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VILLAGE OF FOREST HILL, LOUISIANA

FOREST HILL, LOUISIANA

JUNE 30, 2004

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Release Date 12-22-04

VILLAGE OF FOREST HILL, LOUISIANA

JUNE 30, 2004

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PAYNE, MOORE & HERRINGTON, LLP

CERTIFIED PUBLIC ACCOUNTANTS
Established 1945

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 financial statements of the governmental activities, the business type activities, and each major fund of the Village of Forest Hill, Louisiana, as of and for the year ended June 30, 2004, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Forest Hill, Louisiana's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, and each major fund of the Village of Forest Hill, Louisiana, as of June 30, 2004, and the respective changes in financial position and cash flows where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the basic financial statements, the Village of Forest Hill, Louisiana, adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*, and Statement No. 38, *Certain Financial Statement Note Disclosures*. Adoption of these statements result in a change in the format and content of the financial statements and additional note disclosures.

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H. FRED RANDOW, 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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 20, 2004, 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information presented on pages 3 through 7 and 36 through 38 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Payne Moore & Herrington, LLP
Certified Public Accountants

August 20, 2004

REQUIRED SUPPLEMENTAL INFORMATION – PART I
MANAGEMENT’S DISCUSSION AND ANALYSIS

Village of Forest Hill
Management's Discussion and Analysis
Year Ended June 30, 2004

Management's Discussion and Analysis is a fact-based analysis of the Village's financial activities during the fiscal year ended June 30, 2004. Its purpose is to provide an overview of activities within the village based on currently known facts, decision, and conditions.

Government-Wide Financial Statements

The government-wide financial statements present comparative financial information for all activities of the Village using the accrual basis of accounting. They present general government activity separately from business-type activities, which include gas, water, and sewer services.

The Village's combined net assets as of June 30, 2004, were:

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
<u>Assets:</u>			
Current and Other Assets	\$ 152,586	\$ 468,479	\$ 621,065
Internal Balance	1,200	(1,200)	-
Capital Assets	300,962	2,209,716	2,510,678
Total Assets	\$ 454,748	\$ 2,676,995	\$ 3,131,743
<u>Liabilities:</u>			
Current and Other Liabilities	\$ 5,782	\$ 16	\$ 5,798
Long-term Liabilities	640	54,285	54,925
Total Liabilities	\$ 6,422	\$ 54,301	\$ 60,723
<u>Net Assets:</u>			
Invested in Capital Assets (Net)	\$ 300,962	\$ 2,209,716	\$ 2,510,678
Restricted	-	-	-
Unrestricted	147,364	412,978	560,342
Total Net Assets	\$ 448,326	\$ 2,622,694	\$ 3,071,020

According to the chart above, the largest portion of the Village's net assets are invested in capital assets. The capital assets consist of land, buildings, and equipment.

Management's Discussion and Analysis, continued

Business-Type Activities

The Village was also awarded a Louisiana Community Development Block Grant in the amount of \$227,677 to extend water service to approximately 30 residents. This has been an ongoing project of the Water System Fund since 2001 due to several complications. At the end of fiscal year 2004, \$210,974 in funds had been received. However, \$16,703 of the Village's funds has also been spent on the project. Tall Timbers Baptist Conference Center has also contributed \$10,000 for their water service.

A rural development grant was also awarded to the village during fiscal year 2004 in the amount of \$15,000 to be used to purchase a three-phase generator to run one of its water wells in the event of a power outage. The money has not yet been received as the generator is on order.

Fund-Type Activities

The Village was awarded a grant in 2002, that was accounted for in the General Fund, for a street overlay of Stokes Lane and Gene Messer Road in the amount of \$100,000. At the end of fiscal year 2004, \$89,200 was spent on the completion of Stokes Road. The balance of the funds is designated for improvements to Gene Messer Road with work to be completed in fiscal year 2005.

In fiscal year 2004, the council approved purchasing Forest Hill Academy located in Forest Hill, Louisiana for renovating it into a municipal complex. The complex will consist of the town hall, police department, fire department, utilities offices, and senior citizen center. Funds have been obligated from the United States Department of Agriculture, Rural Development in the form of a loan in the amount of \$250,000 at an interest rate of 4.875 percent and a grant of \$125,000. The balance of the funds to renovate will be obtained through a capital outlay grant through the State of Louisiana in the amount of \$880,000. Work is scheduled to begin in calendar year 2005.

The fire department is currently in the process of building an additional fire station on Butter Cemetery Road to better serve the residents of that area. The land was donated by Crowell Lumber Company. The Village is in the process of securing a grant in which to build the structure.

Financial Analysis of the Village's Funds

The general fund has seen an increase in revenue due to the increase of fines and securing of grants. The Village does not have a sales tax in place and depends on outside sources for income; resulting in fluctuation. A summary of the general fund budget compared to actual amounts is presented as follows:

Management's Discussion and Analysis, continued

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Total Revenues	\$ 280,231	\$ 213,382	\$ 221,454	\$ 8,072
Total Expenditures	266,701	246,797	243,590	3,207
Excess (deficiency) of revenues				
Over expenditures	\$ 13,530	\$ (33,415)	\$ (22,136)	\$ 11,279

The original budget included \$85,000 in grant funds with only a portion of that money being received. We also included \$30,000 in the budget from other financing sources to help cover expenses in the general fund. The village had no debt at the close of fiscal year 2004 in the general fund.

A special revenue fund for the fire department is also budgeted. The revenue generated is received from a ½-cent sales tax designated for the maintenance of equipment, fundraisers, and donations. A summary of the special revenue fund budget compared to actual amounts is presented as follows:

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Total Revenues	\$ 45,786	\$ 51,608	\$ 52,328	\$ 720
Total Expenditures	30,389	56,014	62,778	(6,764)
Excess (deficiency) of revenues				
Over expenditures	\$ 15,397	\$ (4,406)	\$ (10,450)	\$ (6,044)

The difference in the budget is attributed to the purchase of fire equipment in the amount of \$6,607 during the year that was not anticipated. The fire department remains debt free at the close of fiscal year 2004.

The Village maintains its own gas, water, and sewer system. The gas and water system encompass an area that extends outside the Village's corporate limits, while the sewer system is provided to a limited area. There are approximately 250 gas customers, 1003 water customers, and 110 sewer customers. A summary of the enterprise funds is presented as follows:

Management's Discussion and Analysis, concluded

	<u>Water System</u> <u>Fund</u>	<u>Sewer System</u> <u>Fund</u>	<u>Gas System</u> <u>Fund</u>	<u>Total</u>
Assets:				
Current and				
Other Assets	\$ 331,892	\$ 171,001	\$ 111,325	\$ 614,218
Restricted Assets	29,218	1,390	20,367	50,975
Capital Assets	1,439,767	524,339	245,610	2,209,716
Total Assets	\$ 1,800,877	\$ 696,730	\$ 377,302	\$ 2,874,909
Liabilities:				
Current and				
Other Liabilities	\$ 17,233	\$ 169,566	\$ 11,959	\$ 198,758
Restricted Liabilities	29,218	1,390	20,366	50,974
Long-term Liabilities	588	237	1,658	2,483
Total Liabilities	\$ 47,039	\$ 171,193	\$ 33,983	\$ 252,215
Net Assets:				
Invested in Capital				
Assets (Net)	\$ 1,439,767	\$ 524,339	\$ 245,610	\$ 2,209,716
Unrestricted	314,071	1,198	97,709	412,978
Total Net Assets	\$ 1,753,838	\$ 525,537	\$ 343,319	\$ 2,622,694

The following is a summary of the statement of revenues, expenses and changes in net assets for the enterprise funds:

	<u>Water System</u> <u>Fund</u>	<u>Sewer System</u> <u>Fund</u>	<u>Gas System</u> <u>Fund</u>	<u>Total</u>
Operating Revenues:	\$ 185,179	\$ 17,164	\$ 298,527	\$ 500,870
Operating Expenses:	224,722	29,314	252,756	506,792
Operating Income (Loss)	(39,543)	(12,150)	45,771	(5,922)
Nonoperating Revenues				
(Expenses)	152,405	6	151	152,562
Transfer In (Out)	(9,345)	-	(20,865)	(30,210)
Gain (loss) sale of asset	1,842	-	1,842	3,684
Change in Net Assets:	\$ 105,359	\$ (12,144)	\$ 26,899	\$ 120,114

The water system incurred expenses due to the extension of services to an outlying area. The Village has spent around \$20,000 when unexpected expenses in the project were detected as the work was done. Service was also extended to residents on two side roads that were not accounted for in the original grant. Also, a new truck had to be purchased for the utility department due to the old vehicle catching fire.

The sewer system purchased two new pumps at a cost of \$14,000 to run the lift stations to provide better flow.

The enterprise funds remain debt free at the end of fiscal year 2004.

For additional information or questions, contact Mary Pringle at (318) 748-6300.

BASIC FINANCIAL STATEMENTS

**GOVERNMENT-WIDE
FINANCIAL STATEMENTS (GWFS)**

**Village of Forest Hill
Statement of Net Assets
June 30, 2004**

EXHIBIT A

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and equivalents	\$ 65,670	\$ 166,876	\$ 232,546
Investments	44,500	193,323	237,823
Receivables	30,712	36,074	66,786
Interest receivables	-	115	115
Internal balances	1,200	(1,200)	-
Restricted assets	640	50,975	51,615
Prepaid expenses	11,064	21,116	32,180
Capital assets			
Land, improvements, and construction in progress not being depreciated	25,436	284,282	309,718
Other capital assets, net of depreciation	275,526	1,925,434	2,200,960
Total Capital Assets	300,962	2,209,716	2,510,678
Total Assets	454,748	2,676,995	3,131,743
Liabilities			
Bank overdraft	2,282	-	2,282
Accounts payable and accrued expenses	3,500	16	3,516
Long-term liabilities			
Due within one year	-	828	828
Due in more than one year	640	53,457	54,097
Total Liabilities	6,422	54,301	60,723
Net Assets			
Invested in capital assets, net of related debt	300,962	2,209,716	2,510,678
Unrestricted	147,364	412,978	560,342
Total Net Assets	\$ 448,326	\$ 2,622,694	\$ 3,071,020

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

Village of Forest Hill
Statement of Activities
For the Year Ended June 30, 2004

EXHIBIT B

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets				
	Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
						Governmental Activities	Business-type Activities	Totals
Primary Government								
Governmental Activities								
General government	\$ 140,955		\$ 5,342	\$ 28,599		\$ (107,014)	\$ -	\$ (107,014)
Public safety	132,737		53,444	11,062		(68,231)	-	(68,231)
Public works	60,942		17,259	13,992		(29,691)	-	(29,691)
Animal control	119		-	-		(119)	-	(119)
Community development	669		-	-		(669)	-	(669)
Interest on long-term debt	76		-	-		(76)	-	(76)
Total Governmental Activities	<u>335,498</u>		<u>76,045</u>	<u>53,653</u>		<u>(205,800)</u>	<u>-</u>	<u>(205,800)</u>
Business-type Activities								
Water	224,818		184,444		144,667	-	104,293	104,293
Sewer	29,314		17,164		-	-	(12,150)	(12,150)
Gas	252,852		298,300		-	-	45,448	45,448
Total Business-type Activities	<u>506,984</u>		<u>499,908</u>		<u>144,667</u>	<u>-</u>	<u>137,591</u>	<u>137,591</u>
Total Primary Government	<u>\$ 842,482</u>		<u>\$ 575,953</u>	<u>\$ 53,653</u>	<u>\$ 144,667</u>	<u>(205,800)</u>	<u>137,591</u>	<u>(68,209)</u>
General Revenues:								
Taxes:								
Property taxes, levied for general purposes						7,548	-	7,548
Franchise taxes						24,392	-	24,392
Sales taxes, levied for general purposes						28,401	-	28,401
Sales taxes, levied for specific purposes						52,178	-	52,178
Public service taxes						25,580	-	25,580
Unrestricted investment earnings						1,242	8,087	9,329
Miscellaneous						4,743	962	5,705
Special item - gain on sale of asset						-	3,684	3,684
Transfers						30,210	(30,210)	-
Total General Revenues, Special Items, and Transfers						<u>174,294</u>	<u>(17,477)</u>	<u>156,817</u>
Change in net assets						(31,506)	120,114	88,608
Net assets - beginning						479,832	2,502,580	2,982,412
Net assets - ending						<u>\$ 448,326</u>	<u>\$ 2,622,694</u>	<u>\$ 3,071,020</u>

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

FUND FINANCIAL STATEMENTS

**Village of Forest Hill
Balance Sheet
Governmental Funds
June 30, 2004**

EXHIBIT C

	General Fund	Fire Department Fund	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 63,730	\$ 1,940	\$ 65,670
Investments at cost	-	44,500	44,500
Receivables	19,638	11,074	30,712
Due from other funds	324	1,497	1,821
Restricted assets	640	-	640
<u>Total Assets</u>	\$ 84,332	\$ 59,011	\$ 143,343
 Liabilities and Fund Balances			
Liabilities			
Bank overdraft	\$ -	\$ 2,282	\$ 2,282
Accounts payable	3,500	-	3,500
Due to other funds	621	-	621
Payable from restricted assets	640	-	640
Total Liabilities	4,761	2,282	7,043
 Fund balances			
Unreserved	79,571	56,729	136,300
Total Fund Balances	79,571	56,729	136,300
 Total Liabilities and Fund Balances	 \$ 84,332	 \$ 59,011	 \$ 143,343

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

**Village of Forest Hill
Reconciliation of the Governmental Funds
Balance Sheet to the Statement of Net Assets
June 30, 2004**

EXHIBIT D

Total fund balance, governmental funds \$ 136,300

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Assets. 300,962

Costs incurred which benefit more than one period are recorded as an expenditure in the Governmental Funds when paid. The portion relating to the next fiscal year is reported as prepaid expenses in the Statement of Net Assets. 11,064

Net Assets of Governmental Activities in the Statement of Net Assets \$ 448,326

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

Village of Forest Hill
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2004

EXHIBIT E

	<u>General Fund</u>	<u>Fire Department Fund</u>	<u>Total Governmental Funds</u>
Revenues			
Property taxes	\$ 7,548	\$ -	\$ 7,548
Sales and other taxes	74,427	30,544	104,971
Licenses and permits	25,580	-	25,580
Intergovernmental	8,942	4,912	13,854
Charges for services	17,259	9,540	26,799
Grants	19,633	-	19,633
Fines	43,904	-	43,904
Nursery trade show	19,358	-	19,358
Interest income	60	1,182	1,242
Other			
Donations and fundraisers	-	6,150	6,150
Miscellaneous	4,743	-	4,743
Total Revenues	<u>221,454</u>	<u>52,328</u>	<u>273,782</u>
Expenditures			
Current:			
General government	136,815	-	136,815
Public safety	52,118	56,171	108,289
Animal control	119	-	119
Highways, streets, and sanitation	50,837	-	50,837
Debt Service:			
Principal	3,625	-	3,625
Interest and other charges	76	-	76
Capital Outlay	-	6,607	6,607
Total Expenditures	<u>243,590</u>	<u>62,778</u>	<u>306,368</u>
Excess (Deficiency) of Revenues Over Expenditures	(22,136)	(10,450)	(32,586)
Other Financing Sources (Uses)			
Transfers in	35,865	8,262	44,127
Transfers (out)	(13,917)	-	(13,917)
Total Other Financing Sources and Uses	<u>21,948</u>	<u>8,262</u>	<u>30,210</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures	(188)	(2,188)	(2,376)
Fund Balances, Beginning of Year	<u>79,759</u>	<u>58,917</u>	<u>138,676</u>
Fund Balances, End of Year	<u>\$ 79,571</u>	<u>\$ 56,729</u>	<u>\$ 136,300</u>

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

**Village of Forest Hill
 Reconciliation of the Statement of Revenues, Expenditures, and Changes in
 Fund Balances of Governmental Funds to the Statement of Activities
 For the Year Ended June 30, 2004**

EXHIBIT F

Net change in fund balances - total governmental funds: \$ (2,376)

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period. This is the amount by which depreciation, \$39,010, exceeded capital outlay of \$6,607 in the current period. (32,403)

Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 3,625

Prepaid costs are recognized as an expenditure when paid in the Governmental Funds. In the Statement of Activities, however, prepaid expenses are allocated over the period for which the expense is related. (352)

Change in Net Assets of Governmental Activities \$ (31,506)

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

Village of Forest Hill
Statement of Net Assets
Proprietary Funds
June 30, 2004

EXHIBIT G

	Enterprise Funds			
	Water System Fund	Sewer System Fund	Gas System Fund	Total Enterprise Funds
Assets				
Current Assets:				
Cash and cash equivalents	\$ 21,155	\$ 142,747	\$ 2,974	\$ 166,876
Investments, at cost	193,323	-	-	193,323
Accounts receivable, net	16,925	1,632	17,517	36,074
Interest receivable	-	-	115	115
Due from other funds	89,931	26,622	80,161	196,714
Prepaid expenses	10,558	-	10,558	21,116
Total Current Assets	331,892	171,001	111,325	614,218
Restricted Assets:				
Cash	-	1,390	13,606	14,996
Investments	29,218	-	6,761	35,979
Total Restricted Assets	29,218	1,390	20,367	50,975
Non-current Assets:				
Capital Assets:				
Property, plant and equipment	2,264,315	791,298	551,004	3,606,617
Accumulated depreciation	(824,548)	(266,959)	(305,394)	(1,396,901)
Total Non-current Assets	1,439,767	524,339	245,610	2,209,716
Total Assets	1,800,877	696,730	377,302	2,874,909
Liabilities				
Current Liabilities:				
Accounts payable	-	16	-	16
Due to other funds	17,037	169,471	11,406	197,914
Compensated absences	196	79	553	828
Total Current Liabilities	17,233	169,566	11,959	198,758
Restricted Liabilities:				
(Payable from restricted assets)				
Customer meter deposits	29,218	1,390	20,366	50,974
Total Restricted Liabilities	29,218	1,390	20,366	50,974
Long-term Liabilities				
Compensated absences	588	237	1,658	2,483
Total Long-term Liabilities	588	237	1,658	2,483
Total Liabilities	47,039	171,193	33,983	252,215
Net Assets				
Invested in capital assets, net of related debt	1,439,767	524,339	245,610	2,209,716
Unrestricted	314,071	1,198	97,709	412,978
Total Net Assets	\$ 1,753,838	\$ 525,537	\$ 343,319	\$ 2,622,694

Total net assets per Government-Wide financial statements

\$ 2,622,694

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

Village of Forest Hill
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds
For the Year Ended June 30, 2004

EXHIBIT H

	Enterprise Funds			Total Enterprise Funds
	Water System Fund	Sewer System Fund	Gas System Fund	
Operating Revenues				
Charges for services	\$ 184,444	\$ 17,164	\$ 298,300	\$ 499,908
Miscellaneous income	735	-	227	962
Total Operating Revenues	<u>185,179</u>	<u>17,164</u>	<u>298,527</u>	<u>500,870</u>
Operating Expenses				
Gas purchased for resale	-	-	123,936	123,936
Salaries and payroll taxes	70,864	316	60,772	131,952
Other supplies and expenses	-	297	-	297
Legal and other professional	5,191	-	4,923	10,114
System repairs, maintenance, and connections	40,965	9,259	40,105	90,329
Utilities	24,550	2,150	-	26,700
Insurance	3,864	-	3,013	6,877
Depreciation	79,288	17,292	20,007	116,587
Total Operating Expenses	<u>224,722</u>	<u>29,314</u>	<u>252,756</u>	<u>506,792</u>
Operating Income (Loss)	(39,543)	(12,150)	45,771	(5,922)
Nonoperating Revenues (Expenses)				
Grants	144,667	-	-	144,667
Interest income	7,834	6	247	8,087
Interest expense	(96)	-	(96)	(192)
Total Nonoperating Revenue (Expenses)	<u>152,405</u>	<u>6</u>	<u>151</u>	<u>152,562</u>
Income (Loss) Before Operating Transfers and Special Items	112,862	(12,144)	45,922	146,640
Transfers in	5,655	-	-	5,655
Transfers out	(15,000)	-	(20,865)	(35,865)
Special item - gain (loss) on sale of asset	1,842	-	1,842	3,684
Change in Net Assets	105,359	(12,144)	26,899	120,114
Net Assets, Beginning of Year	<u>1,648,479</u>	<u>537,681</u>	<u>316,420</u>	<u>2,502,580</u>
Net Assets, End of Year	<u>\$ 1,753,838</u>	<u>\$ 525,537</u>	<u>\$ 343,319</u>	<u>\$ 2,622,694</u>
Change in Net Assets - Enterprise Funds, per above				<u>120,114</u>
Change in Business-Type Activities in Net Assets per Government-Wide Financial Statements				<u>\$ 120,114</u>

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

Village of Forest Hill, Louisiana
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2004

EXHIBIT I
(Continued)

	Enterprise Funds			
	Water System Fund	Sewer System Fund	Gas System Fund	Total Enterprise Funds
Cash Flows from Operating Activities				
Receipts from customers	\$ 190,776	\$ 17,223	\$ 298,268	\$ 506,267
Internal activity - receipts from other funds	(23,588)	(26,622)	(36,946)	(87,156)
Other receipts	735	-	227	962
Payments to employees	(70,080)	-	(58,561)	(128,641)
Payments to vendors and others	(83,481)	(11,726)	(180,780)	(275,987)
Internal activity - payments to other funds	16,092	55,352	11,319	82,763
Net Cash Provided (Used) by Operating Activities	30,454	34,227	33,527	98,208
Cash Flows from Noncapital Financing Activities				
Operating subsidies and transfers to other funds	(9,345)	-	(20,865)	(30,210)
Net Cash Provided (Used) by Noncapital Financing Activities	(9,345)	-	(20,865)	(30,210)
Cash Flows from Capital and Related Financing Activities				
Capital contributions	144,666	-	-	144,666
Proceeds from sale of capital assets	1,842	-	1,842	3,684
Purchase of capital assets and construction in progress	(169,429)	(9,229)	(8,325)	(186,983)
Principal paid on capital debt	(6,349)	-	(6,349)	(12,698)
Interest paid on capital debt	(96)	-	(96)	(192)
Net Cash Provided (Used) by Capital and Related Financing Activities	(29,366)	(9,229)	(12,928)	(51,523)
Cash Flows from Investing Activities				
Net change in equity in pooled cash and investments	-	20	(1,756)	(1,736)
Interest received on operating funds	7,834	6	247	8,087
Net Cash Provided (Used) by Investing Activities	7,834	26	(1,509)	6,351
Net Increase (Decrease) in Cash and Cash Equivalents	(423)	25,024	(1,775)	22,826
Cash and Cash Equivalents, Beginning of Year	21,578	117,723	4,749	144,050
Cash and Cash Equivalents, End of Year	\$ 21,155	\$ 142,747	\$ 2,974	\$ 166,876

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

**Village of Forest Hill
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2004**

**EXHIBIT I
(Concluded)**

	Enterprise Funds			Total Enterprise Funds
	Water System Fund	Sewer System Fund	Gas System Fund	
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating income (loss)	\$ (39,543)	\$ (12,150)	\$ 45,771	\$ (5,922)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation	79,288	17,292	20,007	116,587
Changes in assets and liabilities				
Receivables	(17,256)	(26,563)	(36,978)	(80,797)
Prepaid expenses	(10,558)	-	(10,558)	(21,116)
Accounts payable	16,072	55,352	11,319	82,743
Compensated absences	784	316	2,211	3,311
Customer guaranteed deposits	1,667	(20)	1,755	3,402
<u>Net Cash Provided (Used) by Operating Activities</u>	<u>\$ 30,454</u>	<u>\$ 34,227</u>	<u>\$ 33,527</u>	<u>\$ 98,208</u>

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

NOTES TO BASIC FINANCIAL STATEMENTS

VILLAGE OF FOREST HILL, LOUISIANA
JUNE 30, 2004

NOTES TO BASIC FINANCIAL STATEMENTS

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

The Village of Forest Hill (Village), 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 accompanying financial statements of the Village have been prepared in conformity with accounting principles generally accepted in the United States of America (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. GAAP includes all relevant GASB pronouncements. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

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

A. The Financial Reporting Entity

As required by accounting principles generally accepted in the United States of America, these financial statements present the financial position and operations of the Village of Forest Hill, Louisiana (the primary government).

B. Basis of Presentation and Accounting

The accounting system is organized and operated on the basis of funds. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with specific regulations, restrictions, or limitations.

The Village's funds are grouped into two broad fund categories and three generic fund types for financial statement presentation purposes. Governmental funds include the general fund and the special revenue fund. Proprietary funds include enterprise funds.

Government-Wide Financial Statements (GWFS)

The government-wide financial statements, "*Statement of Net Assets*" and "*Statement of Activities*", report information on all of the non-fiduciary activities of the primary government. Government activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which primarily rely on fees and charges for support.

VILLAGE OF FOREST HILL, LOUISIANA
JUNE 30, 2004

NOTES TO BASIC FINANCIAL STATEMENTS

The government-wide statements are prepared using the economic resource measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for government funds. The primary effect of internal activity has been eliminated from the government-wide financial statements.

The government-wide Statement of Activities presents a comparison between expenses (both direct and indirect) and program revenues for each segment of the business-type activities of the Village and for each governmental program. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues include (a) fees, fines, and charges paid by the recipients for goods or services offered by the program, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenue are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the Village.

Fund Financial Statements

Fund financial statements report detailed information about the Village. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting by fund type. Each major fund is presented in a separate column. All funds of the Village are major funds. Separate financial statements are provided for governmental funds and proprietary funds.

Governmental Funds

All governmental funds are accounted for using the modified accrual basis of accounting and the current financial resources measurement focus. Under this basis revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

The major governmental funds are:

General Fund – This is the Village’s primary operating fund. This fund accounts for all financial resources except for those required to be accounted for in another fund.

Special Revenue – Fire Department Fund – This fund is used to account for operations of the fire department.

**VILLAGE OF FOREST HILL, LOUISIANA
JUNE 30, 2004**

NOTES TO BASIC FINANCIAL STATEMENTS

Revenue Recognition -- In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed to be measurable and available (i.e., collectible with the current period or within 60 days after year end and available to pay obligations of the current period). This includes property taxes, franchise taxes, sales 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. Reimbursements due for federal and state funded projects are accrued as revenue at the time the expenditures are made, or when received in advance, deferred until expenditures are made.

Expenditure Recognition -- The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, principal and interest on general long-term debt, which has not matured, are recognized when paid. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

Proprietary Funds

All proprietary funds are accounted for using the accrual basis of accounting. These funds account for operations that are primarily financed by user charges. The economic resource focus is concerned with determining costs as a means of maintaining the capital investment and management control. Revenues are recognized when earned, and expenses are recognized when incurred. Allocations of costs, such as depreciation, are recorded in proprietary funds.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Village's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, benefits paid and depreciation on capital assets. All revenues not meeting this definition are reported as non-operating revenues and expenses.

The major proprietary funds of the Village relate to utilities and consist of the following:

Gas System Fund – This fund is used to account for natural gas services provided to residents in and around the Village.

Water System Fund – This fund accounts for all activities related to servicing residents in the Village and adjacent areas with water.

Sewer System Fund – This fund reflects activity related to providing waste water services to the residents of the Village.

VILLAGE OF FOREST HILL, LOUISIANA
JUNE 30, 2004

NOTES TO BASIC FINANCIAL STATEMENTS

C. Change in Accounting Principle

The Village of Forest Hill adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, Statement No. 37, *Basic Financial Statements - And Management's Discussion and Analysis - for State and Local Governments: Omnibus*, and Statement No. 38, *Certain Financial Note Disclosures*. Adoption of these statements results in a change in the format and content of the basic financial statements and additional note disclosures.

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 Fund. Budgeted amounts are as originally adopted or as amended from time to time by the Board.

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 is 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 holding 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.

VILLAGE OF FOREST HILL, LOUISIANA
JUNE 30, 2004

NOTES TO BASIC FINANCIAL STATEMENTS

E. Cash, Cash Equivalents, and Investments

Cash includes amounts on hand, in demand deposits, and in time deposits. For the purpose of the statement of cash flows, 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 with maturities greater than three months and investments with the Louisiana Asset Management Pool (LAMP).

F. Internal Balances (Due from /to Other Funds)

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as internal balances on the statement of net assets and as due from/to other funds in the fund financial statements.

Amounts reported in the fund financial statements as interfund receivables and payables are eliminated in the government-wide governmental and business-type activities columns of the statement of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

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

General Fund, Gas System Fund, Water System Fund, and Sewer System Fund assets classified as restricted represent "customers' deposits" amounts received from individuals for utility deposits. These deposits are payable to the customers upon discontinuing service.

I. Capital Assets and Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the Village as a whole. When purchased, such assets are recorded as expenditures in the governmental funds.

In the Government-Wide Financial Statements, capital asset, including general capital assets are capitalized and depreciated on a straight-line basis over their estimated useful lives. Public domain ("infrastructure") capital assets consisting of roads, bridges, curbs and gutters, streets, drainage systems, and lighting systems are capitalized. The valuation basis for capital assets is historical cost, or when historical cost is not available, estimated historical cost. The minimum capitalization threshold is any individual item with a total cost greater than \$500. There is no set threshold in which infrastructure capital assets are capitalized.

Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. The valuation basis for proprietary fund capital assets is the same as those used for general capital assets.

**VILLAGE OF FOREST HILL, LOUISIANA
JUNE 30, 2004**

NOTES TO BASIC FINANCIAL STATEMENTS

J. Bad Debts

Bad debts arising from customers' utility receivables are recognized by the direct charge-off method, whereby uncollectible accounts are written off upon delinquency. At June 30, 2004, the Village considers all accounts collectible.

K. Interfund Transactions

All interfund transactions are reported as transfers.

L. Long-Term Liabilities

Long-term liabilities expected to be financed from governmental funds are not reported in the Balance Sheet for the Fund Financial Statements; however, such long-term obligations are reported in the Statement of Net Assets in the Government-Wide Financial Statements. Interest expense on long-term debt is recognized in the Government-Wide Financial Statements as the interest accrues, regardless of when it is due. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

M. Supplemental Wages

Certain employees of the police department are eligible and receive supplemental wages from the State of Louisiana. These supplemental wages are recognized as intergovernmental revenue and public safety expenditures in the General Fund.

N. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

2. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The Fire Department Fund had actual expenditures over budgeted expenditures for the year ended June 30, 2004, in the amount of \$6,764.

**VILLAGE OF FOREST HILL, LOUISIANA
JUNE 30, 2004**

NOTES TO BASIC FINANCIAL STATEMENTS

3. LEVIED TAXES

Levied 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 2003, property taxes were levied for 5.07 mills on property with assessed valuations totaling \$1,489,310 and were dedicated for general alimony purposes. Total taxes levied were \$7,548.

4. SALES TAX

One-half of a one percent (0.5%) city sales and use tax approved for an indefinite period by the voters of the Village on September 4, 2001, is collected on the sale, use, lease or rental, consumption, and storage for use or consumption, of tangible personal property and on services in the Village. The proceeds are dedicated for fire protection and emergency services.

Fifteen and twenty-four hundredths percent (15.24%) of a one percent (1%) sales tax administered by Rapides Parish is allocated to the Village. This tax is available for the General Fund's use for any lawful general purpose. The tax was approved for an indefinite period.

Eight hundred eighty-one thousandths percent (0.881%) of a one-half percent (0.5%) sales tax collected by Rapides Parish Police Jury for Sales Tax District No. 3 is allocated to the Village. It is used to defray the cost of garbage collection and sanitation services provided to Village residents. This tax expires on May 31, 2007.

All sales tax is collected by the Rapides Parish Police Jury Sales Tax Department.

5. 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, investments as stipulated in state law, or any other federally insured investment.

Cash and cash equivalents – governmental and business-type activities

At year-end, the Village's deposits were covered by depository insurance or collateral held by the Village or its agent. At June 30, 2004, the Village had cash and cash equivalents (book balances) totaling \$248,182 as follows:

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Petty cash and change funds	\$ 550	\$ -	\$ 550
Demand deposits	231,996	15,636	247,632
	\$ 232,546	\$ 15,636	\$ 248,182

**VILLAGE OF FOREST HILL, LOUISIANA
JUNE 30, 2004**

NOTES TO BASIC FINANCIAL STATEMENTS

Investments – governmental and business-type activities

At June 30, 2004, the Village had investments of \$273,802 consisting of the following:

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Time deposits			
Certificates of deposit	\$ 237,823	\$ 34,854	\$ 272,677
Investment in Louisiana Asset Management Pool	-	1,125	1,125
	\$ 237,823	\$ 35,979	\$ 273,802

Investments held at June 30, 2004, consist of \$1,125 in the Louisiana Asset Management Pool (LAMP), a local government investment pool. In accordance with GASB Codification Section 150.126, the investment in LAMP at June 30, 2004, is not categorized in the three risk categories provided by GASB Codification Section 150.125 because the investment is in the pool of funds and therefore not evidenced by securities that exist in physical or book entry form.

LAMP is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana. Only local government entities having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with LSA -R.S. 33:2955. Accordingly, LAMP investments are restricted to securities issued, guaranteed, or backed by the U.S. Treasury, the U.S. Government, or one of its agencies, enterprises, or instrumentalities, as well as repurchase agreements collateralized by those securities.

Effective August 1, 2001, LAMP's investment guidelines were amended to permit the investment in government-only money market funds. In its 2001 Regular Session, the Louisiana Legislature (Senate Bill No.512, Act 701) enacted LSA-R.S. 33:2955(A)(1)(h) which allows all municipalities, parishes, school boards, and any other political subdivisions of the State to invest in "Investment grade (A-/P-I) commercial paper of domestic United States corporations." Effective October 1, 2001, LAMP's Investment Guidelines were amended to allow the limited investment in A-I or A-1 + commercial paper.

The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 90 days, and consists of no securities with a maturity in excess of 397 days. LAMP is designed to be highly liquid to give its participants immediate access to their account balances. The investments in LAMP are stated at fair value based on quoted market rates. The fair value is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the value of the pool shares.

LAMP, Inc. is subject to the regulatory oversight of the state treasurer and the board of directors. LAMP is not registered with the SEC as an investment company.

**VILLAGE OF FOREST HILL, LOUISIANA
JUNE 30, 2004**

NOTES TO BASIC FINANCIAL STATEMENTS

Custodial Credit Risk: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the government will not be able to recover its deposits. The custodial credit risk for investments is the risk that, in the event of the failure of a counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that is in the possession of an outside party. At year end, the Village's certificates of deposit included in investments were covered by depository insurance or collateral held in the name of the pledging fiscal agent bank in holding or custodial bank.

6. RECEIVABLES

Receivables at June 30, 2004, consist of the following:

	<u>Sales Tax</u>	<u>Franchise Tax</u>	<u>Inter-governmental</u>	<u>Customer Receivables</u>	<u>Totals</u>
General Fund	\$ 9,528	\$ 6,078	\$ 2,671	\$ 1,361	\$19,638
Fire Department Fund	5,824	-	5,250	-	11,074
Water System Fund	-	-	-	16,925	16,925
Sewer System Fund	-	-	-	1,632	1,632
Gas System Fund	-	-	-	17,517	17,517
	<u>\$ 15,352</u>	<u>\$ 6,078</u>	<u>\$ 7,921</u>	<u>\$ 37,435</u>	<u>\$ 66,786</u>

7. INTERNAL BALANCES (DUE FROM/TO OTHER FUNDS) AND TRANSFERS

Amounts due from and to other funds at June 30, 2004, consist of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Water System Fund	\$ 324
Fire Department Fund	Water System Fund	1,497
Total Governmental Funds		<u>1,821</u>
Water System Fund	Sewer System Fund	89,931
Sewer System Fund	Water System Fund	15,216
Sewer System Fund	Gas System Fund	11,406
Gas System Fund	General Fund	621
Gas System Fund	Sewer System Fund	79,540
Total Enterprise Funds		<u>196,714</u>
 Total Due From/To Other Funds		 \$ 198,535

Balances at June 30, 2004, resulted because interfund goods or services had been provided, but transactions to reimburse the receivable fund(s) had not occurred. Transactions are recorded in the accounting system and settlements take place periodically. The amounts here represent activity since the last settlement.

**VILLAGE OF FOREST HILL, LOUISIANA
JUNE 30, 2004**

NOTES TO BASIC FINANCIAL STATEMENTS

Interfund transfers, for the year ending June 30, 2004, were as follows:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Water System Fund	\$ 15,000
General Fund	Gas System Fund	20,865
Fire Department Fund	General Fund	<u>8,262</u>
Total Governmental Funds		44,127
Water System Fund	General Fund	<u>5,655</u>
Total Enterprise Funds		<u>5,655</u>
Total Transfers		\$ 49,782

The transfers are movements of money from one fund to another. These can be required by law or merely serve as a means to finance activities in the receiving fund. As in the interfunds above, these are not loans, i.e., the receiving fund does not pay it back.

8. RESTRICTED ASSETS

Cash and investments are classified as restricted because of the liability for refundable customer deposits in the general and proprietary funds in the amount of \$51,615.

9. CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2004 was as follows:

	<u>Balance July 1, 2003</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2004</u>
Governmental Activities				
Capital assets not being depreciated				
Land and land improvements	\$ 25,436	\$ -	\$ -	\$ 25,436
Total capital assets not being depreciated	25,436	-	-	25,436
Other capital assets				
Buildings and improvements	141,552	2,519	-	144,071
Equipment	55,030	4,088	-	59,118
Vehicles	<u>395,714</u>	<u>-</u>	<u>-</u>	<u>395,714</u>
Total other capital assets	592,296	6,607	-	598,903
Accumulated depreciation				
Buildings and improvements	(45,248)	(4,698)	-	(49,946)
Equipment	(11,725)	(6,585)	-	(18,310)
Vehicles	<u>(227,394)</u>	<u>(27,727)</u>	<u>-</u>	<u>(255,121)</u>
Total accumulated depreciation	<u>(284,367)</u>	<u>(39,010)</u>	<u>-</u>	<u>(323,377)</u>
Other capital assets, net	<u>307,929</u>	<u>(32,403)</u>	<u>-</u>	<u>275,526</u>
Net Capital Assets	<u>\$ 333,365</u>	<u>\$ (32,403)</u>	<u>\$ -</u>	<u>\$ 300,962</u>

**VILLAGE OF FOREST HILL, LOUISIANA
JUNE 30, 2004**

NOTES TO BASIC FINANCIAL STATEMENTS

Depreciation was charged to functions as follows:

Governmental Activities		
General government		\$ 4,457
Public safety		24,448
Highways, streets, and sanitation		<u>10,105</u>
Total depreciation expense for governmental activities		\$ 39,010

	<u>Balance July 1, 2003</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2004</u>
Business Type Activities				
Capital assets not being depreciated				
Land	\$ 51,131	\$ -	\$ -	\$ 51,131
Construction in progress	<u>72,102</u>	<u>161,049</u>	<u>-</u>	<u>233,151</u>
Total capital assets not being depreciated	123,233	161,049	-	284,282
Other capital assets				
Plant and equipment	180,841	22,000	-	202,841
Buildings and improvements	23,529	-	-	23,529
Vehicles	63,781	-	-	63,781
Furniture, fixtures and equipment	10,828	1,698	-	12,526
Infrastructure	<u>3,019,658</u>	<u>-</u>	<u>-</u>	<u>3,019,658</u>
Total other capital assets	3,298,637	23,698	-	3,322,335
Accumulated depreciation				
Plant and equipment	(136,778)	(12,609)	-	(149,387)
Buildings and improvements	(21,350)	(109)	-	(21,459)
Vehicles	(39,310)	(7,777)	-	(47,087)
Furniture, fixtures and equipment	(6,528)	(804)	-	(7,332)
Infrastructure	<u>(1,076,348)</u>	<u>(95,288)</u>	<u>-</u>	<u>(1,171,636)</u>
Total accumulated depreciation	<u>(1,280,314)</u>	<u>(116,587)</u>	<u>-</u>	<u>(1,396,901)</u>
Other capital assets, net	2,018,323	(92,889)	-	1,925,434
Net Capital Assets	<u>\$2,141,556</u>	<u>\$ 68,160</u>	<u>\$ -</u>	<u>\$ 2,209,716</u>

Depreciation was charged to functions as follows:

Water	\$ 79,288
Sewer	17,292
Gas	<u>20,007</u>
Total depreciation expense for business type activities	\$ 116,587

The Village looks at individual projects in considering capitalizing infrastructure. There is no threshold amount set over which assets must be capitalized. Actual cost is used when available, estimated is used otherwise.

**VILLAGE OF FOREST HILL, LOUISIANA
JUNE 30, 2004**

NOTES TO BASIC FINANCIAL STATEMENTS

Fixed assets are being depreciated using the straight-line method over the following estimated useful lives:

Plant and equipment	5-50 years
Buildings and improvements	10-20 years
Vehicles	5 years
Infrastructure	5-50 years

A summary of significant budgeted construction projects is presented below:

	<u>Project Authorization</u>	<u>Expended To Date</u>	<u>Commitment</u>	<u>Required Further Financing</u>
Water System Fund				
LaStep Grant	\$ 227,677	\$ 210,974	\$ 16,703	None
Village of Forest Hill	<u>18,217</u>	<u>18,217</u>	<u>-</u>	Unknown
	<u>\$ 245,894</u>	<u>\$ 229,191</u>	<u>\$ 16,703</u>	

10. RESTRICTED AND LONG-TERM LIABILITIES

During the year ended June 30, 2004, the following changes occurred in governmental activities long-term liabilities:

	<u>Balance 07/01/03</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 06/30/04</u>	<u>Due Within One Year</u>
Note payable	\$ 3,625	\$ -	\$ 3,625	\$ -	\$ -
Customer deposits	<u>500</u>	<u>140</u>	<u>-</u>	<u>640</u>	<u>-</u>
	<u>\$ 4,125</u>	<u>\$ 140</u>	<u>\$ 3,625</u>	<u>\$ 640</u>	<u>\$ -</u>

During the year ended June 30, 2004, the following changes occurred in business-type activities long-term liabilities:

	<u>Balance 07/01/03</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 06/30/04</u>	<u>Due Within One Year</u>
Notes payable	\$ 12,698	\$ -	\$ 12,698	\$ -	\$ -
Compensated absences	-	2,483	-	2,483	828
Customer deposits	<u>47,572</u>	<u>3,402</u>	<u>-</u>	<u>50,974</u>	<u>-</u>
	<u>\$ 60,270</u>	<u>\$ 5,885</u>	<u>\$ 12,698</u>	<u>\$ 53,457</u>	<u>\$ 828</u>

**VILLAGE OF FOREST HILL, LOUISIANA
JUNE 30, 2004**

NOTES TO BASIC FINANCIAL STATEMENTS

11. 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 report 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, 2004.

Mayor Marcia Young	\$4,800
Board of Aldermen	
Earl Linzay	2,400
Anna Cloud	2,400
Samuel Echols	2,400

12. SUPPLEMENTAL PAY

The Chief of Police of the Village of Forest Hill, Louisiana receives supplemental pay directly from the State of Louisiana. This supplemental pay in the amount of \$3,600 for the year ended June 30, 2004, is recognized as intergovernmental revenue and as public safety expenditures in the General Fund.

13. FEDERAL FINANCIAL ASSISTANCE ADDITIONAL INFORMATION

During fiscal year end June 30, 2001, the Village of Forest Hill, Louisiana entered into an agreement with the Division of Administration, State of Louisiana, for a Community Development Block Grant to provide potable water service to a rural area outside the Village's corporate limits. On April 25, 2003, the Village of Forest Hill, Louisiana entered into an amended agreement with the Division of Administration, State of Louisiana, for additional funding to complete this project. Total estimated costs to complete potable water service to the rural area are \$227,677. Potable water service to the rural area is expected to be completed during the fiscal year ended June 30, 2005. During the fiscal year ended June 30, 2004, the Village received \$144,667 of the Community Development Block Grant, all of which was expended for construction in progress.

14. 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.

**VILLAGE OF FOREST HILL, LOUISIANA
JUNE 30, 2004**

NOTES TO BASIC FINANCIAL STATEMENTS

15. COMMITMENTS, CONTINGENCIES, AND SUBSEQUENT EVENTS

In October 2004, the Village is expected to finalize the purchase for \$250,000 of the property formerly occupied by the Forest Hill Academy. Starting in calendar year 2005, the property will be renovated for use as a municipal complex. Financing for the property purchase will be provided by a loan for \$250,000 from the United States Department of Agriculture, Rural Development. A grant for \$125,000 from the United States Department of Agriculture, Rural Development and a capital outlay grant through the State of Louisiana (LCDBG) for \$880,000 will provide most of the cost to remodel and update the existing structures for the intended use. The town hall, fire station, and a senior citizen community center will be located within the complex.

REQUIRED SUPPLEMENTAL INFORMATION – PART II

**Village of Forest Hill, Louisiana
General Fund
Budgetary Comparison Schedule
Year Ended June 30, 2004**

SCHEDULE 1

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final		(Negative)
Revenues				
Taxes	\$ 62,576	\$ 60,305	\$ 81,975	\$ 21,670
Licenses and permits	21,130	25,360	25,580	220
Intergovernmental	5,342	5,342	8,942	3,600
Charges for services	33,664	34,457	17,259	(17,198)
Grants	85,000	19,633	19,633	-
Fines	54,049	43,903	43,904	1
Nursery trade show	-	19,358	19,358	-
Interest income	320	62	60	(2)
Miscellaneous	18,150	4,962	4,743	(219)
Total Revenues	<u>280,231</u>	<u>213,382</u>	<u>221,454</u>	<u>8,072</u>
Expenditures				
Current				
General government	220,497	183,100	136,815	46,285
Public safety	9,928	10,280	52,118	(41,838)
Animal control	111	120	119	1
Highways, streets, and sanitation	26,165	37,643	50,837	(13,194)
Debt service	-	-	3,701	(3,701)
Capital outlay	10,000	15,654	-	15,654
Total Expenditures	<u>266,701</u>	<u>246,797</u>	<u>243,590</u>	<u>3,207</u>
Excess (Deficiency) of Revenues Over Expenditures	13,530	(33,415)	(22,136)	11,279
Other Financing Sources				
Transfers in	30,000	30,000	21,948	(8,052)
Total Other Financing Sources	<u>30,000</u>	<u>30,000</u>	<u>21,948</u>	<u>(8,052)</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures	43,530	(3,415)	(188)	3,227
Fund Balances, Beginning of Year	<u>49,406</u>	<u>49,406</u>	<u>79,759</u>	<u>30,353</u>
<u>Fund Balances, End of Year</u>	<u>\$ 92,936</u>	<u>\$ 45,991</u>	<u>\$ 79,571</u>	<u>\$ 33,580</u>

GAAP serves as the budgetary basis of accounting.

See independent auditor's report.

**Village of Forest Hill, Louisiana
Fire Department - Special Revenue Fund
Budgetary Comparison Schedule
Year Ended June 30, 2004**

SCHEDULE 2

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 26,726	\$ 30,124	\$ 30,544	\$ 420
Intergovernmental	4,298	4,844	4,912	68
Charges for services	8,347	9,409	9,540	131
Interest income	1,034	1,166	1,182	16
Donations and fundraisers	5,381	6,065	6,150	85
Total Revenues	<u>45,786</u>	<u>51,608</u>	<u>52,328</u>	<u>720</u>
Expenditures				
Current				
Public safety	30,389	56,014	56,171	(157)
Capital outlay	-	-	6,607	(6,607)
Total Expenditures	<u>30,389</u>	<u>56,014</u>	<u>62,778</u>	<u>(6,764)</u>
Excess (Deficiency) of Revenues Over Expenditures	15,397	(4,406)	(10,450)	(6,044)
Other Financing Sources				
Transfers in	-	-	8,262	8,262
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>8,262</u>	<u>8,262</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures	15,397	(4,406)	(2,188)	2,218
Fund Balances, Beginning of Year	<u>49,363</u>	<u>49,363</u>	<u>58,917</u>	<u>9,554</u>
Fund Balances, End of Year	<u>\$ 64,760</u>	<u>\$ 44,957</u>	<u>\$ 56,729</u>	<u>\$ 11,772</u>

GAAP serves as the budgetary basis of accounting.

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
BASIC FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**



PAYNE, MOORE & HERRINGTON, LLP

CERTIFIED PUBLIC ACCOUNTANTS

Established 1945

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF THE
BASIC 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 accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Village of Forest Hill, Louisiana as of and for the year ended June 30, 2004, which collectively comprise the basic financial statements of the Village, and have issued our report thereon dated August 20, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 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 opinions on the financial statements and not to provide assurance on the internal control over financial reporting.

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

ROBERT L. LITTON, C.P.A.
ROBERT W. DVORAK, C.P.A.
REBECCA B. MORRIS, C.P.A.

MICHAEL A. JUNEAU, C.P.A.
JAMES N. BALLARD, C.P.A.
L. PAUL HODD, C.P.A.





PAYNE, MOORE & HERRINGTON, LLP

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

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions, and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses.

This report is intended solely for the information and use of the Mayor, members of the Board of Aldermen, management of the Village of Forest Hill, Louisiana, and the Legislative Auditor's office of the State of Louisiana. This report is not intended to be, and should not be, used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is in fact a public document.

Payne, Moore & Herrington, LLP
Certified Public Accountants

August 20, 2004

**VILLAGE OF FOREST HILL, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2004**

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 Corrective Action Plan *Not Applicable*

*Management's Summary Schedule of Prior
Audit Findings* *None*

*Memorandum of Other Comments and
Recommendations* *None*

Federal Awards *Not Applicable*

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Not applicable.