

VILLAGE OF FOREST HILL, LOUISIANA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2012

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December 28, 2012

Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Forest Hill, as of and for the year ended June 30, 2012, 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'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 basic 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, each major fund and the aggregate remaining fund information of the Village of Forest Hill, as of June 30, 2012, 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.

The management's discussion and analysis and budgetary comparison information listed in the accompanying table of contents are not a required part of the 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 supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Forest Hill's basic financial statements. The other supplemental information listed in the table of contents is presented for purposes of additional analysis and are not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 28, 2012, on our consideration of the Village of Forest Hill'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.


ROZIER, HARRINGTON & MCKAY
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December 28, 2012

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 Mayor and Board of Aldermen
Village of Forest Hill, Louisiana

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the Village of Forest Hill, as of and for the year ended June 30, 2012, which collectively comprise the Village's financial statements and have issued our report thereon dated December 28, 2012. 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's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a misstatement of the Village's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We identified five deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as 2012-1, 2012-2, 2012-5, 2012-6 and 2012-8 that we consider to be a material weaknesses, as defined above.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Village of Forest Hill's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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 two instances of noncompliance or other matters that are required to be reported *under Government Auditing Standards*. These three are described in the accompanying schedule of findings and questioned costs as 2012-3, 2012-4 and 2012-7.

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This report is intended solely for the information and use of management. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in blue ink, appearing to read "Rozier Harrington & McKay", is written over a faint, light blue rectangular stamp or watermark.

ROZIER, HARRINGTON & MCKAY
Certified Public Accountants

Village of Forest Hill

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2012

This section of the Village of Forest Hill's annual financial report presents our discussion and analysis of the Village's financial performance during the fiscal year ended June 30, 2012.

OVERVIEW OF FINANCIAL STATEMENTS

The basic financial statements include government-wide financial statements and fund financial statements. These two types of financial statements present the Village's financial position and results of operations from differing perspectives which are described as follows:

Government –Wide Financial Statements

The government-wide financial statements report information about the Village as a whole using accounting methods similar to those used by private-sector companies. These report all revenues and expenses regardless of when cash is received or paid. Furthermore, the government-wide statements include all of the Village's assets (including infrastructure acquired after July 1, 1980) and all of the Village's liabilities (including long-term debt).

The government-wide financial statements are divided into two categories, which are described as follows:

- **Governmental Activities** – Expenses incurred in connection with providing basic services including public safety, recreation, public works and general administration are reported as governmental activities. The governmental activities are financed by taxes, license and permit fees, fines and forfeitures, and intergovernmental sources.
- **Business-Type Activities** – Expenses associated with providing utility services are recovered through fees paid by the customers that utilize these services. These activities are operated in a manner similar to commercial enterprises. Accordingly, activities associated with these services are reported as business type activities.

Fund Financial Statements

Fund financial statements provide detailed information regarding the Village's most significant activities and are not intended to provide information for the Village as a whole. Funds are accounting devices that are used to account for specific sources of funds. The Village has two types of funds that are described as follows:

- **Governmental Funds** – These funds are used to account for essentially the same functions that are reported as governmental activities in the government-wide financial statements. However, unlike government-wide financial statements, the governmental funds use a modified accrual basis of accounting that provides a short-term view of the Village's finances. Assets reported by governmental funds are limited to amounts that are available for current needs. In addition, liabilities are limited to amounts that are expected to be paid from currently available assets.
- **Proprietary Fund** – These funds are used to account for activities that function in a manner similar to commercial enterprises, including activities associated with the Village's utility services. Proprietary fund financial statements typically provide a more detail presentation of the information reported in the business-type activities portion of the government-wide financial statements.

FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE

A comparative analysis of government-wide financial data is presented as follows:

Net Assets

A condensed version of the government-wide Statement of Net Assets is presented as follows:

Village of Forest Hill

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2012

	<u>For the Year Ended June 30, 2012</u>			<u>For the Year Ended June 30, 2012</u>
	<u>Govern- mental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>	
<u>Assets:</u>				
Current and Other Assets	\$ 326,134	\$ 522,615	\$ 848,749	\$ 638,709
Internal Balances	5,050	(5,050)	----	----
Capital Assets	1,625,922	2,370,113	3,996,035	3,922,353
Total Assets	<u>1,957,106</u>	<u>2,887,678</u>	<u>4,844,784</u>	<u>4,561,062</u>
<u>Liabilities:</u>				
Current and Other Liabilities	154,350	86,675	241,025	101,200
Long-term Liabilities	222,186	183,152	405,338	399,693
Total Liabilities	<u>376,536</u>	<u>269,827</u>	<u>646,363</u>	<u>500,893</u>
<u>Net Assets:</u>				
Invested in Capital Assets (Net)	1,403,736	2,192,605	3,596,341	3,517,504
Restricted	222,186	62,363	284,549	262,553
Unrestricted	(45,352)	362,883	317,531	280,112
Total Net Assets	<u>\$ 1,580,570</u>	<u>\$ 2,617,851</u>	<u>\$ 4,198,421</u>	<u>\$ 4,060,169</u>

As the presentation appearing above demonstrates, the largest portion of the Village's net assets (85.66%) are invested in capital assets. Net assets invested in capital assets consist of land, buildings, equipment, and infrastructure less any debt used to acquire the assets that remain outstanding. The Village uses these capital assets to provide services to its citizens; consequently, these amounts are not available for future spending.

An additional portion of the net assets (6.78%) represent resources that are subject to restrictions that are imposed by agreements with the Village's bondholders or requirements imposed by various revenue sources.

The remaining resources (7.56%) are unrestricted and may be used at the Village's discretion.

Changes in Net Assets

A condensed version of the government-wide Statement of Changes in Net Assets is presented as follows:

Village of Forest Hill

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2012

	<u>For the Year Ended June 30, 2012</u>			<u>For the Year Ended June 30, 2012</u>
	<u>Govern- mental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>	
<u>Revenues:</u>				
Program Revenue:				
Charges for Services	\$ 284,328	\$ 512,099	\$ 796,427	\$ 823,761
Operating Grants and Contributions	94,614	----	94,614	86,414
Capital Grants and Contributions	172,392	87,417	259,809	27,824
General Revenue:				
Property Taxes	11,954	----	11,954	10,255
Sales Taxes	82,308	----	82,308	76,724
Insurance Tax	7,096	----	7,096	----
Franchise Taxes	32,160	----	32,160	
Licenses & Permits	27,982	----	27,982	30,550
Other	5,916	3,330	9,246	11,768
Total Revenue	<u>718,750</u>	<u>602,846</u>	<u>1,321,596</u>	<u>1,101,170</u>
<u>Program Expenses:</u>				
General Government	249,939	----	249,939	238,242
Public Safety				
Police Department	166,070	----	166,070	157,303
Fire Department	81,255	----	81,255	117,176
Public Works				
Highways, Streets, Sanitation	41,630	----	41,630	43,369
Animal Control	1,745		1,745	1,094
Recreation	----	----	----	----
Interest on Long-Term Debt	9,844	----	9,844	10,065
Utility Service				
Natural Gas System	----	203,280	203,280	238,003
Water System	----	344,440	344,440	313,604
Sewer Collection and Treatment	----	85,141	85,141	68,154
Total Expenses	<u>550,483</u>	<u>632,861</u>	<u>1,183,344</u>	<u>1,187,010</u>
Increase in Net Assets Before Transfers and Special Items	168,267	(30,015)	138,252	(85,840)
Transfers	(14,692)	14,692	----	----
Change in Net Assets	<u>153,575</u>	<u>(15,323)</u>	<u>138,252</u>	<u>(85,840)</u>
Net Assets Beginning	<u>1,426,995</u>	<u>2,633,174</u>	<u>4,060,169</u>	<u>4,146,009</u>
Net Assets Ending	<u>\$1,580,570</u>	<u>\$ 2,617,851</u>	<u>\$ 4,198,421</u>	<u>\$ 4,060,169</u>

Governmental activities, excluding transfers, increased the Village's net assets by \$168,267. The increase is attributable to grant receipts in the current year.

Village of Forest Hill

MANAGEMENT'S DISCUSSION AND ANALYSIS June 30, 2012

Business-type activities, excluding transfers, decreased the Village's net assets by \$30,015. The decrease is attributable to depreciation expense of \$149,684 in the current year.

FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS

An analysis of significant matters affecting the Village's funds is presented as follows:

- The Village's governmental funds reported combined fund balances of \$1,580,570, which represents an increase of \$153,575. The increase is attributable to grant revenue of \$267,006. A portion of the general fund balance totaling \$ 222,186 is restricted for debt service and \$1,403,736 is invested in Capital Assets, net of related debt leaving a negative unassigned balance of \$45,352.
- Amounts reported for business-type activities in the Village's individual funds are identical to the business-type activities reported in the government-wide presentation.

GENERAL FUND BUDGET HIGHLIGHTS

Budgets were amended in order to utilize resources that were not anticipated when the original budget was adopted.

CAPITAL ASSET ADMINISTRATION

Capital asset activity for the year ended June 30, 2012 is summarized as follows:

	Govern- mental Activities	Business- Type Activities	Total
<u>Additions:</u>			
Ice Maker for Town Hall	\$ 3,425	\$ ----	\$ 3,425
Computer	1,562	----	1,562
Security System for Town Hall	2,545	----	2,545
Air Conditioning	5,200	----	5,200
LCDBG MIP Construction in Progress Butter Cemetery Road	166,863	----	166,863
Tractor, ROPS, Mower	12,610		12,610
Water Tank Repairs	----	14,077	14,077
Water Well Rehab	----	24,190	24,190
Aerator		17,629	17,629
Grinder Pump		3,460	3,460
LCDBG Sewer Construction in Progress		63,760	63,760
Total Additions	192,205	123,116	315,321
Depreciation	(91,775)	(149,864)	(241,639)
Net Increase (Decrease)	100,430	(26,748)	73,682
Beginning Capital Asset (Net)	1,525,492	2,396,861	3,922,353
Ending Capital Assets (Net)	\$ 1,625,922	\$ 2,370,113	\$ 3,996,035

Highlights of the Village's capital asset administration are provided as follows:

- At year end, the Village was still working on the Butter Cemetery Project funded by the LCDBG MIP (Municipal Infrastructure Program) Grant. The Total Grant Award is \$444,100 with remaining funds of \$269,274 available at June 30, 2012.

Village of Forest Hill

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2012

DEBT ADMINISTRATION

The Village had a debt amount of \$222,186 at the close of fiscal year 2012 in the general fund in the form of a loan from USDA for the purchase of Forest Hill Academy to be renovated as a municipal complex. Monthly Payments of \$1,250 began in fiscal year 2007. No new debt was incurred in the current fiscal year.

FACTORS EXPECTED TO AFFECT FUTURE OPERATIONS

Factors expected to have a significant impact on future operations are highlighted as follows:

- In the prior year the Village entered into a cooperative agreement with the State of Louisiana, Division of Administration- Office of Community Development, to participate in the Municipal Infrastructure Program. The funds for this grant were appropriated by Congress in the aftermath of Hurricane Gustav and Ike under the US Department of Housing and Urban Development CDBG Program. The Grant is to be used to make improvements to Butter Cemetery Road. The Grant award is \$444,100. In the prior year \$17,632 of these funds were expended and in the current year \$157,194 was expended. The remaining \$269,274 is available for the completion of the Butter Cemetery Road Project.
- In June the Village was notified it was being awarded a FY 2011 Louisiana Community Development Block Grant (LCDBG) in the amount of \$673,739. In the current year expenditures were \$43,760. The remaining \$629,979 is available for the completion of the Sewer Project.

Village of Forest Hill

STATEMENT OF NET ASSETS

June 30, 2012

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 150,314	\$ 172,669	\$ 322,983
Investments	4,500	213,000	217,500
Receivables (net)	40,177	65,638	105,815
Interest Receivable	16	1,776	1,792
Restricted assets	-	43,873	43,873
Prepaid Expenses	10,408	17,627	28,035
Internal balances	5,050	(5,050)	-
Due from other governments	120,719	8,032	128,751
Capital assets			
Non depreciable capital assets	267,931	114,891	382,822
Depreciable capital assets, net	<u>1,357,991</u>	<u>2,255,222</u>	<u>3,613,213</u>
Total assets	<u>1,957,106</u>	<u>2,887,678</u>	<u>4,844,784</u>
<u>LIABILITIES</u>			
Accounts and other payables	142,611	24,312	166,923
Retainage Payable	9,669	-	9,669
Deferred Revenue	663	-	663
Deposits due others	1,407	62,363	63,770
Long-term liabilities			
Compensated Absences	-	5,644	5,644
Long-Term Debt			
Due within one year	5,387	-	5,387
Due in more than one year	<u>216,799</u>	<u>177,508</u>	<u>394,307</u>
Total liabilities	<u>376,536</u>	<u>269,827</u>	<u>646,363</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	1,403,736	2,192,605	3,596,341
Restricted:			
Debt service	222,186	62,363	284,549
Unrestricted	<u>(45,352)</u>	<u>362,883</u>	<u>317,531</u>
Total net assets (deficit)	<u>\$ 1,580,570</u>	<u>\$ 2,617,851</u>	<u>\$ 4,198,421</u>

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

Village of Forest Hill

STATEMENT OF ACTIVITIES

Year Ended June 30, 2012

	Expenses	Program Revenues			Net (Expenses) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants & Contributions	
<u>Governmental Activities:</u>					
General Government	\$ 249,939	\$ 5,800	\$ 1,106	\$ 2,588	\$ (240,445)
Public Safety	247,325	236,866	76,502		66,043
Public Works					
Highways, Streets and Sanitation	41,630	41,607	17,006	169,804	186,787
Animal Control	1,745	55			(1,690)
Recreation	-	-	-	-	-
Community Development					
Interest on Long-Term Debt	9,844	-	-	-	(9,844)
Total Governmental Activities	<u>550,483</u>	<u>284,328</u>	<u>94,614</u>	<u>172,392</u>	<u>851</u>
<u>Business-Type Activities:</u>					
Natural Gas System	203,280	188,347	-	-	(14,933)
Water System	344,440	285,056	-	23,800	(35,584)
Sewer Collection and Treatment	85,141	38,696	-	63,617	17,172
Total Business-Type Activities	<u>632,861</u>	<u>512,099</u>	<u>-</u>	<u>87,417</u>	<u>(33,345)</u>
Total	<u>\$ 1,183,344</u>	<u>\$ 796,427</u>	<u>\$ 94,614</u>	<u>\$ 259,809</u>	<u>\$ (32,494)</u>

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

Village of Forest Hill

STATEMENT OF ACTIVITIES (Continued)

Year Ended June 30, 2012

	Governmental Activities	Business- Type Activities	Total
Net (Expense) Revenue (Continued From Previous Page)	\$ 851	\$ (33,345)	\$ (32,494)
<u>General Revenues:</u>			
Taxes:			
Ad Valorem	11,954	-	11,954
Sales	82,308	-	82,308
Insurance	7,096	-	7,096
Franchise	32,160	-	32,160
Licenses & Permits	27,982	-	27,982
Unrestricted Investment earnings	96	3,130	3,226
Other	5,820	200	6,020
Transfers	(14,692)	14,692	-
Total General Revenues, Special Items and Transfers	<u>152,724</u>	<u>18,022</u>	<u>170,746</u>
Change in Net Assets	153,575	(15,323)	138,252
Net Assets Beginning	<u>1,426,995</u>	<u>2,633,174</u>	<u>4,060,169</u>
Net Assets Ending	<u>\$ 1,580,570</u>	<u>\$ 2,617,851</u>	<u>\$ 4,198,421</u>

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

Village of Forest Hill

Balance Sheet

Governmental Funds - June 30, 2012

	General Fund	Fire Department Fund	LCDBG Fund	Total Governmental Funds
Assets				
Cash and Cash Equivalents	\$ 55,692	\$ 94,622	\$ -	\$ 150,314
Investment at Cost	-	4,500	-	4,500
Receivables (net)	28,887	11,290	-	40,177
Interfund Receivables	7,575	1,497	-	9,072
Interest Receivable	-	16	-	16
Due from other governments	19,906	-	100,813	120,719
Total assets	\$ 112,060	\$ 111,925	\$ 100,813	\$ 324,798
Liabilities and Fund Balance				
Liabilities				
Accounts Payable and accrued expenses	\$ 41,798	\$ -	\$ 100,813	\$ 142,611
Retainage Payable	-	-	9,669	9,669
Deferred Revenues	663	-	-	663
Deposits Due Others	1,407	-	-	1,407
Interfund Payables	4,022	-	-	4,022
Total liabilities	47,890	-	110,482	158,372
Fund Balance				
Nonspendable				
Long Term Advances to Other Funds	7,575	1,497	-	9,072
Restricted For:				
Fire	-	110,428	-	110,428
Unassigned	56,595	-	(9,669)	46,926
Total Fund Balances	64,170	111,925	(9,669)	166,426
Total Liabilities and Fund Balance	\$ 112,060	\$ 111,925	\$ 100,813	\$ 324,798

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

Village of Forest Hill

Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to Net Assets of Governmental Activities on the Statement of Net Assets

Year Ended June 30, 2012

Total Fund Balances - Governmental Funds	\$ 166,426
Amounts reported for governmental activities in the statement of net assets are different because:	
Liabilities not due and payable in the current period are excluded from the Governmental Fund Balance Sheet	(222,186)
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	1,625,922
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	<u>10,408</u>
Net Assets of Governmental Activities	<u>\$ 1,580,570</u>

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

Village of Forest Hill

Statement of Revenues, Expenditures and Changes in Fund Balance **Governmental Funds - Year Ended June 30, 2012**

	General Fund	Fire Department Fund	LCDBG Fund	Total Governmental Funds
<u>Revenues:</u>				
Taxes:				
Ad Valorem	\$ 11,954	\$ -	\$ -	\$ 11,954
Sales	56,594	25,714	-	82,308
Insurance	-	7,096	-	7,096
Franchise	32,160	-	-	32,160
Licenses & Permits	27,982	-	-	27,982
Charges for Services	41,657	-	-	41,657
Intergovernmental	41,416	6,620	-	48,036
Fines and Forfeitures	236,866	-	-	236,866
Grants	2,588	3,980	157,194	163,762
Interest income	22	74	-	96
Other				
Donations and Fundraiser	1,106	59,903	-	61,009
Miscellaneous	5,820	-	-	5,820
Total Revenues	458,165	103,387	157,194	718,746
<u>Expenditures:</u>				
Current:				
General Government	181,271	-	-	181,271
Public Safety	146,848	56,507	-	203,355
Public Works				
Highways, Streets and Sanitation	59,516	-	-	59,516
Animal Control	1,745	-	-	1,745
Recreation	3,371	-	-	3,371
Capital Expenditures	25,342	-	166,863	192,205
Debt Service				
Principal	5,156	-	-	5,156
Interest and other charges	9,844	-	-	9,844
Total Expenditures	433,093	56,507	166,863	656,463
Excess (Deficiency) of Revenue Over Expenditures	25,072	46,880	(9,669)	62,283
<u>Other Financing Sources (Uses):</u>				
Debt Proceeds	-	-	-	-
Operating Transfers In	14,062	23,203	-	37,265
Operating Transfers Out	(49,588)	(2,369)	-	(51,957)
Excess (Deficiency) of Revenues and Other Sources				
Over Expenditures and Other Uses	(10,454)	67,714	(9,669)	47,591
Fund Balance (Deficit) - Beginning of Year	74,624	44,211	-	118,835
Fund Balance (Deficit) - End of Year	\$ 64,170	\$ 111,925	\$ (9,669)	\$ 166,426

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 Balance of Governmental Funds to the Statement of Activities

Year Ended June 30, 2012

Net change in fund balances of Governmental Funds	\$	47,591
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays in the current period exceeded depreciation.		100,430
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures by governmental funds until payment is made.		-
Proceeds of from issuing debt are reported as other financing sources by governmental the governmental funds but are considered liabilities when reported on a government wide basis.		399
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		-
		<u>5,155</u>
Change in net assets of governmental activities	\$	<u>153,575</u>

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

Village of Forest Hill

Statement of Net Assets

Proprietary Funds - June 30, 2012

	Business-Type Activities - Enterprise Funds			
	Natural Gas System	Water System	Sewer System	Total
<u>ASSETS:</u>				
Current Assets:				
Cash and cash equivalents	\$ -	\$ 54,468	\$ 118,201	\$ 172,669
Investments	-	213,000	-	213,000
Receivables (net)	16,266	41,274	8,098	65,638
Interest Receivable	-	1,776	-	1,776
Interfund receivables	23,076	261,094	61,891	346,061
Due from other governments	-	2,812	5,220	8,032
Prepaid Expenses	5,876	11,751	-	17,627
Total current assets	45,218	586,175	193,410	824,803
Restricted Assets:				
Cash and cash equivalents	3,340	36,713	2,487	42,540
Investments	1,333	-	-	1,333
Total restricted assets	4,673	36,713	2,487	43,873
Noncurrent Assets:				
Non depreciable capital assets	17,347	5,145	92,399	114,891
Depreciable capital assets, net	375,210	1,439,706	440,306	2,255,222
Total assets	442,448	2,067,739	728,602	3,238,789
<u>LIABILITIES:</u>				
Current Liabilities:				
Accounts and other payables	3,800	9,229	11,283	24,312
Interfund payables	41,613	50,155	259,343	351,111
Deposits due others	23,163	36,713	2,487	62,363
Total current liabilities	68,576	96,097	273,113	437,786
Noncurrent Liabilities:				
Compensated absences	3,721	1,923	-	5,644
Long-term debt	88,754	88,754	-	177,508
Total liabilities	161,051	186,774	273,113	620,938
<u>NET ASSETS:</u>				
Invested in capital assets, net of related debt	303,803	1,356,097	532,705	2,192,605
Restricted for debt service	23,163	36,713	2,487	62,363
Unrestricted	(45,569)	488,155	(79,703)	362,883
Total net assets (deficit)	\$ 281,397	\$ 1,880,965	\$ 455,489	\$ 2,617,851

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

Village of Forest Hill

Statement of Revenues, Expenses and Changes in Fund Net Assets Proprietary Funds - June 30, 2012

	Business-Type Activities - Enterprise Funds			
	Natural Gas System	Water System	Sewer System	Total
<u>Operating Revenues:</u>				
Service Fees	\$ 188,347	\$ 285,056	\$ 38,696	\$ 512,099
Other	-	200	-	200
Total Operating Revenues	188,347	285,256	38,696	512,299
<u>Operating Expenses:</u>				
Purchases (Gas and Water)	61,911	-	-	61,911
Salaries and Benefits	67,143	66,453	26,911	160,507
Legal and Professional	5,400	14,942	4,352	24,694
System Repairs, Maintenance and Connections	28,210	90,519	18,317	137,046
Utilities	-	31,800	10,182	41,982
Insurance	16,494	38,164	-	54,658
Permits and Testing	-	-	-	-
Depreciation	23,425	101,195	25,244	149,864
Other	696	1,367	136	2,199
Total Operating Expenses	203,279	344,440	85,142	632,861
Operating Income (Loss)	(14,932)	(59,184)	(46,446)	(120,562)
<u>Nonoperating Revenues (Expenses):</u>				
Interest Revenue	11	3,119	-	3,130
Interest Expense	-	-	-	-
Change in Net Assets Before Contributions and Transfers	(14,921)	(56,065)	(46,446)	(117,432)
<u>Contributions and Transfers:</u>				
Capital Contributions	-	23,800	63,617	87,417
Operating Transfers In	10,806	8,771	-	19,577
Operating Transfers Out	(992)	(753)	(3,140)	(4,885)
Change in net assets	(5,107)	(24,247)	14,031	(15,323)
Total net assets - beginning	286,504	1,905,212	441,458	2,633,174
Total net assets - ending	\$ 281,397	\$ 1,880,965	\$ 455,489	\$ 2,617,851

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, 2012

	Business-Type Activities - Enterprise Funds			
	Natural Gas System	Water System	Sewer System	Total
<u>Cash flow from operating activities:</u>				
Cash received from customers	\$ 186,949	\$ 286,869	\$ 33,606	\$ 507,424
Cash payments to suppliers of goods and services	(114,822)	(168,936)	(23,600)	(307,358)
Cash payments to employees for services	(67,143)	(66,453)	(26,911)	(160,507)
Net cash provided (used) by operating activities	4,984	51,480	(16,905)	39,559
<u>Cash flows from non-capital financing activities:</u>				
Net change in customer meter deposits	2,948	3,413	575	6,936
Change in interfund balances	(17,200)	(9,134)	31,092	4,758
Operating transfers in	10,806	8,771	-	19,577
Operating transfers out	(992)	(753)	(3,140)	(4,885)
Net cash provided (used) by non-capital financing activities	(4,438)	2,297	28,527	26,386
<u>Cash flows from capital and related financing activities:</u>				
Capital expenditures, including construction in progress	-	(38,267)	(84,849)	(123,116)
Capital grant proceeds	-	23,800	63,617	87,417
Net Change in Due from Other Governments	-	292	(5,220)	(4,928)
Principle paid on revenue bonds	-	-	-	-
Interest paid on debt instruments	-	-	-	-
Net cash provided (used) by capital and related financing activities	-	(14,175)	(26,452)	(40,627)
<u>Cash flows from investing activities:</u>				
Interest and other income	11	3,119	-	3,130
Net cash provided (used) by investing activities	11	3,119	-	3,130
Net increase (decrease) in cash	557	42,721	(14,830)	28,448
Beginning cash balance, including restricted cash	2,783	48,460	135,518	186,761
Ending cash balance	3,340	91,181	120,688	215,209
Restricted cash and cash equivalents	3,340	36,713	2,487	42,540
Cash and cash equivalents	\$ -	\$ 54,468	\$ 118,201	\$ 172,669

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

Village of Forest Hill

Statement of Cash Flows (Continued)

Proprietary Funds - Year Ended June 30, 2012

	Business-Type Activities - Enterprise Funds			
	Natural Gas	Water	Sewer	Total
	System	System	System	
<u>Reconciliation of operating income (loss)</u>				
<u>to net cash provided (used) by operating</u>				
<u>activities</u>				
Operating income (loss)	\$ (14,932)	\$ (59,184)	\$ (46,446)	\$ (120,562)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	23,425	101,195	25,244	149,864
(Increase) decrease in accounts receivable	(1,398)	1,613	(5,090)	(4,875)
(Increase) decrease in prepaid expenses	-	-	-	-
(Decrease) increase in accounts and other payables	(2,111)	7,856	9,387	15,132
(Decrease) increase in compensated absences	-	-	-	-
Net cash provided (used) by operating activities	<u>\$ 4,984</u>	<u>\$ 51,480</u>	<u>\$ (16,905)</u>	<u>\$ 39,559</u>

Supplemental disclosures of cash flow information:

During the year ended June 30, 2012, there were no operating, financing, or investing activities that did not result in cash receipts or payments.

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

Village of Forest Hill

Notes To Financial Statements

June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Village of Forest Hill (the Village) was incorporated under the provisions of the Lawrason Act. The Village is governed by a Mayor and a Board of Alderman. Services provided by the Village include police protection, fire protection, street maintenance, drainage, recreation and sanitation. The Village also operates a natural gas distribution system, a water distribution system and a sewer system.

The accompanying policies conform to generally accepted accounting principles for governmental units.

Financial Reporting Entity

As the municipal governing authority, for reporting purposes, the Village is considered a separate financial reporting entity. The financial reporting entity consists of (a) the primary government (the Village), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards establish criteria for determining which component units should be considered part of the Village of Forest Hill for financial reporting purposes. Based on these criteria the Village has no potential component units. The criteria considered are listed as follows:

1. Appointing a voting majority of an organization's governing body, and
 - a) The ability of the Village to impose its will on that organization and/or
 - b) The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the Village.
2. Organizations for which the Village does not appoint a voting majority but are fiscally dependent on the Village.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Basic Financial Statements

The basic financial statements include both government-wide and fund financial statements. Both government-wide and fund financial statements categorize activities as either governmental activities or business-type activities, which are described as follows:

- Governmental activities involve government services that are normally supported by taxes and intergovernmental revenues.
- Business-type activities rely on fees and charges for support and operate in a manner similar to private sector enterprises. Since proprietary funds operate in a manner similar to business enterprises, these funds follow certain pronouncements that are developed by the Financial Accounting Standards Board (FASB) for business enterprises. However, the Village only applies those FASB pronouncements that were issued on or before November 30, 1989.

The government-wide and fund financial statements present the Village's financial position and results of operations from differing perspectives which are described as follows:

Village of Forest Hill

Notes To Financial Statements

June 30, 2012

Government-Wide Financial Statements

The Statement of Net Assets and the Statement of Activities display information about the Village as a whole. The effect of most interfund activity is eliminated from these financial statements. Furthermore, government-wide financial statements exclude fiduciary activities which are reported in the fund financial statements.

Program revenues reported in the Statement of Activities consist of amounts that are directly associated with a governmental service or business-type activity. Program revenues include charges for services, fines, court cost, contributions associated with a particular function and most grants.

Fund Financial Statements

Funds are separate accounting entities that are designed to assist with demonstrating legal compliance and segregating transactions by activity. Separate financial statements are provided for governmental funds and business-type (enterprise) funds. In addition, separate financial statements are presented for any fiduciary activities. Major individual funds are reported as separate columns in the fund financial statements. The Village's major funds are described as follows:

Major Governmental Funds

General Fund – The general fund is the primary operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

Fire Department – A special revenue fund used to account for tax revenue dedicated to fire protection.

Major Business-Type Funds

Natural Gas System – Used to account for natural gas distribution, which is supported by user charges.

Water System – Used to account for water distribution, which is supported by user charges.

Sewer System – Used to account for sewer collection and treatment, which is supported by user charges.

Business-Type funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing goods and services in connection with the funds ongoing operations. Principal operating revenues are charges to customers for natural gas, water and sewer service.

Basis Of Accounting and Measurement Focus

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. The basis of accounting and measurement focus used for various financial statement presentations are described as follows:

<u>Financial Statement Presentation</u>	<u>Basis of Accounting</u>	<u>Measurement Focus</u>
Government-Wide Financial Statements	Accrual Basis	Economic Resources
Fund Financial Statements:		
Governmental Funds	Modified Accrual Basis	Current Financial Resources
Proprietary Funds	Accrual Basis	Economic Resources
Fiduciary Funds	Accrual Basis	Economic Resources

Under the accrual basis of accounting and the economic resources measurement focus, revenues are recorded when earned and expenses are recorded when a liability is incurred.

Under the modified accrual basis of accounting and the current financial resources measure focus revenue is recognized when it is considered measurable and available. Revenue is considered available if it is collected within 60 days of year end or due under a cost reimbursement arrangement. In addition, expenses are generally recorded when a liability has

Village of Forest Hill

Notes To Financial Statements

June 30, 2012

been incurred; however, debt service, compensated absences, claims and judgments are recorded as expenses when payment is made. Furthermore, when the current financial resources measure focus is used, amounts recorded as assets exclude capital assets and the acquisition of capital assets is treated as an expenditure. In addition, long-term debts are excluded from amounts reported as liabilities. Proceeds from issuing long-term debt is reported as an other financing source and repayment of long-term debt is reported as an expenditure.

Use of Estimates

The preparation of financial statement in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Restricted Assets:

Restricted assets represent resources that must be expended in a specific manner. Restrictions of this nature are imposed by various contractual obligations including grant agreements and bond covenants. Whenever restricted assets can be used to satisfy an obligation, the restricted assets are typically consumed before utilizing any unrestricted resources. 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 upon discontinuance of service.

Budget Practices:

Budgets including any amendments are prepared in the manner prescribed by Louisiana revised statutes. Village budgets present revenue and expenditures on a basis which is consistent with generally accepted accounting principles. Budgets are adopted annually for the general fund and each special revenue fund. The remaining funds are not required to adopt budgets.

Capital Assets

Capital assets, which include property, equipment and infrastructure, are reported as assets in the applicable governmental or business-type columns in the government-wide financial statements and in the fund financial statements for proprietary funds. Assets reported in the fund financial statements for governmental funds exclude capital assets. Instead, the governmental funds report the acquisition of capital assets as expenditures rather than asset acquisitions.

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value when received by the Village. Capital assets are depreciated using the straight-line method and estimated useful lives ranging from 4 to 50 years. Useful lives are selected depending on the expected durability of the particular asset.

Cash, Cash Equivalents and Investments:

Amounts reported as cash and cash equivalents include all cash on hand, in demand deposits, and in time deposits. For the purpose of the statement of cash flows, the Village considers highly liquid investments, excluding restricted assets, with maturity of three months or less when acquired to be cash equivalents. Investments of the Village consist of certificate of deposits with maturities greater than three months and investments with the Louisiana Asset Management Pool (LAMP).

Inventory

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

Village of Forest Hill

Notes To Financial Statements

June 30, 2012

Internal Activity:

Resources belonging to particular funds are commonly shared with other funds that need access to additional resources. When resources are provided without expectation of repayment, the transaction is reported as a transfer. Transfers are treated as a source of income by the recipient and as an expense or expenditure by the provider. If repayment is eventually expected to occur, interfund receivables and payables are recorded.

In preparing the government-wide financial statements, transfers are eliminated to present net transfers for governmental activities and business-type activities. In addition, interfund receivables and payables are eliminated to present a net internal balance for each type of activity.

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, 2012 the Village considered all utility receivables collectible.

Compensated Absences

Full time employees earn vacation at rates ranging from 10 to 20 days per year depending on length of service. Unused vacation that employees are allowed to carry forward is reported as a liability. The portion of the liability for compensated absences attributable to governmental funds and activities is typically liquidated by the general fund.

Fund Balance Classification:

Approval of the majority of the Board of Aldermen is required to approve the commitment of fund balances. In situations where it is permissible to spend restricted or committed resources, the Village typically depletes the available restricted or committed resources before consuming unrestricted resources.

Use of Estimates:

The preparation of financial statement in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS

At June 30, 2012, cash and cash equivalents included the following amounts:

CASH AND CASH EQUIVALENTS	Governmental Activities	Business-Type Activities	Total
Cash Deposited in Banks	\$ 149,764	\$ 172,669	\$ 322,433
Cash on Hand	550	-----	550
Total Cash	150,314	172,669	322,983
Restricted Cash	-----	42,540	42,540
Cash and Cash Equivalents	<u>\$ 150,314</u>	<u>215,209</u>	<u>\$ 365,523</u>

Village of Forest Hill

Notes To Financial Statements

June 30, 2012

INVESTMENTS	Governmental Activities	Business-Type Activities	Total
Certificates of deposit	\$ 4,500	\$ 213,000	\$ 217,500
Investment in Louisiana Asset Management Pool	-----	1,333	1,333
<hr/>			
Total Investments	4,500	214,333	218,833
Restricted Investments	-----	1,333	1,333
<hr/>			
Investments, Unrestricted	<u>\$ 4,500</u>	<u>\$ 213,000</u>	<u>\$ 217,500</u>

Cash deposited in banks is stated at cost, which approximates market. Under state law, these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. No securities were pledged in the current year due to sufficient coverage by FDIC Insurance. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. At June 30, 2012, the Village has \$541,266 in deposits, including certificates of deposits and LAMP Investment (\$601,385 collected bank balance). These deposits are secured from risk by \$601,385 of federal deposit insurance.

NOTE 3 - ACCOUNTS RECEIVABLE

Accounts receivable for the year ended June 30, 2012 are summarized as follows:	Governmental Activities	Business-Type Activities	Total
<u>Accounts Receivable</u>			
Charges for Services	\$ 5,328	\$ 65,638	\$ 70,966
Sales Tax	13,797	-----	13,797
Insurance Tax	7,096	-----	7,096
Franchise Tax	7,823	-----	7,823
Occupational License	6,133	-----	6,133
Total Accounts Receivable	<u>40,177</u>	<u>65,638</u>	<u>105,815</u>
 <u>Due From Other Governmental Units</u>			
Grant Reimbursement	100,813	8,032	108,845
Other	19,906	---	19,906
Total Due From Other Governments	<u>120,719</u>	<u>8,032</u>	<u>128,751</u>
 Total Receivables	 <u>\$ 160,896</u>	 <u>\$ 73,670</u>	 <u>\$ 234,566</u>

NOTE 4 - CAPITAL ASSETS

Changes in governmental and business-type capital assets are presented as follows:

	Non Depreciable Capital Assets			
	Beginning Balance	Additions	Disposals	Ending Balance
<u>Governmental Activities</u>				
Land	\$ 83,436	\$ -----	\$ ----	\$ 83,436
Construction in Process	20,177	166,863	2,545	184,495
Total Governmental Activities	<u>\$ 103,613</u>	<u>\$ 166,863</u>	<u>\$ 2,545</u>	<u>\$ 267,931</u>

Village of Forest Hill

Notes To Financial Statements

June 30, 2012

	Non Depreciable Capital Assets			Ending Balance
	Beginning Balance	Additions	Disposals	
Business-Type Activities				
Water System				
Land	\$ 5,145	\$ ----	\$ ----	\$ 5,145
Construction in Process	----	----		----
Sewer System				
Land	28,639	----	----	28,639
Construction in Process	----	63,760	----	63,760
Gas System				
Land	17,347	----	----	17,347
Total Business-Type Activities	<u>\$ 51,131</u>	<u>\$ 63,760</u>	<u>\$ ----</u>	<u>\$ 114,891</u>

	Depreciable Capital Assets			Ending Balance
	Beginning Balance	Additions	Disposals	
Governmental Activities				
Buildings and Improvements	\$ 856,830	\$ ----	\$ ----	\$ 856,830
Furniture, Fixtures and Equipment	755,826	27,887	----	783,713
Infrastructure	520,774	----	----	520,774
Accumulated Depreciation	(711,551)	(91,775)	----	(803,326)
Total Governmental Activities	<u>\$ 1,421,879</u>	<u>\$ (63,888)</u>	<u>\$ ----</u>	<u>\$ 1,357,991</u>

Business-Type Activities				
Natural Gas System				
Buildings and Improvements	\$ 5,014	\$ ----	\$ ----	\$ 5,014
Furniture, Fixtures and Equipment	100,240	----	----	100,240
Natural Gas System	728,797	----	----	728,797
Accumulated Depreciation	(435,416)	(23,425)	----	(458,841)
Total Natural Gas System	<u>398,635</u>	<u>(23,425)</u>	<u>----</u>	<u>375,210</u>
Water System				
Buildings and Improvements	24,654	----	----	24,654
Furniture, Fixtures and Equipment	317,543	38,267	----	355,810
Water System	2,544,453	----	----	2,544,453
Accumulated Depreciation	(1,384,016)	(101,195)	----	(1,485,211)
Total Water System	<u>1,502,634</u>	<u>(62,928)</u>	<u>----</u>	<u>1,439,706</u>
Sewer System				
Buildings and Improvements	23,529	----	----	23,529
Furniture, Fixtures and Equipment	134,531	21,089	----	155,620
Sewer System	672,204	----	----	672,204
Accumulated Depreciation	(385,803)	(25,244)	----	(411,047)
Total Sewer System	<u>444,461</u>	<u>(4,155)</u>	<u>----</u>	<u>440,306</u>
Total Business-Type	<u>\$ 2,345,730</u>	<u>\$ (90,508)</u>	<u>\$ ----</u>	<u>\$ 2,255,222</u>

Depreciation expense charged to various functions presented on the statement of activities is presented as follows:

Village of Forest Hill

Notes To Financial Statements

June 30, 2012

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Police Department	\$ 19,222	\$ ----	\$ 19,222
Fire Department	24,748	----	24,748
Streets and Public Facilities	688	----	688
General Government	32,847	----	32,847
Recreation	14,270	----	14,270
Natural Gas System	----	23,425	23,425
Water System	----	101,195	101,195
Sewer System	----	25,244	25,244
Total Depreciation Expense	<u>\$ 91,775</u>	<u>\$ 149,864</u>	<u>\$ 241,639</u>

NOTE 5 – ACCOUNTS, OTHER AND RETAINAGE PAYABLES

Details related to amounts reported as accounts and other payables are provided as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Accounts and Other Payables			
Payable to Vendors	\$ 37,819	\$ 19,286	\$ 57,105
Payable Under Construction Contracts	100,813	5,026	105,839
Other	3,979	----	3,979
Total	<u>\$ 142,611</u>	<u>\$ 24,312</u>	<u>\$ 166,923</u>

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Retainage Payable			
Payable Under Construction Contracts	\$ 9,669	\$ ----	\$ 9,669
Total	<u>\$ 9,669</u>	<u>\$ ----</u>	<u>\$ 9,669</u>

NOTE 6 - LONG-TERM LIABILITIES

Bonds Payable and Long-term liabilities are presented below. Bonds Payable attributable to the renovation of the Forest Hill Academy are reported as an obligation of the General Fund. In order to finance renovation of the Forest Hill Academy to be a municipal complex, the Village acquired permanent funding from USDA Rural Development. The bond is for \$250,000 at an interest rate of 4.375% with a thirty-year maturity. The balance outstanding at year end was \$222,186. The relocation of utility lines along Highway 165 is reported as an obligation of the Village's business-type enterprise funds. The Village began a construction project in conjunction with the Louisiana State Department of Transportation during the year ended June 30, 2007. The project was to relocate utility lines along Highway 165. A portion of the funding required was finance through the State Utility Relocation Assistance Funding (URAF) According to the contract between the Village and the State of Louisiana, the funding is payable to the State in a lump sum with no

Village of Forest Hill

Notes To Financial Statements

June 30, 2012

interest calculated upon completion of the project. Payment options are available. The URAF costs obligated at June 30, 2012 are \$177,508. The Village's long-term liabilities are summarized as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Compensated Absences	\$ ----	\$ 5,644	\$ 5,644
Long-Term Debt	216,799	177,508	394,307
Total Long-Term Liabilities	<u>\$ 216,799</u>	<u>\$ 183,152</u>	<u>\$ 399,951</u>

Payments to employees for compensated absences are typically made from the fund or funds that provide the employees ordinary compensation. Details regarding the Village's long-term debt are provided as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>Long-Term Debt</u>			
Revenue Bonds	\$ 222,186	\$ ----	\$ 222,186
URAF Payable	-----	177,508	177,508
Total Long-term Debt	222,186	177,508	399,694
Due Within One Year	5,387	-----	5,387
Due in More Than One Year	<u>\$ 216,799</u>	<u>\$ 177,508</u>	<u>\$ 394,307</u>

Long-term debt activity during the year ended June 30, 2012 is summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
<u>Governmental Activities</u>				
Revenue Bonds	\$ 227,341	\$ ----	\$ 5,155	\$ 222,186
<u>Business-Type Activities</u>				
URAF Payable	177,508	----	----	177,508
Total Business-Type Activities	177,508	----	----	177,508
Total Long-term Debts	<u>\$ 404,849</u>	<u>\$ ----</u>	<u>\$ 5,155</u>	<u>\$ 399,694</u>

Maturity of Long-term Debt

A schedule of maturities of long-term debt excluding compensated absences, capital leases and Utility Relocation Assistance Funding (URAF) is presented as follows:

Village of Forest Hill

Notes To Financial Statements

June 30, 2012

<u>Year Ended June 30th</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>Governmental Activities</u>			
2013	5,387	9,613	15,000
2014	5,627	9,373	15,000
2015	5,878	9,122	15,000
2016	6,141	8,859	15,000
2017	6,415	8,585	15,000
2017-2036	192,738	92,262	285,000
Total Governmental	<u>\$ 222,186</u>	<u>\$ 137,814</u>	<u>360,000</u>

During the year ended June 30, 2012, the Village incurred interest expense in the amount of \$9,844.

NOTE 7 – TAXES:

Ad Valorem Taxes:

The Village bills and collects its own property taxes using the assessed values determined by the Tax Assessor of Rapides Parish. Property taxes are limited to an assessment for general alimony as permitted by State Law. Ad valorem taxes are assessed on a calendar year basis and are due on or before January 1st of the following year. Revenues from ad valorem taxes are budgeted in the year billed by the Village's General Fund.

Sales Taxes:

Sales taxes are collected by the Parish of Rapides and remitted to the Village on a monthly basis. For the year ended June 30, 2012 the Village has levied sales taxes described as follows:

- A 0.5% city sales and use tax is collect for the Village by the Rapides Parish Sales Tax Office. This Village has dedicated these taxes for fire protection and emergency services.
- Fifteen hundredths percent (0.15%) of a one percent (1%) sales tax is allocated to the Village. The tax is available for the General Fund's use for any lawful general purpose.
- Sixty-two hundredths percent (0.62%) of a one-half percent (0.5%) sales tax collected by Rapides Parish Police Jury for Sales Tax District 3 is allocated to the Village. It is available to be used for paying general operating expenses and salaries of municipal employees. The Village has dedicated the funds for the cost of garbage collection and sanitation services provided by the Village in addition to paying for general operating expenses. This rate was set to expire May 30, 2012. The one-half percent sales tax for District No. 3 was renewed in perpetuity on April 2, 2011 with the percentage of tax revenue allocated to each municipality, including the Village; annually in July based on the most recently published Federal/State Cooperative Population estimate by and between the U.S. Census Bureau and Louisiana Tech University to reflect population changes. For the year ended May 30, 2013 the Village's rate will be .6743% of the one-half (.5%) sales tax collected. This rate may be reallocated annually.

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

NOTE 8- RISK MANAGEMENT

The Village is exposed to various risk of loss related to torts; theft, damage or destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Village insures against these risks by participation in public entity risk pools that operate as common insurance programs and by purchasing commercial insurance.

Village of Forest Hill

Notes To Financial Statements

June 30, 2012

NOTE 9 – RESTRICTIONS AND COMMITMENTS

Details regarding limitations imposed on the use of various resources are summarized as follows:

Long Term Advances

A portion of the General Fund's assets have been advanced to utility funds and repayment is not anticipated in the near future. Since these resources are not available to finance current expenditures, a portion of the general fund balance is reported as non-spendable.

NOTE 10 – PENSION PLANS

The Village has a Deferred Compensation Plan. The Village employees contribute an amount of their choosing to the plan and the Village matches 50% of the employee's contributions up to 7.5% of the employee's base pay. For Police Employees the Village matches the employee's contribution up to the current social security tax withholding rate.

NOTE 11 – INTERNAL BALANCES

In some cases resources available in particular funds have been used to supplement the operations of other funds. Internal receivables and payables have arisen as a result of these transactions. These internal balances are summarized as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>	<u>Net</u>
<u>Governmental Funds</u>			
General Fund	\$ 7,575	\$ 4,022	\$ 3,553
Fire Department Fund	1,497	-----	1,497
Total Governmental Funds	<u>9,072</u>	<u>4,022</u>	<u>5,050</u>
<u>Business Type Funds</u>			
Natural Gas System	23,076	41,613	(18,537)
Water System	261,094	50,155	210,939
Sewer System	61,891	259,343	(197,452)
Total Business Type Funds	<u>346,061</u>	<u>351,111</u>	<u>(5,050)</u>
Total	<u>\$ 355,133</u>	<u>\$ 355,133</u>	<u>\$ -----</u>

NOTE 12 - TRANSFERS

In the ordinary course of business, the Village routinely transfers resources between its funds to utilize resources where needed. Transfers during the year ended June 30, 2012 are summarized as follows:

	<u>Operating Transfers In</u>	<u>Operating Transfers Out</u>	<u>Net</u>
<u>Governmental Funds</u>			
General Fund	\$ 14,062	\$ 49,588	\$ (35,526)
Fire Department Fund	23,203	2,369	20,834
Total Governmental Funds	<u>37,265</u>	<u>51,957</u>	<u>(14,692)</u>
<u>Business Type Funds</u>			
Natural Gas System	10,806	992	9,814

Village of Forest Hill

Notes To Financial Statements

June 30, 2012

Water System	8,771	753	8,018
Sewer System	----	3,140	(3,140)
Total Business Type Funds	<u>19,577</u>	<u>4,885</u>	<u>14,692</u>
Total	<u>\$ 56,842</u>	<u>\$ 56,842</u>	<u>\$ ----</u>

NOTE 13 – CONTINGENCIES:

Existing conditions that may have financial consequences are referred to as contingencies. Contingencies existing at June 30, 2012 are described as follows:

Litigation

Like most governmental units with extensive and diverse operations, the Village is occasionally named as a defendant in litigation. Based on consultation with Village Attorney and insurance carrier, there are no anticipated claims that are expected to exceed available insurance coverage.

Grant Compliance

The Village receives state and federal assistance through various grant programs. Management is confident that all significant grant conditions have been met; however, grantor agencies routinely review grant activity and could request reimbursement if a dispute occurs regarding compliance with grant conditions.

NOTE 14 – ON BEHALF PAYMENTS

The State of Louisiana provides supplemental pay for public safety employees that meet certain requirements. Amounts reported as revenue and expenditures in connection with State Supplemental Pay are presented as follows:

Police Department	\$ 6,000
Total	<u>\$ 6,000</u>

Village of Forest Hill

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual - Year Ended June 30, 2012

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues:				
Taxes	\$ 99,430	\$ 92,450	\$ 100,708	\$ 8,258
Licenses & Permits	31,600	10,440	27,982	17,542
Charges for Services	55,050	42,068	41,607	(461)
Intergovernmental	-	(16,000)	41,416	57,416
Fines and Forfeitures	250,000	249,045	236,866	(12,179)
Interest Income	15	25	22	(3)
Grants and Loans	444,100	23,588	2,588	(21,000)
Other	6,300	6,324	6,976	652
Total Revenues	<u>886,495</u>	<u>407,940</u>	<u>458,165</u>	<u>50,225</u>
Expenditures:				
Current:				
General Government	176,450	174,587	181,271	(6,684)
Public Safety	-	-	-	-
Police Department	125,000	170,367	146,848	23,519
Public Works	-	-	-	-
Highways, Streets and Sanitation	44,200	37,880	61,261	(23,381)
Recreation	2,000	3,853	3,371	482
Capital Expenditures	450,000	-	25,342	(25,342)
Interest Expense	-	10,000	9,844	156
Debt Service	15,000	15,000	5,156	9,844
Total Expenditures	<u>812,650</u>	<u>411,687</u>	<u>433,093</u>	<u>(21,406)</u>
Excess (Deficiency) of Revenue Over Expenditures	73,845	(3,747)	25,072	28,819
Other Financing Sources (Uses):				
Operating Transfers In	10,000	-	14,062	14,062
Operating Transfers Out	-	-	(49,588)	(49,588)
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	83,845	(3,747)	(10,454)	(6,707)
Fund Balance (Deficit) - Beginning of Year	<u>74,624</u>	<u>74,624</u>	<u>74,624</u>	<u>-</u>
Fund Balance (Deficit) - End of Year	<u>\$ 158,469</u>	<u>\$ 70,877</u>	<u>\$ 64,170</u>	<u>\$ (6,707)</u>

Village of Forest Hill

Fire Department, Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual - Year Ended June 30, 2012

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
<u>Revenues:</u>	108,000	111,350	103,387	(7,963)
<u>Expenditures:</u>				
Current:				
Public Safety				
Fire Department	75,000	52,567	56,507	(3,940)
Total Expenditures	<u>75,000</u>	<u>52,567</u>	<u>56,507</u>	<u>(3,940)</u>
Excess (Deficiency) of Revenue Over Expenditures	33,000	58,783	46,880	(11,903)
<u>Other Financing Sources (Uses):</u>				
Operating Transfers In	-	-	23,203	23,203
Operating Transfers Out	-	-	(2,369)	(2,369)
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	33,000	58,783	67,714	8,931
Fund Balance (Deficit) - Beginning of Year	<u>44,211</u>	<u>44,211</u>	<u>44,211</u>	<u>-</u>
Fund Balance (Deficit) - End of Year	<u>\$ 450,000</u>	<u>\$ 102,994</u>	<u>\$ 111,925</u>	<u>\$ 8,931</u>

Village of Forest Hill

Schedule of Compensation Paid to Board Members **For the year ended June 30, 2012**

Sam Echols-Mayor	\$ 3,200
Charles Elliott-Mayor	2,000
Charles Elliot-Alderman	1,200
Donna Arrington-Alderman	2,400
Johnny Soultter-Alderman	2,400
Danny L. Perkins	<u>800</u>
Total Compensation	<u>\$ 12,000</u>

VILLAGE OF FOREST HILL

Summary of Findings and Questioned Cost

June 30, 2012

PART I - SUMMARY OF AUDITOR'S RESULTS

- The Independent Auditor's Report on the financial statements for the Village of Forest Hill as of June 30, 2012 and for the year then ended expressed an unqualified opinion.
- The results of the audit disclosed three instances (2012-3, 2012-4, and 2012-7) of noncompliance that are considered to be material to the financial statements of the Village of Forest Hill.
- The audit disclosed five deficiencies in internal control (audit findings 2012-1, 2012-2, 2012-5, 2012-6 and 2012-8) which are required to be reported as material weakness.
- A single audit in accordance with OMB A-133 was not required. Federal Funds expended were less than \$500,000.

PART II - FINDINGS RELATING TO THE FINANCIAL STATEMENTS WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENTAL AUDITING STANDARDS:

- **Finding 2012-1: Financial Statement Preparation:** The Village does not have personnel with the technical accounting expertise to prepare GAAP financial statements with footnote disclosures.
- **Finding 2012-2: Proper Recording of Salaries:** The Village did not record salaries in the Funds correctly. An allocation was made based on a predetermined percentage instead of actual hours worked by employees by job function.
- **Finding 2012-3: Fire Department Budget Violation:** In the current year Fire Department Expenditures exceeded budgeted amounts by 20.25% and revenues were 7.15% less than budgeted amounts.
- **Finding 2012-4: General Fund Budget Violation:** In the current year General Fund expenditures exceeded budgeted amounts by 5.19%.
- **Finding 2012-5: Bank Accounts Not Reconciled Timely:** The Village is not timely reconciling the bank accounts.
- **Finding 2012-6: Deposits not made timely:** The Village is not making deposits timely.
- **Finding 2012-7: Potential Legal Violation for Fire Service Area:** The Village Fire Department is potentially servicing areas that extend beyond the Village's property limits.
- **Finding 2012-8: Billing of Utilities:** The Village did not follow the policy for billing of natural gas.

VILLAGE OF FOREST HILL

Summary of Findings and Questioned Cost

June 30, 2012

PART III - FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS WHICH SHALL INCLUDE AUDIT FINDINGS AS DEFINED BY OMB CIRCULAR A-133:

Not Applicable.

VILLAGE OF FOREST HILL

Management's Corrective Action Plan

June 30, 2012

SECTION I	
INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS.	
<u>FINDINGS</u>	<u>RESPONSE</u>
<p><u>Finding 2012-1: Financial Statement Preparation:</u> The Village does not have personnel with the technical accounting expertise to prepare GAAP financial statements with footnote disclosures.</p>	<p><u>Response:</u> Financial statements are prepared for the council members at the end of each month and reviewed and approved at the council meetings.</p>
<p><u>Finding 2012-2: Proper Recording of Salaries:</u> The Village did not record salaries in the Funds correctly. An allocation was made based on a predetermined percentage instead of actual hours worked by employees by job function.</p>	<p><u>Response:</u> The Village will record wages to each fund and department within the fund based on the actual hours worked and the actual function performed for all future periods.</p>
<p><u>Finding 2012-3: Fire Department Budget Violation:</u> In the current year Fire Department expenditures exceeded budgeted amounts by 20.25% and revenues received were 7.15% less than budgeted amounts.</p>	<p><u>Response:</u> The Board will make every effort to ensure budgetary line items are properly estimated or amended as necessary.</p>
<p><u>Finding 2012-4: General Fund Budget Violation:</u> In the current year General Fund expenditures exceeded budgeted amounts by 5.19% and revenues received were 7.15% less than budgeted amounts.</p>	<p><u>Response:</u> The Board will make every effort to ensure budgetary line items are properly estimated or amended as necessary.</p>
<p><u>Finding 2012-5: Bank accounts not reconciled timely:</u> The Village is not timely reconciling bank accounts.</p>	<p><u>Response:</u> The Village will review its accounting processes and procedures with the appropriate personnel to ensure that timely bank reconciliations are prepared.</p>
<p><u>Finding 2012-6: Deposits not made timely:</u> The Village is not making bank deposits timely.</p>	<p><u>Response:</u> The Village will review its accounting processes and procedures with the appropriate personnel to ensure that timely bank deposits are made in a timely manner.</p>

VILLAGE OF FOREST HILL

Management's Corrective Action Plan

June 30, 2012

<p><u>Finding 2012-7: Potential Legal Violation for Fire Service Area:</u> The Village Fire Department is potentially servicing areas that extend beyond the Village's property limits.</p> <p><u>Finding 2012-8 – Billing of Utilities:</u> It has been determined that the Village did not follow the policy for billing of natural gas. The Village's rate structure is based on the cost per MCF charged by the natural gas supplier.</p>	<p><u>Response:</u> The Village is actively consulting with legal counsel about this matter and the Board will take whatever measures are necessary to correct this issue to ensure that Fire Services provided meet all legal requirements.</p> <p><u>Unresolved</u> Billing of natural gas is complex and is based on a formula related to cost per MCF that is faxed to the Town prior to the Town billings. We are currently reviewing our policies to ensure that all of the necessary and correct information is acquired in order to ensure that natural gas is properly billed in the future.</p>
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**SECTION II
INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS**

<u>FINDINGS</u>	<u>RESPONSE</u>
<u>No Findings of this nature.</u>	<u>No response necessary</u>

**SECTION III
MANAGEMENT LETTER**

<u>FINDINGS</u>	
<u>No Management Letter Issued</u>	<u>No response necessary</u>

VILLAGE OF FOREST HILL

Summary of Prior Year Findings and Questioned Cost June 30, 2012

SECTION I	
INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS.	
<u>FINDINGS</u>	<u>RESPONSE</u>
<p><u>Finding 2011-1: Financial Statement Preparation:</u></p> <p>The Village does not have personnel with the technical accounting expertise to prepare GAAP financial statements with footnote disclosures.</p>	<p><u>Unresolved.</u></p> <p>Response: Financial statements are prepared for the council members at the end of each month and reviewed and approved at the council meetings.</p>
<p><u>Finding 2011-2: Proper Recording of Salaries:</u></p> <p>The Village did not record salaries in the Funds correctly. An allocation was made based on a predetermined percentage instead of actual hours worked by employees by job function.</p>	<p><u>Unresolved.</u></p> <p>The Village will record wages to each fund and department within the fund based on the actual hours worked and the actual function performed for all future periods.</p>
<p><u>Finding 2011-3: Unauthorized Payment to Nursery Association:</u></p> <p>The Village paid the Nursery Association 20% of the net proceeds from the Nursery Festival. No evidence was found of a cooperative endeavor agreement or any approval or authorization of this payment.</p>	<p><u>Resolved.</u></p> <p>The Village is working closely with our attorney on a cooperative endeavor agreement with the Nursery Festival. The Town did not pay any in the current year and will not pay any funds to the Nursery Festival until the legal requirements are met.</p>
<p><u>Finding 2011-4: Fire Department Budget Violation:</u></p> <p>In the current year Fire Department expenditures exceeded budgeted amounts by 30%</p>	<p><u>Unresolved.</u></p> <p>The Village continually tries to budget the correct amounts for revenues and expenditures but due to the nature of expenditures and revenue sources the Village failed to properly budget Fire Revenue and expenses in the current year. We will continue to improve our budgeting process and monitoring of revenue and expenses to comply with budgeting requirements.</p>
SECTION II	
INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS	
<u>FINDINGS</u>	<u>RESPONSE</u>
<p><u>No Findings of this nature.</u></p>	<p><u>No response necessary</u></p>

VILLAGE OF FOREST HILL

Summary of Prior Year Findings and Questioned Cost June 30, 2012

SECTION III MANAGEMENT LETTER	
<u>FINDINGS</u>	<u>RESPONSE</u>
<p><u>ML 2011-1: To inform Management that the Fire ½ Cent Sales Tax may be available for other uses:</u> The proceeds from the ½ cent sales tax are currently used only for fire related expenditures. Management needs to be aware that other uses of these funds may be available.</p>	<p><u>Resolved.</u></p>
<p><u>ML 2011-2: Mr. Duck Ordinance- Post Employment Benefits:</u> The Village currently has the Mr. Duck Ordinance in effect. We recommend the Village consult legal council and take the appropriate steps to rescind this Ordinance.</p>	<p><u>Resolved.</u></p>