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VILLAGE OF FOREST HILL, LOUISIANA

FOREST HILL, LOUISIANA

JUNE 30, 1999

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

Release Date 1-12-00

VILLAGE OF FOREST HILL, LOUISIANA

JUNE 30, 1999

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JUNE 30, 1999

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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, 1999, 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, 1999, 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 10, 1999, 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.

MARVIN A. JUNEAU, C.P.A.
H. FRED RANDOW, C.P.A.
ERNEST F. SASSER, C.P.A.

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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

The year 2000 supplementary information on page 21 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consist principally of inquiries of management regarding the methods of measurement and the presentation of the supplementary information. However, we did not audit the information and do not express an opinion on it. In addition, we do not provide assurance that the Village of Forest Hill, Louisiana is or will become year 2000 compliant, that the Village's year 2000 remediation efforts will be successful in whole or in part, or that parties with whom the Village does business are or will become year 2000 compliant.

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

Payne, Moore & Herrington, LLP
Certified Public Accountants

September 10, 1999

VILLAGE OF FOREST HILL, LOUISIANA
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUP
 JUNE 30, 1999

EXHIBIT A

	GOVERNMENTAL FUND TYPES			PROPRIETARY FUND TYPE	ACCOUNT GROUP	TOTAL (MEMORANDUM ONLY)
	GENERAL	SPECIAL REVENUE	CAPITAL PROJECTS			
ASSETS						
Cash and cash equivalents	\$ 22,243	\$ 3,245	\$	\$ 59,747	\$	\$ 85,235
Investments at cost				251,057		251,057
Receivables						
Accounts				29,985		29,985
Grants				9,451		9,451
Interest				116		116
Intergovernmental			160,596			166,013
Miscellaneous	552	4,865				3,781
Due from other funds	3,781					259,473
Restricted assets				36,247		36,247
Property, plant, and equipment				2,275,478	409,010	2,684,488
Accumulated depreciation				(872,013)		(872,013)
Construction in progress				403,249		403,249
TOTAL ASSETS	\$ 26,576	\$ 8,110	\$ 160,596	\$ 2,452,790	\$ 409,010	\$ 3,057,082
LIABILITIES, EQUITY, AND OTHER CREDITS						
LIABILITIES						
Accounts payable	\$ 862	\$	\$ 160,596	\$ 209	\$	\$ 161,667
Due to other funds				259,473		259,473
Payable from restricted assets						
Customer meter deposits				36,247		36,247
Total Liabilities	862	-	160,596	295,929	-	457,387
EQUITY AND OTHER CREDITS						
Investment in general fixed assets					409,010	409,010
Contributed capital				1,409,046		1,409,046
Retained earnings						
Unreserved				747,815		747,815
Fund Balances						
Unreserved-Undesignated	25,714	8,110				33,824
Total Equity and Other Credits	25,714	8,110	-	2,156,861	409,010	2,599,695
TOTAL LIABILITIES, EQUITY, AND OTHER CREDITS	\$ 26,576	\$ 8,110	\$ 160,596	\$ 2,452,790	\$ 409,010	\$ 3,057,082

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, 1999

EXHIBIT B

	GENERAL	SPECIAL REVENUE	CAPITAL PROJECTS FUND	TOTAL (MEMORANDUM (ONLY))
REVENUES				
Taxes	\$ 20,875	\$	\$	\$ 20,875
Licenses and permits	19,184			19,184
Intergovernmental	45,367	14,901	492,726	552,994
Fines	34,162			34,162
Interest	474			474
Miscellaneous	22,583			22,583
Total Revenues	<u>142,645</u>	<u>14,901</u>	<u>492,726</u>	<u>650,272</u>
EXPENDITURES				
Current				
General government	119,909			119,909
Public safety	10,387	14,657		25,044
Highways, streets, and sanitation	39,237			39,237
Capital outlay	4,408		492,726	497,134
Total Expenditures	<u>173,941</u>	<u>14,657</u>	<u>492,726</u>	<u>681,324</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(31,296)	244		(31,052)
OTHER FINANCING SOURCES				
Operating transfers in	<u>40,000</u>			<u>40,000</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	8,704	244		8,948
FUND BALANCES, BEGINNING OF YEAR	<u>17,010</u>	<u>7,866</u>	<u>0</u>	<u>24,876</u>
FUND BALANCES, END OF YEAR	<u>\$ 25,714</u>	<u>\$ 8,110</u>	<u>\$ 0</u>	<u>\$ 33,824</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 FUND
 YEAR ENDED JUNE 30, 1999

EXHIBIT C

	GOVERNMENTAL FUND TYPES					
	GENERAL FUND			SPECIAL REVENUE FUND		
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES						
Taxes	\$ 17,747	\$ 20,875	\$ 3,128	\$	\$	\$
Licenses and permits	18,693	19,184	491			
Intergovernmental	43,536	45,367	1,831	10,857	14,901	4,044
Fines	27,293	34,162	6,869			
Interest	541	474	(67)			
Miscellaneous	12,570	22,583	10,013			
Total Revenues	120,380	142,645	22,265	10,857	14,901	4,044
EXPENDITURES						
Current						
General government	121,583	119,909	1,674			
Public safety	5,762	10,387	(4,625)	13,200	14,657	(1,457)
Highways, streets, and sanitation	38,072	39,237	(1,165)			
Capital outlay	10,000	4,408	5,592			
Total Expenditures	175,417	173,941	1,476	13,200	14,657	(1,457)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(55,037)	(31,296)	23,741	(2,343)	244	2,587
OTHER FINANCING SOURCES						
Operating transfers in	55,000	40,000	(15,000)			
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	(37)	8,704	8,741	(2,343)	244	2,587
FUND BALANCES, BEGINNING OF YEAR	17,010	17,010	-	7,866	7,866	-
FUND BALANCES, END OF YEAR	\$ 16,973	\$ 25,714	\$ 8,741	\$ 5,523	\$ 8,110	\$ 2,587

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, 1999

EXHIBIT D

	ENTERPRISE FUNDS			
	GAS SYSTEM FUND	WATER SYSTEM FUND	SEWER SYSTEM FUND	TOTAL (MEMORANDUM ONLY)
OPERATING REVENUES				
Charges for services-sales	\$ 181,333	\$ 175,268	\$ 14,781	\$ 371,382
State grants		56,089		56,089
Gain on sale of equipment	459	459		918
Miscellaneous income	1,652	6,564		8,216
Total Operating Revenues	183,444	238,380	14,781	436,605
OPERATING EXPENSES				
Gas purchased for resale	65,237			65,237
Salaries and payroll taxes	47,977	47,977		95,954
Office supplies and expense	3,219	2,539		5,758
Legal and other professional	7,696	10,337		18,033
System repairs, maintenance, and connections	43,998	54,791	11,527	110,316
Utilities		17,789		17,789
Insurance	5,458	4,528	436	10,422
Depreciation	21,871	46,179	19,996	88,046
Total Operating Expenses	195,456	184,140	31,959	411,555
OPERATING INCOME (LOSS)	(12,012)	54,240	(17,178)	25,050
NONOPERATING INCOME				
Interest income	2,564	15,979	60	18,603
INCOME (LOSS) BEFORE OPERATING TRANSFERS	(9,448)	70,219	(17,118)	43,653
OPERATING TRANSFERS IN (OUT)	(20,000)	(20,000)		(40,000)
NET INCOME (LOSS)	(29,448)	50,219	(17,118)	3,653
RETAINED EARNINGS (DEFICIT), BEGINNING OF YEAR	104,005	795,283	(155,126)	744,162
RETAINED EARNINGS (DEFICIT), END OF YEAR	\$ 74,557	\$ 845,502	\$ (17,244)	\$ 747,815

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, 1999

EXHIBIT E

	ENTERPRISE FUNDS			
	GAS SYSTEM FUND	WATER SYSTEM FUND	SEWER SYSTEM FUND	TOTAL (MEMORANDUM ONLY)
CASH FLOWS FROM OPERATING ACTIVITIES				
Operating income (loss)	\$ (12,012)	\$ 54,240	\$ (17,178)	\$ 25,050
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation	21,871	46,179	19,996	88,046
Changes in assets and liabilities				
Accounts receivable	(738)	1,769	(4)	1,027
Grants receivable		(9,451)		(9,451)
Other receivables	77			77
Due from other funds	8	11,978		11,986
Accounts payable			209	209
Due to other funds	(10,446)	(8)	(1,531)	(11,985)
Customer meter deposits-net	1,320	1,214	30	2,564
Gain on sale of equipment	(459)	(459)		(918)
Net Cash Provided (Used) by Operating Activities	(379)	105,462	1,522	106,605
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Operating transfers out	(20,000)	(20,000)		(40,000)
Net Cash Used by Non-Capital Financing Activities	(20,000)	(20,000)	-	(40,000)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of property, plant, and equipment	(41,765)	(432,202)		(473,967)
Contributed capital-Federal Grants		332,131		332,131
Net Cash Used by Capital and Related Financing Activities	(41,765)	(100,071)	-	(141,836)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from maturity of investments	34,300			34,300
Interest received on operating funds	2,564	15,979	60	18,603
Proceeds from sale of property, plant, and equipment	781	781		1,562
Net Cash Provided by Investing Activities	37,645	16,760	60	54,465
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(24,499)	2,151	1,582	(20,766)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	40,940	21,735	26,727	89,402
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 16,441	\$ 23,886	\$ 28,309	\$ 68,636
CLASSIFIED AS				
Current Assets	\$ 8,172	\$ 23,886	\$ 27,689	\$ 59,747
Restricted Assets	8,269		620	8,889
TOTAL	\$ 16,441	\$ 23,886	\$ 28,309	\$ 68,636

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

There were no material non cash investing, capital, or financing transactions during the fiscal year ended June 30, 1999.

**VILLAGE OF FOREST HILL, LOUISIANA
JUNE 30, 1999**

NOTES TO FINANCIAL STATEMENTS

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Village of Forest Hill, Louisiana 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.

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

The Financial Reporting Entity

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

**VILLAGE OF FOREST HILL, LOUISIANA
JUNE 30, 1999**

NOTES TO FINANCIAL STATEMENTS

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.

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 governmental 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.

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.

**VILLAGE OF FOREST HILL, LOUISIANA
JUNE 30, 1999**

NOTES TO FINANCIAL STATEMENTS

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.

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.

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.

**VILLAGE OF FOREST HILL, LOUISIANA
JUNE 30, 1999**

NOTES TO FINANCIAL STATEMENTS

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.

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 investments with the Louisiana Asset Management Pool (LAMP).

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.

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.

VILLAGE OF FOREST HILL, LOUISIANA
JUNE 30, 1999

NOTES TO FINANCIAL STATEMENTS

Restricted Assets

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

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.

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, 1999, all accounts are considered collectible by the Village.

Interfund Transactions

All interfund transactions are reported as operating transfers.

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.

Fund Equity

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

**VILLAGE OF FOREST HILL, LOUISIANA
JUNE 30, 1999**

NOTES TO FINANCIAL STATEMENTS

Estimates

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

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 is 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, 1999, the Village had cash and cash equivalents (book balances) totaling \$94,124 as follows:

	<u>UNRESTRICTED</u>	<u>RESTRICTED</u>	<u>TOTAL</u>
Petty cash and change funds	\$ 550	\$	\$ 550
Demand deposits	3,383		3,383
Time deposits	<u>81,302</u>	<u>8,889</u>	<u>90,191</u>
	\$ 85,235	\$ 8,889	\$ 94,124

At June 30, 1999, the Village had investments of \$278,415 consisting of the following:

	<u>UNRESTRICTED</u>	<u>RESTRICTED</u>	<u>TOTAL</u>
Time deposits			
Certificates of deposit	\$ 250,099	\$ 27,358	\$277,457
Investment in Louisiana Asset Management Pool	<u>958</u>		<u>958</u>
	\$ 251,057	\$ 27,358	\$278,415

**VILLAGE OF FOREST HILL, LOUISIANA
JUNE 30, 1999**

NOTES TO FINANCIAL STATEMENTS

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, 1999, the Village had \$419,803 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, 1999, consist of the following:

	<u>DUE FROM OTHER FUNDS</u>	<u>DUE TO OTHER FUNDS</u>
Enterprise Funds		
Gas System Fund	\$ 16	\$ 113,293
Water System Fund	146,162	18
Sewer System Fund	<u>113,295</u>	<u>146,162</u>
	\$ 259,473	\$ 259,473

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	\$ 8,269	\$ 6,593	\$ 14,862
Water system		20,765	20,765
Sewer system	<u>620</u>		<u>620</u>
	\$ 8,889	\$ 27,358	\$ 36,247

**VILLAGE OF FOREST HILL, LOUISIANA
JUNE 30, 1999**

NOTES TO FINANCIAL STATEMENTS

5. CHANGES IN GENERAL AND PROPRIETARY FUND TYPE FIXED ASSETS

A summary of changes in general fixed assets follows:

	<u>BALANCE</u> <u>07/01/98</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> <u>06/30/99</u>
City Hall	\$ 42,772	\$	\$	\$ 42,772
Fire station	34,341			34,341
Storage buildings	27,525			27,525
Ball park improvements	18,113			18,113
Automobiles	62,666		752	61,914
Fire trucks	182,012			182,012
Other equipment	35,967	4,408		40,375
Beautification improvement	<u>1,958</u>			<u>1,958</u>
	<u>\$ 405,354</u>	<u>\$ 4,408</u>	<u>\$ 752</u>	<u>\$ 409,010</u>

**VILLAGE OF FOREST HILL, LOUISIANA
JUNE 30, 1999**

NOTES TO FINANCIAL STATEMENTS

A summary of proprietary fund type property, plant, and equipment at June 30, 1999, follows:

	<u>GAS SYSTEM</u>	<u>WATER SYSTEM</u>	<u>SEWER SYSTEM</u>	<u>TOTAL</u>
COST				
Structures above ground	\$ 123,544	\$	\$	\$
Structures below ground	313,933			313,933
Purification plants, lines, and meters		626,756	672,204	1,298,960
Wells and storage tanks		233,550		233,550
Transmission main		30,000		30,000
Vehicles and equipment	31,540	47,642	9,498	88,680
Tractors, backhoes, and trailers	23,839	63,701		87,540
Computer	2,406	2,406		4,812
Computer software	1,500	1,500		3,000
Pumps	849	1,176	34,300	36,325
Fences			20,850	20,850
Land		5,145	29,139	34,284
Less:	497,611	1,011,876	765,991	2,275,478
Accumulated depreciation	(210,907)	(476,893)	(184,213)	(872,013)
Construction in progress		403,249		403,249
NET PROPERTY, PLANT, AND EQUIPMENT	\$ 286,704	\$ 938,232	\$ 581,778	\$ 1,806,714

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

	<u>BALANCE 7/01/98</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE 6/30/99</u>
Structures above ground	\$ 115,503	\$ 8,041	\$	\$ 123,544
Structures below ground	297,850	16,083		313,933
Purification plants, lines, and meters	1,286,242	12,718		1,298,960
Wells and storage tanks	233,550			233,550
Transmission main	30,000			30,000
Vehicles and equipment	68,528	30,434	10,282	88,680
Tractors, backhoes, and trailers	31,331	56,209		87,540
Computer	10,000		5,188	4,812
Computer software	-0-	3,000		3,000
Pumps	36,325			36,325
Fences	20,850			20,850
Land	34,284			34,284
Construction in progress	55,326	347,923		403,249
	\$2,219,789	\$ 474,408	\$ 15,470	\$ 2,678,727

**VILLAGE OF FOREST HILL, LOUISIANA
JUNE 30, 1999**

NOTES TO FINANCIAL STATEMENTS

Depreciation on these assets has been provided using the straight-line method based on the estimated useful lives of the assets. For fiscal year ended June 30, 1999, depreciation totaled \$21,871, \$46,179, 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

6. CONTRIBUTED CAPITAL

The following changes occurred in contributed capital of the Enterprise Funds during the year ended June 30, 1999:

	<u>GAS SYSTEM FUND</u>	<u>WATER SYSTEM FUND</u>	<u>SEWER SYSTEM FUND</u>	<u>TOTAL</u>
BALANCE JULY 1, 1998	\$ 117,244	\$ 209,671	\$ 750,000	\$ 1,076,915
Additions				
Plant and equipment				
Federal grants		<u>332,131</u>		<u>332,131</u>
BALANCE, JUNE 30, 1999	<u>\$ 117,244</u>	<u>\$ 541,802</u>	<u>\$ 750,000</u>	<u>\$ 1,409,046</u>

7. RETAINED EARNINGS (DEFICIT)

The Sewer System Fund has an accumulated deficit in retained earnings as of June 30, 1999, in the amount of \$172,244. The deficit is the direct result of accumulated depreciation of \$184,213 computed on assets acquired with contributed capital. Combining contributed capital with the deficit in unreserved retained earnings results in a fund equity balance of \$577,756.

**VILLAGE OF FOREST HILL, LOUISIANA
JUNE 30, 1999**

NOTES TO FINANCIAL STATEMENTS

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, 1999, taxes of 5.07 mills were levied on property with assessed valuations totaling \$1,080,610 and were dedicated for general alimony purposes. Total taxes levied were \$5,479.

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, 1999.

	<u>Term of Office</u>	<u>Year Ended 6/30/99</u>
Mayor Marcia Young	12/01/96 - 12/31/99	\$4,800
Board of Aldermen		
Mike Polakovich	01/01/95 - 12/31/98	1,200
Anna Cloud	01/01/95 - 12/31/98	1,200
Earl Linzay	01/01/95 - 12/31/02	2,400
J.J. Jeter	01/01/99 - 12/31/02	1,200
Glenda Bordelon	01/01/99 - 12/31/02	1,200

10. SUPPLEMENTAL PAY

The Chief of Police of the Village of Forest Hill, Louisiana, 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, 1999, is recognized as intergovernmental revenue and as public safety expenditures in the General Fund.

VILLAGE OF FOREST HILL, LOUISIANA
JUNE 30, 1999

NOTES TO FINANCIAL STATEMENTS

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 Fund 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 reasonably estimated.

The Village is party to legal proceedings involving one suit filed against the Village. The amount of loss, if any, that may arise from this suit can not be reasonably 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 be completed during the fiscal year ended June 30, 2000. During the fiscal years ended June 30, 1999 and 1998, the Village received \$193,249 and \$35,000, respectively, of the Community Development Block Grant and \$193,249 and \$55,326, respectively, was expended for construction in progress. No other funds will be used to complete the fire protection improvements.

On July 13, 1998, the Village of Forest Hill, Louisiana entered into a contract agreement with the Division of Administration, State of Louisiana, for a \$216,000 Community Development Block Grant for *replacing a water well*. Total estimated costs to complete the water well are \$216,000. The new water well is expected to be completed during the fiscal year ended June 30, 2000. During the fiscal year ended June 30, 1999, the Village received \$183,329 of the Community Development Block Grant and \$183,329 was expended for construction in progress. No other funds will be used to complete the new water well.

On July 23, 1998, the Village of Forest Hill, Louisiana entered into an agreement with the Division of Administration, State of Louisiana, for a \$165,570 Community Development Block Grant to provide potable water service to a rural area outside the Village's corporate limits. Total estimated costs to complete potable water service to the rural area are \$165,570. Potable water service to the rural area is expected to be completed during the fiscal year ended June 30, 2000. During the fiscal year ended June 30, 1999, the Village received \$116,148 of the Community Development Block Grant and \$116,148 was expended for construction in progress. The Village of Forest Hill, Louisiana will provide \$4,980 to complete the potable water service to the rural area.

REQUIRED SUPPLEMENTAL INFORMATION

**VILLAGE OF FOREST HILL, LOUISIANA
REQUIRED SUPPLEMENTAL INFORMATION
YEAR 2000 SUPPLEMENTARY INFORMATION
JUNE 30, 1999**

The year 2000 issue is the result of shortcomings in many electronic data processing systems and other electronic equipment that may adversely affect the Village's operations.

The Village has completed an inventory of its computer system and other electronic equipment that may be affected by the year 2000 issue which is necessary to conducting Village operations. The Village relies on a vendor to provide the assessment, remediation, testing, and validation of the Village's system as being year 2000 compliant. As of June 30, 1999, the Village was in the remediation stage.

Because of the unprecedented nature of the year 2000 issue, its effects and the success of the related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management can not assure that the Village is or will be year 2000 ready, that the Village's remediation efforts will be successful in whole or in part, or that parties with whom the Village does business will be year 2000 ready.

See independent auditor's report.

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 governmental 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, 1999

EXHIBIT F

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
REVENUES			
Taxes			
Ad valorem	\$ 4,952	\$ 5,374	\$ 422
Utility franchise	12,795	15,501	2,706
Licenses and permits	18,693	19,184	491
Intergovernmental			
Sales tax	24,112	24,113	1
Garbage sales tax	17,217	15,448	(1,769)
Police supplemental pay		3,600	3,600
Tobacco tax	2,207	2,206	(1)
Louisiana Commission on Law		1,788	1,788
Mowing		5,342	5,342
Fines	27,293	34,162	6,869
Royalties		6,624	6,624
Miscellaneous revenue			
Interest	541	474	(67)
Other revenue	12,570	8,829	(3,741)
Total Revenues	<u>120,380</u>	<u>142,645</u>	<u>22,265</u>
EXPENDITURES			
Current			
General Government			
Salaries and payroll taxes	57,554	61,413	(3,859)
Retirement	1,230	564	666
Office expense	7,478	6,957	521
Membership dues	400	446	(46)
Insurance	30,682	28,630	2,052
Legal and other professional	11,719	8,275	3,444
Utilities	12,520	13,624	(1,104)
Public safety	5,762	10,387	(4,625)
Highways, streets, and sanitation	38,072	39,237	(1,165)
Capital outlay	10,000	4,408	5,592
Total Expenditures	<u>175,417</u>	<u>173,941</u>	<u>1,476</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(55,037)	(31,296)	23,741
OTHER FINANCING SOURCES			
Operating transfers in	<u>55,000</u>	<u>40,000</u>	<u>(15,000)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	(37)	8,704	8,741
FUND BALANCE, BEGINNING OF YEAR	<u>17,010</u>	<u>17,010</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 16,973</u>	<u>\$ 25,714</u>	<u>\$ 8,741</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, 1999

EXHIBIT G

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
REVENUES			
Intergovernmental revenue			
Entitlements from Rapides Parish Government	\$ 10,857	\$ 14,901	\$ 4,044
Total Revenues	<u>10,857</u>	<u>14,901</u>	<u>4,044</u>
EXPENDITURES			
Public safety	<u>13,200</u>	<u>14,657</u>	<u>(1,457)</u>
Total Expenditures	<u>13,200</u>	<u>14,657</u>	<u>(1,457)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(2,343)	244	2,587
FUND BALANCE, BEGINNING OF YEAR	<u>7,866</u>	<u>7,866</u>	<u>-</u>
<u>FUND BALANCE, END OF YEAR</u>	<u>\$ 5,523</u>	<u>\$ 8,110</u>	<u>\$ 2,587</u>

See independent auditor's report.

CAPITAL PROJECTS FUND

Capital Projects Fund is used to account for the proceeds of LCDBG grants to provide fire protection improvements, a new water well, and potable water service to a rural area in the Village of Forest Hill, Louisiana.

VILLAGE OF FOREST HILL, LOUISIANA
 CAPITAL PROJECTS FUND
 STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE
 YEAR ENDED JUNE 30, 1999

EXHIBIT H

REVENUES		
Federal grants		\$ 492,726
Total Revenues		<u>492,726</u>
EXPENDITURES		
Capital outlay		
Acquisition	3,061	
Consultant services	36,450	
Local expenses	134	
Engineering fees	76,817	
Testing	4,350	
Construction	<u>371,914</u>	
Total Expenditures		<u>492,726</u>
EXCESS OF REVENUES OVER EXPENDITURES		0
FUND BALANCE, BEGINNING OF YEAR		<u>0</u>
<u>FUND BALANCE, END OF YEAR</u>		<u>\$ 0</u>

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, 1999

EXHIBIT I

	<u>GAS SYSTEM FUND</u>	<u>WATER SYSTEM FUND</u>	<u>SEWER SYSTEM FUND</u>	<u>TOTAL</u>
ASSETS				
CURRENT ASSETS				
Cash	\$ 8,172	\$ 23,886	\$ 27,689	\$ 59,747
Investments at cost		251,057		251,057
Receivables				
Accounts	10,086	18,534	1,365	29,985
Grants		9,451		9,451
Interest	116			116
Due from gas fund			113,293	113,293
Due from water fund	16		2	18
Due from sewer fund		146,162		146,162
Total Current Assets	<u>18,390</u>	<u>449,090</u>	<u>142,349</u>	<u>609,829</u>
RESTRICTED ASSETS				
Cash	8,269		620	8,889
Investments	6,593	20,765		27,358
Total Restricted Assets	<u>14,862</u>	<u>20,765</u>	<u>620</u>	<u>36,247</u>
PROPERTY, PLANT, AND EQUIPMENT				
Property, plant, and equipment	497,611	1,011,876	765,991	2,275,478
Accumulated depreciation	(210,907)	(476,893)	(184,213)	(872,013)
Construction in progress		403,249		403,249
Net Property, Plant, and Equipment	<u>286,704</u>	<u>938,232</u>	<u>581,778</u>	<u>1,806,714</u>
TOTAL ASSETS	<u>\$ 319,956</u>	<u>\$ 1,408,087</u>	<u>\$ 724,747</u>	<u>\$ 2,452,790</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
(PAYABLE FROM CURRENT ASSETS)				
Accounts payable	\$	\$	\$ 209	\$ 209
Due to gas fund		16		16
Due to water fund			146,162	146,162
Due to sewer fund	113,293	2		113,295
Total Current Liabilities	<u>113,293</u>	<u>18</u>	<u>146,371</u>	<u>259,682</u>
CURRENT LIABILITIES				
(PAYABLE FROM RESTRICTED ASSETS)				
Customer meter deposits	14,862	20,765	620	36,247
Total Liabilities	<u>128,155</u>	<u>20,783</u>	<u>146,991</u>	<u>295,929</u>
EQUITY				
Contributed capital	117,244	541,802	750,000	1,409,046
Retained earnings				
Unreserved (deficit)	74,557	845,502	(172,244)	747,815
Total Equity	<u>191,801</u>	<u>1,387,304</u>	<u>577,756</u>	<u>2,156,861</u>
TOTAL LIABILITIES AND EQUITY	<u>\$ 319,956</u>	<u>\$ 1,408,087</u>	<u>\$ 724,747</u>	<u>\$ 2,452,790</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
GENERAL FIXED ASSETS ACCOUNT GROUP
STATEMENT OF GENERAL FIXED ASSETS
JUNE 30, 1999

EXHIBIT J

GENERAL FIXED ASSETS	
City hall	\$ 42,772
Fire station	34,341
Storage buildings	27,525
Ball park improvements	18,113
Automobiles	61,914
Fire trucks	182,012
Other equipment	40,375
Beautification improvement	<u>1,958</u>
<u>TOTAL GENERAL FIXED ASSETS</u>	<u>\$ 409,010</u>
INVESTMENT 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	35,307
General fund revenues	99,893
Fire Department revenues	38,624
Contributions from the Utility System	<u>193,810</u>
<u>TOTAL INVESTMENT IN GENERAL FIXED ASSETS</u>	<u>\$ 409,010</u>

See independent auditor's report.

VILLAGE OF FOREST HILL, LOUISIANA
GENERAL FIXED ASSETS ACCOUNT GROUP
STATEMENT OF CHANGES IN GENERAL FIXED ASSETS
YEAR ENDED JUNE 30, 1999

EXHIBIT K

	07/01/98 BALANCE	ADDITIONS	DELETIONS	06/30/99 BALANCE
GENERAL FIXED ASSETS				
City hall	\$ 42,772	\$	\$	\$ 42,772
Fire station	34,341			34,341
Storage buildings	27,525			27,525
Ball park improvements	18,113			18,113
Automobiles	62,666		752	61,914
Fire trucks	182,012			182,012
Other equipment	35,967	4,408		40,375
Beautification improvement	1,958			1,958
TOTAL GENERAL FIXED ASSETS	\$ 405,354	\$ 4,408	\$ 752	\$ 409,010
 INVESTMENT 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	1,788		35,307
General fund revenues	98,025	2,620	752	99,893
Fire Department revenues	38,624			38,624
Contribution from the Utility System	193,810			193,810
TOTAL INVESTMENT IN GENERAL FIXED ASSETS	\$ 405,354	\$ 4,408	\$ 752	\$ 409,010

See independent auditor's report.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

VILLAGE OF FOREST HILL, LOUISIANA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 1999

SCHEDULE 1

FEDERAL AGENCY/ PASS-THROUGH GRANTOR PROGRAM TITLE	FEDERAL CFDA NUMBER	AGENCY OR PASS-THROUGH GRANT NUMBER	TOTAL FEDERAL AWARD	FEDERAL AWARDS EXPENDED
U. S. Department of Housing and Urban Development Passed-through the State of Louisiana, Division of Administration Community Development Block Grants/Small Cities Program:				
Fire Protection Improvements	14.219	107-700104	\$ 565,000	193,249
Demonstrated Needs	14.219	107-900313	216,000	183,329
LaSTEP	14.219	107-900322	165,570	116,148
TOTAL			\$ 946,570	\$ 492,726

Notes:

The Schedules of Expenditures of Federal Awards was prepared on the modified accrual basis of accounting. Note 1 to the financial statements provides additional information relative to the Village's accounting policies.

No federal funds were awarded to subrecipients during the year ended June 30, 1999.

See independent auditor's report.

**OTHER REPORTS REQUIRED BY
GOVERNMENT AUDITING STANDARDS
AND OMB CIRCULAR A-133**

**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, 1999, and have issued our report thereon dated September 10, 1999. 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 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

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 financial statements and not to provide assurance on the internal control over financial

MARYIN A. JUNEAO, C.P.A.
K. FRED RANDOW, C.P.A.
ERNEST F. SASSER, C.P.A.

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PAYNE, MOORE & HERRINGTON, LLP

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

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 solely for the information and use of management, the Mayor, and the Board of Aldermen of the Village of Forest Hill, Louisiana, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Payne, Moore & Herrington, LLP
Certified Public Accountants

September 10, 1999

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



PAYNE, MOORE & HERRINGTON, LLP

CERTIFIED PUBLIC ACCOUNTANTS

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

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

Compliance

We have audited the compliance of the Village of Forest Hill, Louisiana with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 1999. The Village of Forest Hill, Louisiana's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the Village of Forest Hill, Louisiana's management. Our responsibility is to express an opinion on the Village of Forest Hill, Louisiana's compliance based on our audit.

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

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

In our opinion, the Village of Forest Hill, Louisiana complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 1999.

Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be 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 noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, the Mayor, and the Board of Aldermen of the Village of Forest Hill, Louisiana, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Payne, Moore & Herrington, LLP
Certified Public Accountants

September 10, 1999

**VILLAGE OF FOREST HILL, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 1999**

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 no

Reportable conditions identified not considered to be material weaknesses? yes none reported

Noncompliance material to financial statements noted? yes no

Management's Summary Schedule of Prior Audit Findings See Attached

Memorandum of Other Comments and Recommendations None

Federal Awards

Internal control over major program:

Material weakness(es) identified? yes no

Reportable conditions(s) identified not considered to be material weaknesses? yes none reported

Type of auditor's report issued on compliance with major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)? yes no

Identification of major program:

CFDA #14.219 Community Development Block Grants/Small Cities Program

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as a low-risk auditee? yes no

**VILLAGE OF FOREST HILL, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 1999**

SECTION II - FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

**MANAGEMENT'S SUMMARY SCHEDULE OF
PRIOR YEAR AUDIT FINDINGS**

**VILLAGE OF FOREST HILL, LOUISIANA
MANAGEMENT'S SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
YEAR ENDED JUNE 30, 1999**

FINDING 98-01 - BUDGETED DEFICIT FUND BALANCE

Condition: LSA - R.S. 39:1308 states that the adopted budgets shall be balanced with approved expenditures not exceeding the total of estimated funds available. 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: It was recommended that budgets be balanced with approved expenditures not exceeding the total estimated funds available 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. - Resolved.

FINDING 98-02 - LEGAL COMPLIANCE OF PUBLIC BID LAW

Condition: 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. 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: It was recommended 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.

Current Status: The Village is currently in compliance with public bid law. - Resolved

FINDING 98-03 - PAYROLL WITHHOLDINGS

Condition: 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. 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: It was recommended that Social Security and Medicare taxes be withheld from the Mayor's wages.

Current status: Social Security and Medicare taxes are being withheld from the Mayor's wages.- Resolved.

**VILLAGE OF FOREST HILL, LOUISIANA
MANAGEMENT'S SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
YEAR ENDED JUNE 30, 1999**

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 for fiscal year ended June 30, 1998, 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 could not be determined whether the Mayor or the Police Chief authorized the changes.

Recommendation: It was recommended that only the Mayor or the Prosecutor authorize a change in violation.

Current status: Only the Mayor or the Prosecutor authorizes a change in violation. - Resolved.

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, and therefore, only wages for which state taxes were withheld were reported.

Recommendation: It was recommended that all wages be reported on Louisiana Withholding L-1 reports.

Current status: All wages are being reported on Louisiana Withholding L-1 reports.- Resolved.

