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VILLAGE OF FOREST HILL, LOUISIANA

FOREST HILL, LOUISIANA

JUNE 30, 2005

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

Release Date 12-14-05

Village of Forest Hill, Louisiana

June 30, 2005

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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 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, 2005, 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 opinions 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 opinions.

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, 2005, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 22, 2005, 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. The purpose of that report is to describe the scope of our testing, and not to provide an opinion on the internal control over financial reporting or on compliance. 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.

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 H. BALLARD, C.P.A.
L. PAUL HODD, C.P.A.





PAYNE, MOORE & HERRINGTON, LLP

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

Management's Discussion and Analysis and budgetary comparison information presented on pages 3 through 8 and 37 through 38 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. 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 22, 2005

Required Supplemental Information – Part I
Management's Discussion and Analysis

**Village of Forest Hill
Management's Discussion and Analysis
Year Ended June 30, 2005**

Management's Discussion and Analysis is a fact-based analysis of the Village's financial activities during the fiscal year ended June 30, 2005. 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, 2005, were:

	<u>Governmental Activities</u>		<u>% Change Inc/(Dec)</u>	<u>Business Type Activities</u>		<u>% Change Inc/(Dec)</u>
<u>Assets:</u>						
Current and Other Assets	\$ 170,872	\$ 152,586	11.98	\$ 443,622	\$ 468,479	(5.31)
Internal Balances	1,200	1,200	---	(1,200)	(1,200)	---
Capital Assets	572,708	300,962	90.29	2,167,706	2,209,716	(1.90)
Total Assets	\$ 744,780	\$ 454,748	63.78	\$ 2,610,128	\$ 2,676,995	(2.50)
<u>Liabilities:</u>						
Current and Other Liabilities	\$ 250,868	\$ 5,782	(4238.78)	\$ 5,389	\$ 16	(33,581.25)
Long-term Liabilities	800	640	(25.00)	57,023	54,285	(5.04)
Total Liabilities	\$ 251,668	\$ 6,422	(3818.84)	\$ 62,412	\$ 54,301	(14.94)
<u>Net Assets:</u>						
Investment in						
Capital Assets (Net)	\$ 572,708	\$ 300,962	90.29	\$ 2,167,706	\$ 2,209,716	(1.90)
Restricted	---	---	---	---	---	---
Unrestricted	(79,596)	147,364	(154.01)	380,010	412,978	(7.98)
Total Net Assets	\$ 493,112	\$ 448,326	9.99	\$ 2,547,716	\$ 2,622,694	(2.86)

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.

Business-Type Activities

The Louisiana Community Development Block Grant the Village received in the amount of \$227,677 to extend it water service to approximately 30 residents was completed in fiscal year 2005. However, the grant was not closed out until after the fiscal year 2005 had closed.

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 was received at the beginning of the fiscal year 2005 and the grant closed out.

**Village of Forest Hill
Management's Discussion and Analysis
Year Ended June 30, 2005**

The Village also experienced problems with its water system due to a drought. Several boil advisories had to be issued due to low water pressure. The Village's engineers recommended installing larger booster pumps. An emergency situation was declared and we were able to obtain two rural development grants in the amount of \$15,000 each. Two 30 HP pumps, along with a control panel, were ordered that had the capacity to pump 600 gallons of water per minute. At the same time, the chlorination system was also updated. At the end of fiscal year 2005, this project had not yet been completed.

Fund-Type Activities

The grant the Village was awarded 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 was completed in fiscal year 2005. The grant was closed out.

The purchase of Forest Hill Academy located in Forest Hill, Louisiana by the Village for renovating it into a municipal complex was finalized at the end of fiscal year 2005. The complex will consist of the town hall, police department, fire department, utilities offices, and senior citizen center. Interim financing was obtained through Red River Bank in the amount of \$200,000 until funds that have been obligated from the United States Department of Agriculture, Rural Development in the form of a loan in the amount of \$250,000 are received. Louisiana Public Facilities Authority (LFPA) also loaned the Village \$50,000 at zero percent interest to complete the sale. Work is scheduled to begin in fiscal year 2006.

The fire department received land from Crowell Lumber Company in fiscal year 2005 to build an additional fire station on Butter Cemetery Road to better serve the residents of that area. As of yet, no work has been done on this project.

Financial Analysis of the Village's Funds

The general fund had a slight decrease in revenue from last fiscal year due to the fact that we did not receive grant funds and revenue from a trade show was down. 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:

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Total Revenues	\$ 216,094	\$ 208,274	\$ 212,528	\$ 4,254
Total Expenditures	230,286	474,581	468,583	5,998
Excess (deficiency) of revenues				
Over expenditures	\$ (14,192)	\$ (266,307)	\$ (256,055)	\$ 10,252

The original budget was revised to include \$250,000 towards the purchase of Forest Hill Academy We also include \$30,000 in the budget from other financing sources to help cover expenses in the general fund. The Village had debt amount of \$250,000 at the close of fiscal year 2005 in the general fund.

**Village of Forest Hill
Management's Discussion and Analysis
Year Ended June 30, 2005**

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:

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Total Revenues	\$ 47,416	\$ 68,534	\$ 124,898	\$ 56,364
Total Expenditures	37,694	61,166	126,136	(64,970)
Excess (deficiency) of revenues				
Other expenditures	\$ 9,722	\$ 7,368	\$ (1,238)	\$ (8,606)

The difference in the budget is attributed to the maintenance of fire equipment in the amount of \$12,909 during the year that was not anticipated. A donation from Crowell Lumber Co. in the amount of \$3,200 was received to help offset some of this cost. The fire department remains debt free at the close of fiscal year 2005.

**Village of Forest Hill
Management's Discussion and Analysis
Year Ended June 30, 2005**

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 519 gas customers, 1,047 water customers, and 119 sewer customers. A summary of the proprietary funds is presented as follows:

	Water System		Sewer System		Gas System		% Change Inc/(Dec)
	2005 Fund	2004 Fund	2005 Fund	2004 Fund	2005 Fund	2004 Fund	
Assets:							
Current and Other Assets	\$ 294,074	\$ 331,892	\$ 108,278	\$ 171,001	\$ 108,408	\$ 111,325	(2.62)
Restricted Assets	31,069	29,218	1,740	1,390	21,124	20,367	3.72
Capital Assets	1,434,609	1,439,767	507,047	524,339	226,050	245,610	(7.96)
Total Assets	\$ 1,759,752	\$ 1,800,877	\$ 617,065	\$ 696,730	\$ 355,582	\$ 377,302	(.058)
Liabilities:							
Current and Other Liabilities	2,171	17,233	109,781	169,566	15,708	11,959	(31.35)
Restricted Liabilities	31,069	29,218	1,740	1,390	21,123	20,366	(3.72)
Long-term Liabilities	788	588	343	237	1,960	1,658	(18.21)
Total Liabilities	\$ 34,028	\$ 47,039	\$ 111,864	\$ 171,193	\$ 38,791	\$ 33,983	(14.15)
Net Assets:							
Invested in							
Capital Assets (Net)	\$ 1,434,609	\$ 1,439,767	\$ 507,047	\$ 524,339	\$ 226,051	\$ 245,610	(7.96)
Unrestricted	291,115	314,071	(1,846)	1,198	90,740	97,709	(7.13)
Total Net Assets	\$ 1,725,724	\$ 1,753,838	\$ 505,201	\$ 525,537	\$ 316,791	\$ 343,319	(7.72)

**Village of Forest Hill
Management's Discussion and Analysis
Year Ended June 30, 2005**

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

	Water System		%Change		Sewer System		%Change		Gas System		%Change	
	2005	2004	Inc/(Dec)		2005	2004	Inc/(Dec)		2005	2004	Inc/(Dec)	
Operating Revenues	\$ 200,770	185,179	8.42		17,762	17,164	3.48		279,221	298,527	(6.47)	
Operating Expenses	254,242	224,722	(13.13)		38,098	29,314	(29.97)		283,690	252,756	(12.24)	
Operating Income (Loss)	\$ (53,472)	(39,543)	(35.22)		(20,336)	(12,150)	(67.37)		(4,469)	45,771	(109.76)	
Nonoperating Rev (Exp)	33,563	152,405	(77.97)		---	6	(100.00)		22	151	(85.40)	
Transfers In	6,795	5,655	20.16		---	---	---		---	---	---	
Transfer Out	(15,000)	(15,000)	---		---	---	---		(22,081)	(20,865)	(5.83)	
Gain (loss) sale of asset	---	1,842	(100.00)		---	---	---		---	1,842	(100.00)	
Change in Net Assets:	\$ (28,114)	105,359	(126.68)		(20,336)	(12,144)	(67.46)		(26,528)	26,899	(198.62)	

The Village purchased a three-phase generator to run one of the water wells in the event of a power outage. Part of the cost was funded through a rural development grant in the amount of \$15,000 with the balance of \$6,439 being paid by the Village.

The proprietary funds remain debt free at the end of fiscal year 2005.

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

Basic Financial Statements

**Government-Wide
Financial Statements (GWFS)**

Village of Forest Hill, Louisiana
Statement of Net Assets
June 30, 2005

Exhibit A

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and equivalents	\$ 82,722	\$ 135,573	\$ 218,295
Investments	44,500	191,472	235,972
Receivables	31,712	41,162	72,874
Interest receivables	27	228	255
Internal balances	1,200	(1,200)	-
Restricted assets	800	53,933	54,733
Prepaid expenses	11,111	21,254	32,365
Capital assets			
<i>Land, improvements, and construction in progress not being depreciated</i>	81,436	329,191	410,627
Other capital assets, net of depreciation	491,272	1,838,515	2,329,787
Total Capital Assets	<u>572,708</u>	<u>2,167,706</u>	<u>2,740,414</u>
Total Assets	<u>744,780</u>	<u>2,610,128</u>	<u>3,354,908</u>
Liabilities			
Accounts payable and accrued expenses	868	4,358	5,226
Bond anticipation note payable	250,000	-	250,000
Long-term liabilities			
<i>Due within one year</i>	-	1,031	1,031
<i>Due in more than one year</i>	800	57,023	57,823
Total Liabilities	<u>251,668</u>	<u>62,412</u>	<u>314,080</u>
Net Assets			
Invested in capital assets, net of related debt	572,708	2,167,706	2,740,414
Unrestricted	(79,596)	380,010	300,414
Total Net Assets	<u>\$ 493,112</u>	<u>\$ 2,547,716</u>	<u>\$ 3,040,828</u>

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

Village of Forest Hill, Louisiana
Statement of Activities
For the Year Ended June 30, 2005

Exhibit B

Functions/Programs	Program Revenue			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals
Governmental Activities							
General government	\$ 124,285	\$ 5,343	\$ 12,780	\$ -	\$ (106,162)	\$ -	\$ (106,162)
Public safety	144,369	54,523	89,469	-	(377)	-	(377)
Public works	53,448	16,447	9,117	-	(27,884)	-	(27,884)
Animal control	155	-	-	-	(155)	-	(155)
Community development	669	-	-	-	(669)	-	(669)
Total Governmental Activities	<u>322,926</u>	<u>76,313</u>	<u>111,366</u>	<u>-</u>	<u>(135,247)</u>	<u>-</u>	<u>(135,247)</u>
Business-type Activities							
Water	254,242	200,350	15,000	13,903	-	(24,989)	(24,989)
Sewer	38,098	17,762	-	-	-	(20,336)	(20,336)
Gas	283,690	278,977	-	-	-	(4,713)	(4,713)
Total Business-type Activities	<u>576,030</u>	<u>497,089</u>	<u>15,000</u>	<u>13,903</u>	<u>-</u>	<u>(50,038)</u>	<u>(50,038)</u>
Total	<u>\$ 898,956</u>	<u>\$ 573,402</u>	<u>\$ 126,366</u>	<u>\$ 13,903</u>	<u>(135,247)</u>	<u>(50,038)</u>	<u>(185,285)</u>
General Revenues:							
Taxes:							
Property taxes, levied for general purposes					7,971	-	7,971
Franchise taxes					26,511	-	26,511
Sales taxes, levied for general purposes					30,722	-	30,722
Sales taxes, levied for specific purposes					52,213	-	52,213
Public service taxes					28,991	-	28,991
Unrestricted investment earnings					1,029	4,682	5,711
Miscellaneous					2,310	664	2,974
Transfers					30,286	(30,286)	-
Total General Revenues and Transfers					<u>180,033</u>	<u>(24,940)</u>	<u>155,093</u>
Change in Net Assets					44,786	(74,978)	(30,192)
Net Assets - Beginning					448,326	2,622,694	3,071,020
Net Assets - Ending					<u>\$ 493,112</u>	<u>\$ 2,547,716</u>	<u>\$ 3,040,828</u>

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

Fund Financial Statements

**Village of Forest Hill, Louisiana
Balance Sheet
Governmental Funds
June 30, 2005**

Exhibit C

	<u>General Fund</u>	<u>Fire Department Fund</u>	<u>Total Governmental Funds</u>
Assets			
Cash and cash equivalents	\$ 75,699	\$ 7,023	\$ 82,722
Investments at cost	-	44,500	44,500
Receivables	20,299	11,440	31,739
Due from other funds	324	1,497	1,821
Restricted assets	800	-	800
Total Assets	<u>\$ 97,122</u>	<u>\$ 64,460</u>	<u>\$ 161,582</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 868	\$ -	\$ 868
Due to other funds	621	-	621
Payable from restricted assets	800	-	800
Total Liabilities	<u>2,289</u>	<u>-</u>	<u>2,289</u>
Fund balances			
Unreserved	<u>94,833</u>	<u>64,460</u>	<u>159,293</u>
Total Fund Balances	<u>94,833</u>	<u>64,460</u>	<u>159,293</u>
Total Liabilities and Fund Balances	<u>\$ 97,122</u>	<u>\$ 64,460</u>	<u>\$ 161,582</u>

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

**Village of Forest Hill, Louisiana
 Reconciliation of the Governmental Funds
 Balance Sheet to the Statement of Net Assets
 June 30, 2005**

Exhibit D

Total Fund Balance, Governmental Funds	\$	159,293
<p>Amounts reported for governmental activities in the Statement of Net Assets are different because:</p>		
<p>Capital assets used in governmental activities are not current financial resources and therefore are not reported in the fund financial statement, but are reported in the governmental activities of the Statement of Net Assets.</p>		572,708
<p>Bond Anticipation Notes Payable issued in the current period are recorded as revenue (other financing sources) in the fund financial statement, but are included in the governmental activities of the Statement of Net Assets.</p>		(250,000)
<p>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.</p>		<u>11,111</u>
Net Assets of Governmental Activities in the Statement of Net Assets	\$	<u>493,112</u>

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

Village of Forest Hill, Louisiana
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2005

Exhibit E

	General Fund	Fire Department Fund	Total Governmental Funds
Revenues			
Property taxes	\$ 7,971	\$ -	\$ 7,971
Sales and other taxes	81,238	28,208	109,446
Licenses and permits	28,991	-	28,991
Intergovernmental	8,943	5,512	14,455
Charges for services	16,447	6,192	22,639
Grants	5,517	8,127	13,644
Fines	48,331	-	48,331
Nursery trade show	12,780	-	12,780
Interest income	-	1,029	1,029
Other			
Donations and fundraisers	-	75,830	75,830
Miscellaneous	2,310	-	2,310
Total Revenues	<u>212,528</u>	<u>124,898</u>	<u>337,426</u>
Expenditures			
Current:			
General government	120,037	-	120,037
Public safety	51,759	65,776	117,535
Animal control	155	-	155
Highways, streets, and sanitation	45,002	-	45,002
Capital Outlay	251,630	60,360	311,990
Total Expenditures	<u>468,583</u>	<u>126,136</u>	<u>594,719</u>
Excess (Deficiency) of Revenues Over Expenditures	(256,055)	(1,238)	(257,293)
Other Financing Sources (Uses)			
Transfers in	30,286	8,969	39,255
Transfers out	(8,969)	-	(8,969)
Proceeds from debt issued	250,000	-	250,000
Total Other Financing Sources (Uses)	<u>271,317</u>	<u>8,969</u>	<u>280,286</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures	15,262	7,731	22,993
Fund Balances, Beginning of Year	<u>79,571</u>	<u>56,729</u>	<u>136,300</u>
Fund Balances, End of Year	<u>\$ 94,833</u>	<u>\$ 64,460</u>	<u>\$ 159,293</u>

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

Village of Forest Hill, Louisiana
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, 2005

Exhibit F

Net change in fund balances - total governmental funds: \$ 22,993

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 capital outlay of \$311,990 exceeded depreciation of \$40,244 in the current period. 271,746

Debt issued in the current period is recorded as revenue (other financing sources) in the fund financial statements, but are included in the governmental activities of the Statement of Net Assets. (250,000)

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. 47

Change in Net Assets of Governmental Activities \$ 44,786

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

Village of Forest Hill, Louisiana
Statement of Net Assets
Proprietary Funds
June 30, 2005

Exhibit G

	Enterprise Funds			
	Water System Fund	Sewer System Fund	Gas System Fund	Total Enterprise Funds
Assets				
Current Assets:				
Cash and cash equivalents	\$ 23,205	\$ 106,314	\$ 6,054	\$ 135,573
Investments, at cost	191,472	-	-	191,472
Accounts receivable, net	21,154	1,790	18,218	41,162
Interest receivable	220	-	8	228
Due from other funds	47,396	174	73,501	121,071
Prepaid expenses	10,627	-	10,627	21,254
Total Current Assets	<u>294,074</u>	<u>108,278</u>	<u>108,408</u>	<u>510,760</u>
Restricted Assets:				
Cash	-	1,740	14,342	16,082
Investments	31,069	-	6,782	37,851
Total Restricted Assets	<u>31,069</u>	<u>1,740</u>	<u>21,124</u>	<u>53,933</u>
Non-current Assets:				
Capital Assets:				
Property, plant, and equipment	2,331,105	791,298	551,501	3,673,904
Accumulated depreciation	(896,496)	(284,251)	(325,451)	(1,506,198)
Total Non-current Assets	<u>1,434,609</u>	<u>507,047</u>	<u>226,050</u>	<u>2,167,706</u>
Total Assets	<u>1,759,752</u>	<u>617,065</u>	<u>355,582</u>	<u>2,732,399</u>
Liabilities				
Current Liabilities:				
Accounts payable	-	16	4,341	4,357
Due to other funds	1,908	109,651	10,713	122,272
Compensated absences	263	114	654	1,031
Total Current Liabilities	<u>2,171</u>	<u>109,781</u>	<u>15,708</u>	<u>127,660</u>
Restricted Liabilities:				
(Payable from restricted assets)				
Customer meter deposits	31,069	1,740	21,123	53,932
Total Restricted Liabilities	<u>31,069</u>	<u>1,740</u>	<u>21,123</u>	<u>53,932</u>
Long-term Liabilities				
Compensated absences	788	343	1,960	3,091
Total Long-term Liabilities	<u>788</u>	<u>343</u>	<u>1,960</u>	<u>3,091</u>
Total Liabilities	<u>34,028</u>	<u>111,864</u>	<u>38,791</u>	<u>184,683</u>
Net Assets				
Invested in capital assets, net of related debt	1,434,609	507,047	226,051	2,167,707
Unrestricted	291,115	(1,846)	90,740	380,009
Total Net Assets	<u>\$ 1,725,724</u>	<u>\$ 505,201</u>	<u>\$ 316,791</u>	<u>\$ 2,547,716</u>

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

Village of Forest Hill, Louisiana
Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Funds
For the Year Ended June 30, 2005

Exhibit H

	Enterprise Funds			
	Water System Fund	Sewer System Fund	Gas System Fund	Total Enterprise Funds
Operating Revenues				
Charges for services	\$ 200,350	\$ 17,762	\$ 278,977	\$ 497,089
Miscellaneous income	420	-	244	664
Total Operating Revenues	200,770	17,762	279,221	497,753
Operating Expenses				
Gas purchased for resale	-	-	133,151	133,151
Salaries and payroll taxes	75,062	141	61,322	136,525
Legal and other professional	5,995	-	5,995	11,990
System repairs, maintenance, and connections	52,202	17,722	45,345	115,269
Utilities	31,215	2,943	-	34,158
Insurance	17,820	-	17,820	35,640
Depreciation	71,948	17,292	20,057	109,297
Total Operating Expenses	254,242	38,098	283,690	576,030
Operating Income (Loss)	(53,472)	(20,336)	(4,469)	(78,277)
Nonoperating Revenues				
Grants	15,000	-	-	15,000
Capital asset contributions	4,660	-	22	4,682
Total Nonoperating Revenue	19,660	-	22	19,682
Income (Loss) Before Transfers	(33,812)	(20,336)	(4,447)	(58,595)
Transfers in	6,795	-	-	6,795
Transfers out	(15,000)	-	(22,081)	(37,081)
Capital contribution	13,903	-	-	13,903
Change in Net Assets	(28,114)	(20,336)	(26,528)	(74,978)
Net Assets, Beginning of Year	1,753,838	525,537	343,319	2,622,694
Net Assets, End of Year	\$ 1,725,724	\$ 505,201	\$ 316,791	\$ 2,547,716

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, 2005

Exhibit I
(Continued)

	Enterprise Funds			Total Enterprise Funds
	Water System Fund	Sewer System Fund	Gas System Fund	
Cash Flows from Operating Activities				
Receipts from customers	\$ 195,901	\$ 17,604	\$ 278,383	\$ 491,888
Internal activity - receipts from other funds	42,535	26,448	6,660	75,643
Other receipts	420	-	244	664
Payments to employees	(74,795)	-	(60,919)	(135,714)
Payments to vendors and others	(105,450)	(20,315)	(197,282)	(323,047)
Internal activity - payments to other funds	(15,129)	(59,820)	(693)	(75,642)
Net Cash Provided (Used) by Operating Activities	43,482	(36,083)	26,393	33,792
Cash Flows from Noncapital Financing Activities				
Grants and contributions	15,000	-	-	15,000
Operating subsidies and transfers to other funds	(8,205)	-	(22,081)	(30,286)
Net Cash Provided (Used) by Noncapital Financing Activities	6,795	-	(22,081)	(15,286)
Cash Flows from Capital and Related Financing Activities				
Capital contributions	13,903	-	-	13,903
Purchase of capital assets and construction in progress	(66,790)	-	(497)	(67,287)
Net Cash Provided (Used) by Capital and Related Financing Activities	(52,887)	-	(497)	(53,384)
Cash Flows from Investing Activities				
Net change in equity in pooled cash and investments	-	(350)	(757)	(1,107)
Interest received on operating funds	4,660	-	22	4,682
Net Cash Provided (Used) by Investing Activities	4,660	(350)	(735)	3,575
Net Increase (Decrease) in Cash and Cash Equivalents	2,050	(36,433)	3,080	(31,303)
Cash and Cash Equivalents, Beginning of Year	21,155	142,747	2,974	166,876
Cash and Cash Equivalents, End of Year	<u>\$ 23,205</u>	<u>\$ 106,314</u>	<u>\$ 6,054</u>	<u>\$ 135,573</u>

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, 2005**

**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)	\$ (53,472)	\$ (20,336)	\$ (4,469)	\$ (78,277)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation	71,948	17,292	20,057	109,297
Changes in assets and liabilities				
Receivables	38,086	26,290	6,066	70,442
Prepaid expenses	(69)	-	(69)	(138)
Accounts payable	(15,129)	(59,820)	3,648	(71,301)
Compensated absences	267	141	403	811
Customer guaranteed deposits	1,851	350	757	2,958
Net Cash Provided (Used) by Operating Activities	\$ 43,482	\$ (36,083)	\$ 26,393	\$ 33,792

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

Notes to Basic Financial Statements

Village of Forest Hill, Louisiana
June 30, 2005

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.

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, 2005

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, 2005

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, 2005

Notes to Basic Financial Statements

C. 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.

D. 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).

E. 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.

Village of Forest Hill, Louisiana
June 30, 2005

Notes to Basic 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.

F. 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.

G. 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.

H. 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 assets, 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.

I. 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, 2005, the Village considers all accounts collectible.

J. Interfund Transactions

All interfund transactions are reported as transfers.

K. Short-Term Liabilities

Short-term debt with maturity of one year or less is reported as a liability in the governmental funds balance sheet.

Village of Forest Hill, Louisiana
June 30, 2005

Notes to Basic Financial Statements

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, 2005, in the amount of \$64,970.

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 2005, property taxes were levied for 5.13 mills on property with assessed valuations totaling \$1,496,342 and were dedicated for general alimony purposes. Total taxes levied were \$7,971.

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.

**Village of Forest Hill, Louisiana
June 30, 2005**

Notes to Basic Financial Statements

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.

The Rapides Parish Police Jury Sales Tax Department collects all sales tax.

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 June 30, 2005, the Village had cash and cash equivalents (book balances) totaling \$235,177 as follows:

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Petty cash and change funds	\$ 550	\$ -	\$ 550
Demand deposits	217,745	16,882	234,627
	\$ 218,295	\$ 16,882	\$ 235,177

Investments – governmental and business-type activities

At June 30, 2005, the Village had investments of \$273,823 consisting of the following:

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Time deposits			
Certificates of deposit	\$ 235,972	\$ 36,704	\$ 272,676
Investment in Louisiana Asset Management Pool	-	1,147	1,147
	\$ 235,972	\$ 37,851	\$ 273,823

Investments held at June 30, 2005, consist of \$1,147 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, 2005, 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.

Village of Forest Hill, Louisiana
June 30, 2005

Notes to Basic Financial Statements

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-) commercial paper of domestic United States corporations." Effective October 1, 2001, LAMP's Investment Guidelines were amended to allow the limited investment in A-1 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.

Custodial Credit Risk: Cash and investments in certificates of deposits are deposited with financial institutions in the Central Louisiana area. Accounts at these institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000 per institution and banks are required by R.S. 49:321 to pledge security for deposits in excess of FDIC coverage. According to this statute, the security must be posted within five days from date of deposit. A 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. A 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 June 30, 2005, the Village's unsecured balances totaled \$38,359. This unsecured amount relates to a deposit for \$250,000 made on June 29, 2005 that security had not been posted to cover at year-end. As required by state law, the Village had five days to collateralize funds to alleviate the unsecured balance. The Village complied with this requirement in a timely manner.

**Village of Forest Hill, Louisiana
June 30, 2005**

Notes to Basic Financial Statements

6. Receivables

Receivables at June 30, 2005, 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	\$ 9,394	\$ 6,694	\$ 2,671	\$ 1,540	\$ 20,299
Fire Department Fund	5,901	-	5,512	-	11,413
Water System Fund	-	-	-	21,154	21,154
Sewer System Fund	-	-	-	1,790	1,790
Gas System Fund	-	-	-	18,218	18,218
	<u>\$ 15,295</u>	<u>\$ 6,694</u>	<u>\$ 8,183</u>	<u>\$ 42,702</u>	<u>\$ 72,874</u>

7. Internal Balances (Due From/to Other Funds) and Transfers

Amounts due from and to other funds at June 30, 2005, 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	47,396
Sewer System Fund	Gas System Fund	174
Gas System Fund	Sewer System Fund	73,501
Total Enterprise Funds		<u>121,071</u>
Total Due From/To Other Funds		\$ 122,892

Balances at June 30, 2005, 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.

Interfund transfers, for the year ending June 30, 2005, 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	15,286
Fire Department Fund	General Fund	8,969
Total Governmental Funds		<u>39,255</u>
Water System Fund	General Fund	6,795
Total Enterprise Funds		<u>6,795</u>
Total Transfers		\$ 46,050

Village of Forest Hill, Louisiana
June 30, 2005

Notes to Basic Financial Statements

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 \$54,733.

9. Capital Assets and Depreciation

Capital asset activity for the year ended June 30, 2005 was as follows:

	<u>Balance</u> <u>July 1, 2004</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2005</u>
Governmental Activities				
Capital assets not being depreciated				
Land and land improvements	\$ 25,436	\$ 56,000	\$ -	\$ 81,436
Total capital assets not being depreciated	25,436	56,000	-	81,436
Other capital assets				
Buildings and improvements	144,071	200,000	-	344,071
Equipment	59,118	5,990	-	65,108
Vehicles	395,714	50,000	-	445,714
Total other capital assets	598,903	255,990	-	854,893
Accumulated depreciation				
Buildings and improvements	(49,946)	(5,151)	-	(55,097)
Equipment	(18,310)	(7,358)	-	(25,668)
Vehicles	(255,121)	(27,735)	-	(282,856)
Total accumulated depreciation	(323,377)	(40,244)	-	(363,621)
Other capital assets, net	275,526	215,746	-	491,272
Net Capital Assets	<u>\$ 300,962</u>	<u>\$ 271,746</u>	<u>\$ -</u>	<u>\$ 572,708</u>

Depreciation was charged to functions as follows:

Governmental Activities	
General government	\$ 4,295
Public safety	26,833
Highways, streets, and sanitation	9,116
Total depreciation expense for governmental activities	<u>\$ 40,244</u>

**Village of Forest Hill, Louisiana
June 30, 2005**

Notes to Basic Financial Statements

	<u>Balance July 1, 2004</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2005</u>
Business Type Activities				
Capital assets not being depreciated				
Land	\$ 51,131	\$ -	\$ -	\$ 51,131
Construction in progress	<u>233,151</u>	<u>44,909</u>	<u>-</u>	<u>278,060</u>
Total capital assets not being depreciated	284,282	44,909	-	329,191
Other capital assets				
Plant and equipment	202,841	22,434	-	225,275
Buildings and improvements	23,529	-	-	23,529
Vehicles	63,781	-	-	63,781
Furniture, fixtures and equipment	12,526	-	-	12,526
Infrastructure	<u>3,019,658</u>	<u>-</u>	<u>-</u>	<u>3,019,658</u>
Total other capital assets	3,322,335	22,434	-	3,344,769
Accumulated depreciation				
Plant and equipment	(149,387)	(16,199)	-	(165,586)
Buildings and improvements	(21,459)	(109)	-	(21,568)
Vehicles	(47,087)	(7,776)	-	(54,863)
Furniture, fixtures and equipment	(7,332)	(804)	-	(8,136)
Infrastructure	<u>(1,171,692)</u>	<u>(84,409)</u>	<u>-</u>	<u>(1,256,101)</u>
Total accumulated depreciation	<u>(1,396,957)</u>	<u>(109,297)</u>	<u>-</u>	<u>(1,506,254)</u>
Other capital assets, net	<u>1,925,378</u>	<u>(86,863)</u>	<u>-</u>	<u>1,838,515</u>
Net Capital Assets	<u>\$2,209,660</u>	<u>\$ (41,954)</u>	<u>\$ -</u>	<u>\$ 2,167,706</u>

Depreciation was charged to functions as follows:

Water	\$ 71,948
Sewer	17,292
Gas	<u>20,057</u>
Total depreciation expense for business type activities	\$ 109,297

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.

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

**Village of Forest Hill, Louisiana
June 30, 2005**

Notes to Basic Financial Statements

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	\$ 278,060	\$ 2,800	None

10. Restricted Liabilities, Bond Anticipation Notes Payable, and Compensated Absences

For the year ended June 30, 2005, the following is a summary of the long-term and short-term obligation transactions for the governmental and business-type activities:

	<u>Balance July 1, 2004</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2005</u>
Governmental activities -				
Restricted				
Customer deposits	\$ 640	\$ 160	\$ -	\$ 800
Short-term liability				
Bond anticipation notes payable	-	250,000	-	250,000
Business-type activities -				
Restricted				
Customer deposits	50,974	2,959	-	53,933
Long-term liability				
Compensated absences	<u>2,483</u>	<u>4,129</u>	<u>2,491</u>	<u>4,121</u>
	<u>\$ 54,097</u>	<u>\$ 257,248</u>	<u>\$ 2,491</u>	<u>\$ 308,854</u>

	<u>Balance June 30, 2005</u>	<u>Due within one year</u>	<u>Due in more than one year</u>
Governmental activities -			
Restricted			
Customer deposits	\$ 800	\$ -	\$ 800
Short-term liability			
Bond anticipation notes payable	250,000	250,000	-
Business-type activities -			
Restricted			
Customer deposits	53,933	-	53,933
Long-term liability			
Compensated absences	<u>4,121</u>	<u>1,031</u>	<u>3,090</u>
	<u>\$ 308,854</u>	<u>\$ 251,031</u>	<u>\$ 57,823</u>

On June 27, 2005, the Village executed a bond anticipation note with Red River Bank with a one-year maturity. The principal amount borrowed was \$200,000 at an interest rate of four and a half percent (4.5%). This note provided interim financing to purchase the Forest Hill Academy building. For the purchase of the land, an interim note was executed with Louisiana Public Facilities Authority (LPFA) in the amount of \$50,000 at zero percent interest with a one-year maturity.

Village of Forest Hill, Louisiana
June 30, 2005

Notes to Basic Financial Statements

The intent of the Village is to acquire permanent financing for the purchase from USDA Rural Development. A letter of commitment to obligate funds was furnished by the USDA, contingent upon the Village meeting all loan approval requirements stipulated in a Letter of Conditions, dated September 25, 2001. Management anticipates all conditions will be met, sections of the facility will be occupied, and permanent financing closed before the end of calendar year 2005.

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, 2005.

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, 2005, 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 \$2,800. Potable water service to the rural area is expected to be completed during the fiscal year ended June 30, 2006. During the fiscal year ended June 30, 2005, the Village received \$48,309 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.

Required Supplemental Information – Part II

**Village of Forest Hill, Louisiana
General Fund
Budgetary Comparison Schedule
Year Ended June 30, 2005**

Schedule 1

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 62,524	\$ 64,946	\$ 89,209	\$ 24,263
Licenses and permits	23,209	28,991	28,991	-
Intergovernmental	5,342	5,342	8,943	3,601
Charges for services	35,136	40,775	16,447	(24,328)
Grants	10,392	5,517	5,517	-
Fines	49,529	48,332	48,331	(1)
Nursery trade show	47,417	12,064	12,780	716
Interest income	79	-	-	-
Miscellaneous	9,525	2,307	2,310	3
Total Revenues	<u>243,153</u>	<u>208,274</u>	<u>212,528</u>	<u>4,254</u>
Expenditures				
Current				
General government	176,079	168,407	120,037	48,370
Public safety	12,255	9,386	51,759	(42,373)
Animal control	117	155	155	-
Highways, streets, and sanitation	31,835	45,003	45,002	1
Capital outlay	10,000	251,630	251,630	-
Total Expenditures	<u>230,286</u>	<u>474,581</u>	<u>468,583</u>	<u>5,998</u>
Excess (Deficiency) of Revenues Over Expenditures	12,867	(266,307)	(256,055)	10,252
Other Financing Sources				
Transfers in (out)	30,000	30,000	21,317	(8,683)
Proceeds from debt issued	-	250,000	250,000	-
Total Other Financing Sources	<u>30,000</u>	<u>280,000</u>	<u>271,317</u>	<u>(8,683)</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures	42,867	13,693	15,262	1,569
Fund Balances, Beginning of Year	<u>92,936</u>	<u>45,991</u>	<u>79,571</u>	<u>33,580</u>
Fund Balances, End of Year	<u>\$ 135,803</u>	<u>\$ 59,684</u>	<u>\$ 94,833</u>	<u>\$ 35,149</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, 2005**

Schedule 2

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 10,709	\$ 15,478	\$ 28,208	\$ 12,730
Intergovernmental	2,093	3,025	5,512	2,487
Charges for services	2,351	3,398	6,192	2,794
Interest income	391	565	1,029	464
Donations and fundraisers	28,788	41,609	75,830	34,221
Grants	3,085	4,459	8,127	3,668
Total Revenues	<u>47,417</u>	<u>68,534</u>	<u>124,898</u>	<u>56,364</u>
Expenditures				
Current				
Public safety	37,694	61,166	65,776	(4,610)
Capital outlay	-	-	60,360	(60,360)
Total Expenditures	<u>37,694</u>	<u>61,166</u>	<u>126,136</u>	<u>(64,970)</u>
Excess (Deficiency) of Revenues Over Expenditures	9,723	7,368	(1,238)	(8,606)
Other Financing Sources				
Transfers in	-	-	8,969	8,969
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>8,969</u>	<u>8,969</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures	9,723	7,368	7,731	363
Fund Balances, Beginning of Year	<u>64,760</u>	<u>44,957</u>	<u>56,729</u>	<u>11,772</u>
Proceeds from debt issued	<u>\$ 74,483</u>	<u>\$ 52,325</u>	<u>\$ 64,460</u>	<u>\$ 12,135</u>

GAAP serves as the budgetary basis of accounting.

See independent auditor's report.

**Other Report Required by
*Government Auditing Standards***

**Report on Internal Control
Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***



PAYNE, MOORE & HERRINGTON, LLP

CERTIFIED PUBLIC ACCOUNTANTS

**Report on Internal Control
Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of 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, 2005, which collectively comprise the basic financial statements of the Village, and have issued our report thereon dated August 22, 2005. 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.

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

Compliance

As part of obtaining reasonable assurance about whether the Village of Forest Hill, Louisiana financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, 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 material instances of noncompliance that are required to be reported under *Government Auditing Standards*.

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 HOOD, 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

This report is intended solely for the information and use of the Honorable 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 and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 21:513, this report is in fact a public document.

Payne, Moore & Herrington, LLP

Certified Public Accountants

August 22, 2005

**Village of Forest Hill, Louisiana
Schedule of Findings and Questioned Costs
Year Ended June 30, 2005**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified	
Internal control over financial reporting:		
Material weaknesses identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
Reportable conditions identified not considered to be material weaknesses?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> none reported
Noncompliance material to financial statements noted?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
<i>Management's Summary Schedule of Prior Audit Findings</i>	Not Applicable	
<i>Management's Corrective Action Plan</i>	Not Applicable	
<i>Other Comments and Recommendations</i>	Not Applicable	

Section II – Findings Related to the Financial Statements

None.

Section III – Findings and Questioned Costs for Federal Awards

Not applicable.