenues	203,971	177,054	13,002	394,027
OPERATING EXPENSES				
Gas purchased for resale	80,044			80,044
Salaries and payroll taxes	48,765	45,439	7,214	101,418
Office supplies and expense	2,633	76,354		78,987
Legal and other professional	9,250	17,195		26,445
System repairs, maintenance, and connections	34,442		15,794	50,236
Utilities		19,883		19,883
Insurance	4,452	4,199	750	9,401
Depreciation	<u>17,489</u>	<u>31,456</u>	<u>19,996</u>	<u>68,941</u>
Total Operating Expenses	<u>197,075</u>	<u>194,526</u>	<u>43,754</u>	<u>435,355</u>
OPERATING INCOME (LOSS)	6,896	(17,472)	(30,752)	(41,328)
NONOPERATING INCOME				
Interest income	<u>4,103</u>	<u>17,453</u>	<u>55</u>	<u>21,611</u>
INCOME (LOSS) BEFORE OPERATING TRANSFERS	10,999	(19)	(30,697)	(19,717)
OPERATING TRANSFERS OUT	<u>(29,875)</u>	<u>(9,875)</u>	<u> </u>	<u>(39,750)</u>
NET LOSS	(18,876)	(9,894)	(30,697)	(59,467)
RETAINED EARNINGS (DEFICIT), BEGINNING OF YEAR				
	<u>122,881</u>	<u>805,177</u>	<u>(124,429)</u>	<u>803,629</u>
RETAINED EARNINGS (DEFICIT), <u>END OF YEAR</u>				
	<u>\$104,005</u>	<u>\$795,283</u>	<u>\$(155,126)</u>	<u>\$744,162</u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF FOREST HILL, LOUISIANA
 COMBINED STATEMENT OF CASH FLOWS
 ALL PROPRIETARY FUND TYPES
 YEAR ENDED JUNE 30, 1998

EXHIBIT E

	ENTERPRISE FUNDS				TOTAL (MEMORANDUM ONLY)
	GAS SYSTEM FUND	WATER SYSTEM FUND	SEWER SYSTEM FUND		
CASH FLOWS FROM OPERATING ACTIVITIES	\$ 6,896	\$(17,472)	\$(30,752)		\$(41,328)
Operating income (loss)	17,489	31,456	19,996		68,941
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities	1,397	(3,830)	(432)		(2,865)
Depreciation	12,331	8,755			21,086
Changes in assets and liabilities					(5,340)
Accounts receivable					(21,087)
Due from other funds	6,147	(12,331)	(5,340)		
Accounts payable	545	2,041	(14,903)		2,716
Due to other funds	44,805	8,619	(31,301)		22,123
Customer meter deposits - net					
Customer meter deposits - net					
Net Cash Provided (Used) by Operating Activities					
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	(29,875)	(9,875)			(39,750)
Operating transfers out	(29,875)	(9,875)			(39,750)
Net Cash Used by Noncapital Financing Activities					
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	(16,998)	(29,897)	(369)		(47,264)
Acquisition of property, plant, and equipment	(16,998)	(29,897)	(369)		(47,264)
Net Cash Used by Capital and Related Financing Activities					
CASH FLOWS FROM INVESTING ACTIVITIES	(1,626)				(1,626)
Purchase of investments	(1,626)				(1,626)
Interest received on operating funds	3,789	17,453	55		21,297
Net Cash Provided by Investing Activities	2,163	17,453	55		19,671
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	95	(13,700)	(31,615)		(45,220)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	40,845	35,435	58,342		134,622
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 40,940	\$ 21,735	\$ 26,727		\$ 89,402
CLASSIFIED AS					
Current Assets	\$ 40,940	\$ 21,735	\$ 26,137		\$ 88,812
Restricted Assets			590		590
TOTAL	\$ 40,940	\$ 21,735	\$ 26,727		\$ 89,402

The accompanying notes are an integral part of the financial statements.

VILLAGE OF FOREST HILL, LOUISIANA
JUNE 30, 1998

NOTES TO FINANCIAL STATEMENTS

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Village of Forest Hill was incorporated in 1929, under the provisions of the Lawrason Act. The Village operates under a Mayor - Board of Aldermen form of government.

The financial statements of the Village have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations) constitutes GAAP for governmental units.

Significant Accounting Policies

The more significant of the Village's accounting policies are described below.

A. The Financial Reporting Entity

As required by generally accepted accounting principles, these financial statements present the Village of Forest Hill (the primary government).

In evaluating how to define the Village's reporting entity for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in generally accepted accounting principles. Generally, component units are legally separate organizations for which the elected officials or appointed board members of the primary government are financially accountable. Some of the criteria considered under "legally separate organizations" are: the capacity for the organization to have its own name; the right for the organization to sue and be sued in its own name without recourse to the primary government; and, the right to buy, sell, lease, and mortgage property in its own name. Some of the criteria used to consider "financially accountable" include: appointment of a voting majority of the organization's governing body; ability for primary government to impose its will on the organization; whether the organization has the potential to provide specific financial benefits to, or improve specific financial burdens on the primary government; and fiscal dependence

VILLAGE OF FOREST HILL, LOUISIANA
JUNE 30, 1998

NOTES TO FINANCIAL STATEMENTS

of the organization. An entity is fiscally dependent if it does not have the authority to do all of the following procedures:

- a. Determine its budget without another government having the authority to approve and modify that budget.
- b. Levy taxes or set rates or charges without approval from another government.
- c. Issue bond debt without approval by another government.

This report includes all funds and account groups which meet the above criteria. No potential component units were excluded or included in the accompanying financial statements.

B. Fund Accounting

The Village uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Funds of the Village are classified into two categories: governmental and proprietary. Each category, in turn, is divided into separate "fund types."

Governmental funds are used to account for all or most of the Village's general activities, including the collection and disbursement of earmarked monies (special revenue funds). The general fund is used to account for all activities of the general government not accounted for in some other fund.

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful for sound financial administration. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies primarily within the government (internal service funds). The Village operates three Enterprise Funds - a gas system, a water system, and a sewer system.

The General Fixed Assets Account Group is used to account for fixed assets other than those used in the proprietary funds.

VILLAGE OF FOREST HILL, LOUISIANA
JUNE 30, 1998

NOTES TO FINANCIAL STATEMENTS

C. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Proprietary funds follow GAAP prescribed by the Governmental Accounting Standards Board and all Financial Accounting Standards Board's standards issued prior to November 30, 1989.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

The modified accrual basis of accounting is used by all governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means the amount is collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred.

Those revenues susceptible to accrual are property taxes, franchise taxes, grants, interest revenue, and charges for services. Fines, permits, and license revenues are not susceptible to accrual because generally they are not measurable until received in cash.

The accrual basis of accounting is utilized by the proprietary fund types. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Unbilled services receivable are considered immaterial at the balance sheet date and, therefore, are not reflected in the financial statements.

D. Budgets and Budgetary Accounting

Operating budgets of proposed expenditures and the means of financing them were adopted for the General Fund and Special Revenue Funds. Budgeted amounts are as originally adopted or as amended from time to time by the Board.

VILLAGE OF FOREST HILL, LOUISIANA
JUNE 30, 1998

NOTES TO FINANCIAL STATEMENTS

Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) which is also consistent with state law. The level of control is on an individual fund basis.

Appropriations expire at the close of the fiscal year to the extent not expended.

The Village is required to follow these procedures in establishing the budgetary data reflected in the financial statements:

1. The Village management prepares a proposed budget and submits it to the Mayor and the Board no later than fifteen days prior to the beginning of each fiscal year.
2. A summary of the proposed budget is published and the public notified that the proposed budget is available for public inspection. At the same time, the date of a public hearing is published.
3. A public hearing is held on the proposed budget at least ten days after publication of the call for the hearing.
4. 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.
5. All budgets are controlled at the fund level. Budgetary amendments involving the transfers of funds from one fund or project to another or involving increases in expenditures resulting from revenues exceeding amounts estimated, require the approval of the Board of Aldermen.
6. Annual operating budget appropriations expire at the close of the fiscal year to the extent not expended.

E. Cash, Cash Equivalents, and Investments

Cash includes amounts on hand, in demand deposits, and in time deposits. The Village considers all highly liquid investments with maturity of three months or less when acquired to be cash equivalents. Investments of the Village consist of certificates of deposit and investment with the Louisiana Asset Management Pool (LAMP).

VILLAGE OF FOREST HILL, LOUISIANA
JUNE 30, 1998

NOTES TO FINANCIAL STATEMENTS

F. Short-term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet.

G. Inventories

Inventories are accounted for in the General Fund and Enterprise Funds as expenditures or expenses when purchased. Amounts on hand, if any, are immaterial.

H. Restricted Assets

Utilities System Enterprise Fund assets classified as restricted represent "customers' deposits" accounts received from individuals for utility deposits.

I. Fixed Assets

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. All purchased fixed assets are valued at cost. Donated fixed assets are valued at their estimated fair market value on the date received.

Public domain ("infrastructure") general fixed assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems are not capitalized, as these assets are immovable and of value only to the Village.

Assets in the general fixed assets account group are not depreciated. Depreciation of buildings, equipment, and vehicles in the proprietary fund types is computed using the straight-line method over the estimated useful life.

J. Bad Debts

Bad debts arising from customers' utility receivables are recognized by the allowance method, whereby uncollectible accounts are estimated and charged against revenue on an annual basis. Other receivables are recognized as bad debts as they are considered uncollectible by the Village officials. At June 30, 1998, all accounts are considered collectible by the Village.

K. Interfund Transactions

All interfund transactions are reported as operating transfers.

VILLAGE OF FOREST HILL, LOUISIANA
JUNE 30, 1998

NOTES TO FINANCIAL STATEMENTS

I.. Compensated Absences

Vacation and sick leave not used within the year does not accrue; therefore, no liability for compensated absences is reflected in the general purpose financial statements.

M. Fund Equity

Contributed capital is recorded in proprietary funds that have received capital grants or contributions from developers, customers, or other funds.

N. Estimates

The preparation of financial statements on a modified basis of accounting requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

O. Memorandum Only-Total Columns

Total columns on the general purpose financial 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 cash flows 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, CASH EQUIVALENTS, AND INVESTMENTS

Under state law, the Village may deposit funds with a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. The Village may invest in United States bonds, treasury notes, or certificates and time deposits of any bank domiciled or having a branch office in the State of Louisiana.

At June 30, 1998, the Village had cash and cash equivalents (book balances) totaling \$107,914 as follows:

	<u>UNRESTRICTED</u>	<u>RESTRICTED</u>	<u>TOTAL</u>
Petty cash and change funds	\$ 550	\$	\$ 550
Demand deposits	3,139		3,139
Time deposits	<u>103,635</u>	<u>590</u>	<u>104,225</u>
	\$107,324	\$590	\$107,914

**VILLAGE OF FOREST HILL, LOUISIANA
JUNE 30, 1998**

NOTES TO FINANCIAL STATEMENTS

At June 30, 1998, the Village had investments of \$312,715 consisting of the following:

	<u>UNRESTRICTED</u>	<u>RESTRICTED</u>	<u>TOTAL</u>
Time deposits			
Certificates of deposit	\$259,198	\$33,092	\$292,290
Investment in Louisiana Asset Management Pool	<u>20,425</u>	<u> </u>	<u>20,425</u>
	\$279,623	\$33,092	\$312,715

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 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 June 30, 1998, the Village had \$482,959 in deposits (collected bank balances). These deposits are secured from risk by federal deposit insurance.

3. DUE FROM/TO OTHER FUNDS

Amounts due from and to other funds at June 30, 1998, consist of the following:

	<u>DUE FROM OTHER FUNDS</u>	<u>DUE TO OTHER FUNDS</u>
Enterprise Funds		
Gas System Fund	\$ 24	\$123,740
Water System Fund	158,140	26
Sewer System Fund	<u>123,742</u>	<u>158,140</u>
	\$281,906	\$281,906

4. RESTRICTED ASSETS

Cash and investments are classified as restricted because of the liability for refundable customer deposits in the proprietary funds as follows:

	<u>CASH</u>	<u>INVESTMENTS</u>	<u>TOTAL</u>
Gas system	\$	\$13,541	\$13,541
Water system		19,551	19,551
Sewer system	<u>590</u>	<u> </u>	<u>590</u>
	\$590	\$33,092	\$33,682

VILLAGE OF FOREST HILL, LOUISIANA
JUNE 30, 1998

NOTES TO FINANCIAL STATEMENTS

5. CHANGES IN GENERAL AND PROPRIETARY FUND TYPE FIXED ASSETS

A summary of changes in general fixed assets follows:

	BALANCE <u>7/01/97</u>	ADDITIONS	DELETIONS	BALANCE <u>6/30/98</u>
City Hall	\$ 42,142	\$ 630	\$	\$ 42,772
Fire station	30,291	4,050		34,341
Storage buildings	27,525			27,525
Ball park improvements	18,113			18,113
Automobiles	62,666			62,666
Fire trucks	182,012			182,012
Other equipment	19,453	16,514		35,967
Beautification improvement		<u>1,958</u>		<u>1,958</u>
	<u>\$382,202</u>	<u>\$23,152</u>	<u>\$ -0-</u>	<u>\$405,354</u>

A summary of proprietary fund type property, plant, and equipment at June 30, 1998, follows:

	GAS <u>SYSTEM</u>	WATER <u>SYSTEM</u>	SEWER <u>SYSTEM</u>	<u>TOTAL</u>
COST				
Structures above ground	\$ 115,503	\$	\$	\$ 115,503
Structures below ground	297,850			297,850
Purification plants, lines, and meters		614,038	672,204	1,286,242
Wells and storage tanks		233,550		233,550
Transmission main		30,000		30,000
Vehicles and equipment	20,541	38,489	9,498	68,528
Tractors, backhoes, and trailers	23,839	7,492		31,331
Computer	5,000	5,000		10,000
Pumps	849	1,176	34,300	36,325
Fences			20,850	20,850
Land		<u>5,145</u>	<u>29,139</u>	<u>34,284</u>
Less:	463,582	934,890	765,991	2,164,463
ACCUMULATED DEPRECIATION	(196,449)	(437,685)	(164,217)	(798,351)
CONSTRUCTION IN PROGRESS		<u>55,326</u>		<u>55,326</u>
NET PROPERTY, PLANT, AND EQUIPMENT	\$ 267,133	\$ 552,531	\$ 601,774	\$1,421,438

VILLAGE OF FOREST HILL, LOUISIANA
JUNE 30, 1998

NOTES TO FINANCIAL STATEMENTS

A summary of changes in proprietary fund type property, plant, and equipment follows:

	BALANCE <u>7/01/97</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	BALANCE <u>6/30/98</u>
Structures above ground	\$ 115,503	\$	\$	\$ 115,503
Structures below ground	297,850			297,850
Purification plants, lines, and meters	1,284,220	2,022		1,286,242
Wells and storage tanks	233,550			233,550
Transmission main	30,000			30,000
Vehicles and equipment	38,974	29,554		68,528
Tractors, backhoes, and trailers	31,331			31,331
Computer	5,188	4,812		10,000
Pumps	36,325			36,325
Fences	20,850			20,850
Land	34,284			34,284
Construction in progress	<u>9,450</u>	<u>45,876</u>		<u>55,326</u>
	\$2,137,525	\$82,264	\$-0-	\$2,219,789

Depreciation on these assets has been provided using the straight-line method based on the estimated useful lives of the assets. Fiscal year ended June 30, 1998, depreciation totaled \$17,489, \$31,456, and \$19,996, for the gas, water, and sewer systems, respectively. The estimated useful lives are as follows:

Gas system	
Structures above ground	20 years
Structures below ground	50 years
Tractors and backhoes	10 years
Vehicles, equipment, computers, and pumps	5 years
Water system	
Water system	50 years
Wells and tanks	20 years
Transmission main, tractors, and trailers	10 years
Vehicles, equipment, computers, and pumps	5 years
Sewer system	
Sewer system	50 years
Vehicles, equipment, and pumps	10 years
Fences	10 years
Other equipment	5 years

**VILLAGE OF FOREST HILL, LOUISIANA
JUNE 30, 1998**

NOTES TO FINANCIAL STATEMENTS

6. CONTRIBUTED CAPITAL

The following changes occurred in contributed capital of Enterprise Funds during the year ended June 30, 1998:

	GAS SYSTEM <u>FUND</u>	WATER SYSTEM <u>FUND</u>	SEWER SYSTEM <u>FUND</u>	<u>TOTAL</u>
Balance, July 1, 1997	\$117,244	\$174,671	\$750,000	\$1,041,915
Additions				
Plant and equipment				
State grant		<u>35,000</u>		<u>35,000</u>
Balance, June 30, 1998	\$117,244	\$209,671	\$750,000	\$1,076,915

7. RETAINED EARNINGS (DEFICIT)

The Sewer System Fund has an accumulated deficit in retained earnings as of June 30, 1998, in the amount of \$155,126. The deficit is the direct result of accumulated depreciation of \$164,217 computed on assets acquired with contributed capital. Combining contributed capital with the deficit in unreserved retained earnings results in a fund equity balance of \$594,874.

8. AD VALOREM TAXES

Ad valorem taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied by the Village normally in September or October and are actually billed to the taxpayers in November. Billed taxes become delinquent on January 1 of the following year. Revenues from ad valorem taxes are budgeted in the year billed.

The Village bills and collects its own property taxes using the assessed values determined by the tax assessor of Rapides Parish.

For the year ended June 30, 1998, taxes of 5.07 mills were levied on property with assessed valuations totaling \$960,656 and were dedicated for general alimony purposes. Total taxes levied were \$4,871.

9. COMPENSATION PAID TO MAYOR AND BOARD OF ALDERMEN

In accordance with the requirements of the Office of the Legislative Auditor, State of Louisiana, the following reflects compensation paid to the Mayor and members of the Board of Aldermen of the Village of Forest Hill, Louisiana, for the fiscal year ending June 30, 1998.

VILLAGE OF FOREST HILL, LOUISIANA
JUNE 30, 1998

NOTES TO FINANCIAL STATEMENTS

	Term of <u>Office</u>	Year Ended <u>6/30/98</u>
Mayor Marcia Young	12/1/96 - 12/31/98	\$4,800
Board of Aldermen		
Mike Polakovich	1/1/95 - 12/31/98	2,400
Anna Cloud	1/1/95 - 12/31/98	2,400
Earl Linzay	1/1/95 - 12/31/98	2,400

10. SUPPLEMENTAL PAY

The Chief of Police of the Village of Forest Hill, having met statutory qualifications, receives supplemental pay directly from the State of Louisiana. This supplemental pay in the amount of \$3,600 for the year ended June 30, 1998, is recognized as intergovernmental revenue and as public safety expenditures in the General Fund.

11. RISK MANAGEMENT

The Village is exposed to various risks of loss related to torts, theft or damage and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The Village carries commercial insurance to cover various risks of loss.

The Village covers all other losses, claim settlements, and judgments from General Fund and Enterprise Funds resources. The Village currently reports its risk management activities in its General Fund and Enterprise Funds. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonable estimated.

The Village is party to legal proceedings involving suits filed against the Village for various reasons. Some of these suits claim damages that are material in amount. The amount of losses, if any, that may arise from these suits can not be reasonable estimated. Management does not believe that the Village is exposed to any material losses not covered by insurance. No provision for losses is included in the financial statements.

12. FEDERAL FINANCIAL ASSISTANCE

On February 18, 1997, the Village of Forest Hill, Louisiana entered into an agreement with the Division of Administration, State of Louisiana for a \$565,000 Community Development Block Grant for fire protection improvements. Total estimated costs to complete the fire protection improvements are \$565,000. Fire protection improvements are expected to completed during the fiscal year ended June 30, 1999. At June 30, 1998, the Village received \$35,000 of the Community Development Block Grant and \$55,326 was expended for construction in progress. No other funds will be used to complete the fire protection improvements.

VILLAGE OF FOREST HILL, LOUISIANA
JUNE 30, 1998

NOTES TO FINANCIAL STATEMENTS

13. LEGAL COMPLIANCE

The following possible violations of state statutes occurred in the period ended June 30, 1998:

- (1) Actual expenditures exceeded total budgeted expenditures by five percent (5%) or more.

	<u>BUDGETED EXPENDITURES</u>	<u>ACTUAL EXPENDITURES</u>	FAVORABLE (UNFAVORABLE) <u>VARIANCE</u>
General Fund	\$ 166,255	\$181,084	\$(14,829)

- (2) Budgeted expenditures exceeded total estimated funds available.

	<u>BUDGETED EXPENDITURES</u>	<u>ESTIMATED FUNDS AVAILABLE</u>	BUDGETED <u>DEFICIT</u>
Special Revenue Fund- Fire Department Fund	\$17,350	\$12,643	\$(4,707)

ADDITIONAL INFORMATION

**FINANCIAL STATEMENTS OF INDIVIDUAL FUNDS
AND ACCOUNT GROUP**

GENERAL FUND

This fund is maintained to account for resources and expenditures associated with general government activities which are not required to be accounted for in another fund.

VILLAGE OF FOREST HILL, LOUISIANA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 1998

EXHIBIT F

	<u>BUDGET</u>	<u>ACTUAL</u>	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES			
Taxes			
Ad valorem	\$ 4,100	\$ 4,759	\$ 659
Utility franchise	12,360	13,438	1,078
Licenses and permits	16,775	21,648	4,873
Intergovernmental			
Sales tax	21,300	23,925	2,625
Garbage sales tax	15,450	16,902	1,452
Police supplemental pay		3,600	3,600
Tobacco tax	2,200	2,206	6
Fines	26,500	28,862	2,362
Miscellaneous revenue			
Interest	550	581	31
Other revenue	<u>12,000</u>	<u>10,326</u>	<u>(1,674)</u>
Total Revenues	111,235	126,247	15,012
EXPENDITURES			
Current			
General Government			
Salaries and payroll taxes	60,180	59,867	313
Retirement	1,365	1,117	248
Cash short/over		215	(215)
Office expense	5,650	6,578	(928)
Membership dues	450	420	30
Insurance	31,900	27,913	3,987
Legal and other professional	9,650	9,190	460
Utilities	12,640	13,332	(692)
Public safety	4,975	8,687	(3,712)
Highways, streets, and sanitation	29,445	35,383	(5,938)
Capital outlay	<u>10,000</u>	<u>18,382</u>	<u>(8,382)</u>
Total Expenditures	166,255	181,084	(14,829)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(55,020)	(54,837)	183
OTHER FINANCING SOURCES			
Operating transfers in	<u>50,000</u>	<u>34,750</u>	<u>(15,250)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	(5,020)	(20,087)	(15,067)
FUND BALANCE, BEGINNING OF YEAR	<u>26,207</u>	<u>37,097</u>	<u>10,890</u>
<u>FUND BALANCE, END OF YEAR</u>	<u>\$ 21,187</u>	<u>\$ 17,010</u>	<u>\$ (4,177)</u>

See independent auditor's report.

SPECIAL REVENUE FUND

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

FIRE DEPARTMENT FUND

This fund is used to account for operations of the fire department. Financing is provided primarily by the municipal fire insurance rebate and donations from the public.

VILLAGE OF FOREST HILL, LOUISIANA
SPECIAL REVENUE FUND
FIRE DEPARTMENT FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 1998

EXHIBIT G

	<u>BUDGET</u>	<u>ACTUAL</u>	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES			
Intergovernmental revenue			
Entitlements from Rapides Parish government	\$11,635	\$11,882	\$ 247
EXPENDITURES			
Public safety	17,350	8,903	8,447
Capital outlay	<u> </u>	<u>4,769</u>	<u>(4,769)</u>
Total Expenditures	<u>17,350</u>	<u>13,672</u>	<u>3,678</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(5,715)	(1,790)	3,925
OTHER FINANCING SOURCES			
Operating transfers in	<u> </u>	<u>5,000</u>	<u>5,000</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	(5,715)	3,210	8,925
FUND BALANCE, BEGINNING OF YEAR	<u>1,008</u>	<u>4,656</u>	<u>3,648</u>
<u>FUND BALANCE, END OF YEAR</u>	<u>\$(4,707)</u>	<u>\$ 7,866</u>	<u>\$12,573</u>

See independent auditor's report.

ENTERPRISE FUNDS

Enterprise funds 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 the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the governing body has decided that periodic determination of net income is appropriate for accountability purposes.

Individual funds are maintained for the Gas, Water, and Sewer System to account for the provision of gas, water, and sewer services to the residents of the Village and some adjacent areas. All activities necessary to provide such services are accounted for in these funds, including, but not limited to, administration, operations, maintenance, financing and related debt service, and billing and collection.

Neither a combining statement of revenues, expenses, and changes in retained earnings nor a combining statement of cash flows are presented. Such statements would not show any greater detail than the combined statements. (Exhibits D and E, respectively).

VILLAGE OF FOREST HILL, LOUISIANA
ENTERPRISE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 1998

EXHIBIT H

	<u>GAS SYSTEM FUND</u>	<u>WATER SYSTEM FUND</u>	<u>SEWER SYSTEM FUND</u>	<u>TOTAL</u>
ASSETS				
CURRENT ASSETS				
Cash	\$ 40,940	\$ 21,735	\$ 26,137	\$ 88,812
Investments at cost	27,352	252,271		279,623
Receivables				
Accounts	9,348	20,303	1,361	31,012
Interest	192			192
Due from gas fund			123,740	123,740
Due from sewer fund		158,140		158,140
Due from water fund	24		2	26
Total Current Assets	<u>77,856</u>	<u>452,449</u>	<u>151,240</u>	<u>681,545</u>
RESTRICTED ASSETS				
Cash			590	590
Investments	<u>13,541</u>	<u>19,551</u>		<u>33,092</u>
Total Restricted Assets	<u>13,541</u>	<u>19,551</u>	<u>590</u>	<u>33,682</u>
PROPERTY, PLANT, AND EQUIPMENT				
Property, plant, and equipment	463,582	934,890	765,991	2,164,463
Accumulated Depreciation	(196,449)	(437,685)	(164,217)	(798,351)
Construction in progress		55,326		55,326
Net Property, Plant, and Equipment	<u>267,133</u>	<u>552,531</u>	<u>601,774</u>	<u>1,421,438</u>
<u>TOTAL ASSETS</u>	<u>\$358,530</u>	<u>\$1,024,531</u>	<u>\$ 753,604</u>	<u>\$2,136,665</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
(PAYABLE FROM CURRENT ASSETS)				
Due to water fund	\$	\$	\$ 158,140	\$ 158,140
Due to gas fund		24		24
Due to sewer fund	123,740	2		123,742
Total Current Liabilities	<u>123,740</u>	<u>26</u>	<u>158,140</u>	<u>281,906</u>
CURRENT LIABILITIES				
(PAYABLE FROM RESTRICTED ASSETS)				
Customer meter deposits	<u>13,541</u>	<u>19,551</u>	<u>590</u>	<u>33,682</u>
Total Liabilities	<u>137,281</u>	<u>19,577</u>	<u>158,730</u>	<u>315,588</u>
EQUITY				
Contributed capital	117,244	209,671	750,000	1,076,915
Retained earnings				
Unreserved	<u>104,005</u>	<u>795,283</u>	<u>(155,126)</u>	<u>744,162</u>
Total Equity	<u>221,249</u>	<u>1,004,954</u>	<u>594,874</u>	<u>1,821,077</u>
<u>TOTAL LIABILITIES AND EQUITY</u>	<u>\$358,530</u>	<u>\$1,024,531</u>	<u>\$ 753,604</u>	<u>\$2,136,665</u>

See independent auditor's report.

GENERAL FIXED ASSETS ACCOUNT GROUP

This account group is used to account for fixed assets not used in proprietary fund operations.

VILLAGE OF FOREST HILL, LOUISIANA
STATEMENT OF GENERAL FIXED ASSETS
JUNE 30, 1998

EXHIBIT I

GENERAL FIXED ASSETS

City Hall	\$ 42,772
Fire station	34,341
Storage buildings	27,525
Ball park improvements	18,113
Automobiles	62,666
Fire trucks	182,012
Other equipment	35,967
Beautification improvement	<u>1,958</u>

TOTAL GENERAL FIXED ASSETS

\$405,354

INVESTMENTS IN GENERAL FIXED ASSETS

Acquired prior to July 1, 1973	\$ 16,330
Acquired subsequent to June 30, 1973	
Federal Revenue Sharing grants	25,046
State Revenue Sharing grants	33,519
General fund revenues	98,025
Fire Department revenues	38,624
Contributions from the Utility System	<u>193,810</u>

TOTAL INVESTMENTS IN GENERAL FIXED ASSETS

\$405,354

See independent auditor's report.

VILLAGE OF FOREST HILL, LOUISIANA
STATEMENT OF CHANGES IN GENERAL FIXED ASSETS
YEAR ENDED JUNE 30, 1998

EXHIBIT J

	7/1/97 <u>BALANCE</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	6/30/98 <u>BALANCE</u>
GENERAL FIXED ASSETS				
City Hall	\$ 42,142	\$ 630		\$ 42,772
Fire station	30,291	4,050		34,341
Storage buildings	27,525			27,525
Ball park improvements	18,113			18,113
Automobiles	62,666			62,666
Fire trucks	182,012			182,012
Other equipment	19,453	16,514		35,967
Beautification improvement	<u> </u>	<u>1,958</u>	<u> </u>	<u>1,958</u>
<u>TOTAL GENERAL FIXED ASSETS</u>	<u>\$382,202</u>	<u>\$23,152</u>	<u>\$-0-</u>	<u>\$405,354</u>
 INVESTMENTS IN GENERAL FIXED ASSETS				
Acquired prior to July 1, 1973	\$ 16,330	\$	\$	\$ 16,330
Acquired subsequent to June 30, 1973				
Federal Revenue Sharing grants	25,046			25,046
State Revenue Sharing grants	33,519			33,519
General fund revenues	79,642	18,383		98,025
Fire Department revenues	33,855	4,769		38,624
Contributions from the Utility System	<u>193,810</u>	<u> </u>	<u> </u>	<u>193,810</u>
<u>TOTAL INVESTMENTS IN GENERAL FIXED ASSETS</u>	<u>\$382,202</u>	<u>\$23,152</u>	<u>\$-0-</u>	<u>\$405,354</u>

See independent auditor's report.

**OTHER REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

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



PAYNE, MOORE & HERRINGTON, LLP

CERTIFIED PUBLIC ACCOUNTANTS

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

To the Honorable Marcia Young, Mayor
and Members of the Board of Aldermen
Village of Forest Hill, Louisiana

We have audited the general purpose financial statements of the Village of Forest Hill, Louisiana as of and for the year ended June 30, 1998, and have issued our report thereon dated September 1, 1998. 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.

Compliance

As part of obtaining reasonable assurance about whether the Village of Forest Hill, Louisiana's general purpose 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 general purpose 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 instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings and questioned costs as Findings 98-01 and 98-02.

Also, we noted one immaterial instance of noncompliance with certain provisions of laws, regulations, and grants that we have reported to management and which is described in the accompanying schedule of findings and questioned costs as Finding 98-03.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Forest Hill, Louisiana's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control

MARVIN A. JUNEAU, C.P.A.	ROBERT L. LITTON, C.P.A.	REBECCA B. MORRIS, C.P.A.
H. FRED RANDOW, C.P.A.	ROBERT W. DVORAK, C.P.A.	MICHAEL A. JUNEAU, C.P.A.
ERNEST F. SASSER, C.P.A.	DALE P. DE SELLIE, C.P.A.	L. PAUL HOOD, C.P.A.





PAYNE, MOORE & HERRINGTON, LLP

To the Honorable Marcia Young, Mayor
and the Members of the Board of Aldermen
Village of Forest Hill, Louisiana

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 general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of management, the Mayor, and the Board of Aldermen of the Village of Forest Hill, Louisiana. However, this report is a matter of public record and its distribution is not limited.

Payne, Moore & Herrington, LLP
Certified Public Accountants

September 1, 1998

VILLAGE OF FOREST HILL, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 1998

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified? _____ yes x no

Reportable conditions identified
that are not considered to be
material weaknesses? _____ yes x none reported

Noncompliance material to financial
statements noted? x yes _____ no

Prior Year Audit Findings Attached

Management's Corrective Action Plan Attached

Federal Awards Not Applicable

**VILLAGE OF FOREST HILL, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 1998**

SECTION II - FINANCIAL STATEMENT FINDINGS

FINDING 98-01 - BUDGETED DEFICIT FUND BALANCE

Criteria: LSA - R.S. 39:1308 states that the adopted budget shall be balanced with approved expenditures not exceeding the total of estimated funds available.

Condition: For the year ended June 30, 1998, the Village's special revenue fire department fund's budgeted expenditures totaling \$17,350 exceeded the total estimated funds available of \$12,643 causing a \$4,707 budgeted deficit fund balance.

Questioned Costs: None.

Context: Not applicable.

Effect: For the year ended June 30, 1998, the Village did not adopt a balanced budget for the special revenue fire department fund.

Cause: On June 30, 1998, the Village's Mayor and Board of Aldermen amended the special revenue fire department fund's budgeted expenditures by a \$5,600 increase for costs incurred on the new fire station; however, no amendment was made to the budgeted revenues.

Recommendation: We recommend that adopted budgets be balanced with approved expenditures not exceeding the total estimated funds available as provided by Louisiana law.

Management's Response: See Management's Corrective Action Plan.

FINDING 98-02 - LEGAL COMPLIANCE OF PUBLIC BID LAW

Criteria: LSA - R.S. 38:2212 states that for purchases of seven thousand five hundred dollars or more, but less than fifteen thousand dollars, at least three telephone quotes be obtained.

Condition: For the year ended June 30, 1998, the Village purchased a tractor with a side cutter at an auction for \$14,750. No telephone quotes were obtained.

Questioned Costs: None.

Context: Not applicable.

Effect: The Village did not obtain at least three telephone quotes for the purchase of the tractor with a side cutter.

Cause: Unknown.

**VILLAGE OF FOREST HILL, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 1998**

Recommendation: We recommend that, in the future, for all purchases of seven thousand five hundred dollars or more, but less than fifteen thousand dollars, at least three telephone quotes be obtained as provided by Louisiana law.

Management's Response: See Management's Corrective Action Plan.

FINDING 98-03 - PAYROLL WITHHOLDINGS

Criteria: Federal law states that wages are subject to Social Security and Medicare taxes for services performed by employees who are not members of retirement systems of employers, and wages are subject to Medicare tax only for employees not otherwise covered by a section 218 agreement and hired after March 31, 1986.

Condition: For the year ended June 30, 1998, the Mayor requested that no Social Security, Medicare, federal, or state taxes be withheld from her wages. The Mayor thought this was allowable since she donated her wages to charity.

Questioned Costs: None.

Context: Not applicable.

Effect: Wages are understated on payroll reports and payroll taxes are underpaid.

Cause: The Town Clerk did as the Mayor requested.

Recommendation: We recommend that Social Security and Medicare taxes be withheld from the Mayor's wages.

Management's Response: See Management's Corrective Action Plan.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Not applicable.

MEMORANDUM OF OTHER COMMENTS AND RECOMMENDATIONS



PAYNE, MOORE & HERRINGTON, LLP

CERTIFIED PUBLIC ACCOUNTANTS

To the Honorable Marcia Young, Mayor
and the Members of the Board of Aldermen
Village of Forest Hill, Louisiana

In planning and performing our audit of the general purpose financial statements for the year ended June 30, 1998, we considered the Village's internal controls to determine our auditing procedures for the purpose of expressing an opinion on the general purpose financial statements and not to provide assurance on internal controls.

However, during our audit we became aware of matters that are opportunities for strengthening internal controls, operating efficiency, and possible compliance with laws. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. A separate report dated September 1, 1998, contains our report on reportable conditions in the Village's internal controls. This letter does not affect our report dated September 1, 1998, on the general purpose financial statements of the Village of Forest Hill, Louisiana.

We will review the status of these comments and recommendations during our next audit engagement. We have already discussed these items with management personnel, and we will be pleased to discuss them with you in detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Payne Moore Herrington, LLP
Certified Public Accountants

September 1, 1998

MARVIN A. JUNGAS, C.P.A.
H. ERIC RABOW, C.P.A.
ERNEST F. SASSER, C.P.A.

ROBERT L. LITTON, C.P.A.
ROBERT W. BVDRAK, C.P.A.
DAVE P. DE SILLE, C.P.A.

REBECCA B. MORRIS, C.P.A.
MICHAEL A. JUNGAS, C.P.A.
L. PAUL HOOD, C.P.A.



MEMORANDUM OF OTHER COMMENTS AND RECOMMENDATIONS

FINDING 98-04 - POLICE FINES

Condition: It is our understanding that only the Mayor, in Mayor's Court, or the Prosecutor can change a violation after the violation has been filed. While conducting tests of controls on police fines, we noted that five out of sixty tickets tested were changed from a speeding violation to a non-moving violation, although the fine remained the same. Inquiry of management revealed that the Mayor or the Police Chief authorized the changes. Of these five changes, it cannot be determined whether the Mayor or the Police Chief authorized the changes.

Recommendation: We recommend that only the Mayor or the Prosecutor authorize a change in violation.

MANAGEMENT'S RESPONSE: All future violation changes will be authorized by the Mayor or the Prosecutor only.

FINDING 98-05 - LOUISIANA WITHHOLDING L-1 REPORTS

Condition: Louisiana Withholding L-1 report instructions state that all wages be reported. Wages that were not sufficient to require state withholdings were not reported on Louisiana Withholding L-1 reports; therefore, only wages for which state taxes were withheld were reported.

Recommendation: We recommend that all wages be reported on Louisiana Withholding L-1 reports.

MANAGEMENT'S RESPONSE: Effective immediately, all wages are being reported on Louisiana Withholding L-1 reports.

VILLAGE OF FOREST HILL, LOUISIANA
MANAGEMENT'S SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
YEAR ENDED JUNE 30, 1998

FINDING 97-01 - USE OF PUBLIC ASSETS FOR PRIVATE PURPOSES

Condition: Article VII, Section 14 of the Louisiana Constitution prohibits use of public assets for private purposes. During the two year period ended June 30, 1997, the Village mowed private property using Village equipment at no charge.

Recommendation: It was recommended that Village equipment be used for public purposes only in accordance with the Louisiana Constitution. The Village should continue to bill customers for grass cutting services performed by the Village.

Current status: The Village has discontinued this practice and now bills all property owners for grass cutting services.

FINDING 97-02 - BUDGETED DEFICIT FUND BALANCE

Condition: LSA - R.S. 39:1309 and 39:1310 state that when actual beginning fund balance within a fund fails to meet estimated beginning fund balance by five percent or more and fund balance is being used to fund current year expenditures, a budget amendment shall be adopted. For the year ended June 30, 1996, the Village's special revenue fire department fund's fund balance failed to meet estimated fund balance by 96 percent due to an error in calculating estimated beginning fund balance by including a prior year fire truck purchase as a component of fund balance. Also, for the years ended June 30, 1996 and June 30, 1997, the Village's general fund's beginning fund balance failed to meet estimated beginning fund balance by 16 percent and 49 percent, respectively, due to an error in closing out operating transfers at year end. No budget amendments were made to correct these errors.

Recommendation: It was recommended that when there has been a change in operations upon which the original adopted budget was developed, a budget amendment be adopted as provided by Louisiana law.

Current status: In the future, management will closely monitor the budget and adopt changes consistent with the requirements of state law. However, when this comment was received, the budget for fiscal year 1997 - 1998 had already been adopted.

FINDING 97-03 - BOARD APPROVAL OF NEW BANK ACCOUNTS

Condition: During the fiscal year ended June 30, 1997, a new bank account for the Louisiana Community Development Block Grant program was opened without formal board approval in the minutes.

Recommendation: It was recommended that the Board approve the opening and closing of all bank accounts as good control procedures.

**VILLAGE OF FOREST HILL, LOUISIANA
MANAGEMENT'S SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
YEAR ENDED JUNE 30, 1998**

Current status: In the future, board approval will be necessary to open any new bank account or to close an existing account.

FINDING 97-04 - BOARD APPROVAL OF ACTUAL EXPENDITURES

Condition: On December 4, 1995, the Board approved paying a \$200 per month retainer fee to the Village attorney; however, the Village actually paid \$250 per month as retainer fee to the attorney during the two year period ended June 30, 1997.

On March 4, 1996, the Board approved paying \$1,011 in clean up costs of the Village's portion of property commonly known as the Shady Nook property; however, the Village actually paid \$3,263 in clean up costs of the Shady Nook property during the year ended June 30, 1997.

Recommendation: It was recommended that any changes in Board approved expenditures also be approved by the Board.

Current status: Changes in Board approved expenditures are approved by the Board.

FINDING 97-05 - RETAINING VOIDED CHECKS

Condition: For the two years ended June 30, 1997, the Village did not retain voided checks.

Recommendation: It was recommended that voided checks be properly mutilated and retained for adequate supporting documentation.

Current status: Voided checks are being retained and properly mutilated for adequate supporting documentation.

**VILLAGE OF FOREST HILL, LOUISIANA
MANAGEMENT'S CORRECTIVE ACTION PLAN
YEAR ENDED JUNE 30, 1998**

The Village of Forest Hill respectively submits the following corrective action plan for the year ended June 30, 1998.

Independent Public Accounting Firm: Payne, Moore & Herrington, LLP
P. O. Box 13200
Alexandria, LA 71315-3200

Audit period: July 1, 1997 through June 30, 1998

The findings from the Schedule of Findings and Questioned Costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

NONCOMPLIANCE

FINDING 98-01 - LEGAL COMPLIANCE OF BUDGET ADOPTION

Condition: For the year ended June 30, 1998, the Village's special revenue fire department fund's budgeted expenditures totaling \$17,350 exceeded the total estimated funds available of \$12,643 causing a \$4,707 budgeted deficit fund balance.

Recommendation: We recommend that adopted budgets be balanced with approved expenditures not exceeding the total estimated funds available as provided by Louisiana law.

Action taken: We agree with audit findings and will be more attentive in the future to assure that expenditures do not exceed available funds.

FINDING 98-02 - LEGAL COMPLIANCE OF PUBLIC BID LAW

Condition: For the year ended June 30, 1998, the Village purchased a tractor with a side cutter at an auction for \$14,750. No telephone quotes were obtained.

Recommendation: We recommend that, in the future, for all purchases of seven thousand five hundred dollars or more, but less than fifteen thousand dollars, at least three telephone quotes be obtained as provided by Louisiana law.

Action taken: We agree with audit findings and in the future will obtain at least three telephone quotes for all purchases of seven thousand five hundred dollars or more, but less than fifteen thousand dollars.

VILLAGE OF FOREST HILL, LOUISIANA
MANAGEMENT'S CORRECTIVE ACTION PLAN
YEAR ENDED JUNE 30, 1998

FINDING 98-03 - PAYROLL WITHHOLDINGS

Condition: For the year ended June 30, 1998, the Mayor requested that no Social Security, Medicare, federal, or state taxes be withheld from her wages. The Mayor thought this was allowable since she donated her wages to charity.

Recommendation: We recommend that Social Security and Medicare taxes be withheld from the Mayor's wages.

Action taken: Effective immediately, Social Security and Medicare taxes are being withheld from the Mayor's wages.