

VILLAGE OF FOREST HILL, LOUISIANA

FOREST HILL, LOUISIANA

JUNE 30, 2007

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Release Date 12/19/07

Village of Forest Hill, Louisiana

June 30, 2007

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PAYNE, MOORE & HERRINGTON, LLP

CERTIFIED PUBLIC ACCOUNTANTS

Established 1945

Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Village of Forest Hill, Louisiana, as of and for the year ended June 30, 2007, 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, 2007, and the respective changes in financial position, and, where applicable, cash flows, 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 November 26, 2007, 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that 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 considered in assessing the results of our audit.

MARVIN A. JUREAN, C.P.A.
ERNEST F. SASSER, C.P.A.
ROBERT L. LITTON, C.P.A.

ROBERT W. GYORAK, C.P.A.
REBECCA B. MORRIS, C.P.A.
MICHAEL A. JUREAN, C.P.A.

JAMES H. BALLARD, C.P.A.
CINDY L. HUMPHRIES, C.P.A.



H. FRED RANDOW, C.P.A.

1419 METRO DRIVE • P.O. BOX 13200 • ALEXANDRIA, LA 71315-3200

PH: (318) 443-1093 • FAX: (318) 443-2515



PAYNE, MOORE & HERRINGTON, LLP

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

The management's discussion and analysis and budgetary comparison information on pages 3 through 8 and 37 through 39, 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

November 26, 2007

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

**Village of Forest Hill
Management's Discussion and Analysis
Year Ended June 30, 2007**

Management's Discussion and Analysis is a fact-based analysis of the Village's financial activities during the fiscal year ended June 30, 2007. 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, 2007, were:

	<u>Governmental Activities</u>		<u>% Change Inc/(Dec)</u>	<u>Business Type Activities</u>		<u>% Change Inc/(Dec)</u>
<u>Assets:</u>	2007	2006		2007	2006	
Current and Other Assets \$	155,041	\$160,273	(3.26)	\$ 489,372	\$ 413,911	18.23
Internal Balances	(2,740)	(2,800)	2.14	2,740	2,800	(2.14)
Capital Assets	952,749	633,708	50.35	2,531,347	2,191,509	15.51
Total Assets	\$1,105,050	\$791,181	39.67	\$3,023,459	\$2,608,220	15.92
<u>Liabilities:</u>						
Current and Other Liab \$	23,296	\$ 4,638	402.29	\$ 28,511	\$ 11,391	150.29
Long-term Liabilities	246,969	250,984	(1.60)	240,304	58,969	307.51
Total Liabilities	\$ 270,265	\$255,622	5.73	\$ 268,815	\$ 70,360	282.06
<u>Net Assets:</u>						
Invested in						
Capital Assets (Net)	\$ 706,893	\$633,708	11.55	\$2,353,839	\$2,191,509	7.41
Restricted	-	-	-	-	-	-
Unrestricted	127,892	(98,149)	230.30	400,805	346,351	15.72
Total Net Assets	\$834,785	\$535,559	55.87	\$2,754,644	\$2,537,860	8.54

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

Engineering plans and cost estimates for relocating the village's gas and water lines due to construction on Highway 165 were finalized in fiscal year 2006. Construction and material bids were advertised and awarded at the beginning of fiscal year 2007. Construction was started but not completed by the end of fiscal year 2007.

**Village of Forest Hill
Management's Discussion and Analysis
Year Ended June 30, 2007**

Fund-Type Activities

Bids for Phase 1 of the Renovation of Community Facilities project were accepted at the end of fiscal year 2006 with work scheduled to begin in fiscal year 2007. Construction was completed by end of fiscal year 2007.

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. A grant through the Office of Community Development, Local Government Assistance Program was awarded in the amount of \$25,000 in fiscal year 2007 to fund the construction. Work is scheduled to begin in fiscal year 2008.

A grant in the amount of \$89,728 was awarded to the fire department through the Assistance to Firefighters Grant through the U. S. Department of Homeland Security, Office of State and Local Government Coordination and Preparedness to purchase turn-out gear and educational materials. At the end of fiscal year 2006, \$58,373 had been received and expended. No additional funds were expended on this project in fiscal year 2007.

The police and fire departments each received grants through the Office of Homeland Security during fiscal year 2007 to purchase radios for their departments. The police received two grants, one for \$5,250 and the other was for \$4,278. The fire department received a grant in the amount of \$8,408. All funds were spent in fiscal year 2007.

The police department was awarded a grant in the amount of \$10,800 from The Louisiana Highway Safety Commission to purchase in-board computers, police software and radar guns for the police units. Funds were not received until fiscal year 2008.

Financial Analysis of the Village's Funds

The general fund had an increase in revenue in fines due to the fact more citations were issued. Also, monies received on the loan through USDA for the municipal complex and several grants contributed to an increase in revenue. There was an increase in expenses to offset the revenue received for Capital Outlay.

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>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Total Revenues	\$ 334,817	\$ 590,821	\$ 588,448	\$ (2,373)
Total Expenditures	364,926	647,316	630,196	17,120
Excess (Deficiency) of Revenues				
Over Expenditures	\$ (30,109)	\$ (56,495)	\$ (41,748)	\$ 14,747

The village had a debt amount of \$250,000 at the close of fiscal year 2006 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.

**Village of Forest Hill
Management's Discussion and Analysis
Year Ended June 30, 2007**

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>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Total Revenues	\$ 57,000	\$ 72,289	\$ 71,155	\$ (1,134)
Total Expenditures	52,000	71,275	82,290	(11,015)
Excess (Deficiency) of Revenues				
Over Expenditures	\$ 5,000	\$ 1,014	\$ (11,135)	\$ (12,149)

The difference in the budget is attributed to repairs to a tank on one of the fire trucks in the amount of \$6,250 during the year that was not anticipated. The department also received a Cascade System from Spring Creek Fire Department. We spent \$1,873 to have the system installed plus purchased 5 more SCBA bottles. In order to prepare the ground for the foundation of the new fire station on Butter Cemetery Road, \$2,520 was spent to have dirt hauled in. The fire department remains debt free at the close of fiscal year 2007.

**Village of Forest Hill
Management's Discussion and Analysis
Year Ended June 30, 2007**

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 508 gas customers, 1071 water customers, and 128 sewer customers. A summary of the proprietary funds is presented as follows:

	Water System		Sewer System		Gas System		% Change Inc/(Dec)	% Change Inc/(Dec)
	Fund	2006	Fund	2006	Fund	2006		
Assets:								
Current and								
Other Assets:	\$ 431,375	\$ 325,818	\$ 155,649	\$ 100,755	\$ 56,306	\$ 57,229	54.48	(1.61)
Restricted Assets	33,005	32,543	2,020	1,980	10,260	21,363	2.02	(51.97)
Capital Assets	1,597,478	1,466,096	479,620	495,371	454,249	230,042	(3.18)	97.46
Total Assets	\$2,061,858	\$1,824,457	\$637,289	\$598,106	\$520,815	\$308,634	6.55	68.75
Liabilities:								
Current and								
Other Liabilities	\$ 38,049	\$ 17,709	\$ 145,246	\$ 98,845	\$ 42,951	\$ 18,586	46.94	131.09
Restricted Liabilities	33,005	32,543	2,020	1,980	22,847	21,363	2.02	6.95
Long-term Liabilities	89,899	579	345	267	90,956	1,465	29.21	6108.60
Total Liabilities	\$ 160,953	\$ 50,831	\$147,611	\$101,092	\$156,754	\$ 41,414	46.02	278.50
Net Assets:								
Invested in								
Capital Assets (Net)	\$1,508,724	\$1,466,096	\$479,620	\$495,371	\$365,495	\$230,042	(3.18)	58.88
Unrestricted	392,181	307,530	10,058	1,643	(1,434)	37,178	512.17	(103.86)
Total Net Assets	\$1,900,905	\$1,773,626	\$489,678	\$497,014	\$364,061	\$267,220	(1.48)	36.24

**Village of Forest Hill
Management's Discussion and Analysis
Year Ended June 30, 2007**

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 Inc/(Dec)
	Fund	2006	Inc/(Dec)	2007	Fund	2006	2007	Fund	2006	2007	
Operating:	\$ 305,361	\$ 294,341	3.74	\$ 20,918	\$ 18,358	12.84	\$292,470	\$330,834	(11.60)		
Expenses:	334,720	275,424	21.53	28,254	26,545	6.44	331,108	358,184	(7.56)		
Operating Income (Loss)	\$ (29,359)	\$ 18,917	(255.20)	\$ (7,336)	\$ (8,187)	10.39	\$ (38,638)	\$ (27,350)	(41.27)		
Nonoperating Rev (Exp)	8,460	35,324	(76.05)	--	--	--	143	161	(11.18)		
Transfers In	8,388	5,861	43.12	--	--	--	--	--	--		
Transfer Out	(15,000)	(15,000)	--	--	--	--	(19,454)	(22,382)	13.08		
Capital Contribution	154,790	2,800	5,428.21	--	--	--	154,790	--	100.00		
Change in Net Assets:	\$ 127,279	\$ 47,902	165.70	\$ (7,336)	\$ (8,187)	10.39	\$ 96,841	\$ (49,571)	295.36		

Gas and water lines located on Highway 165 had to be relocated due to road construction in fiscal year 2007. The proprietary funds have an outstanding loan payable to State of Louisiana for the receipt of Utility Relocation Assistance Funding (URAF) in the amount of \$177,508 at the end of the fiscal year 2007. The Village will repay these monies subsequent to notice received from the State of Louisiana.

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, 2007

Exhibit A

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets			
Cash and equivalents	\$ 46,686	\$ 116,029	\$ 162,715
Investments	44,500	222,541	267,041
Receivables	27,705	61,529	89,234
Interest receivable	47	228	275
Internal balances	(2,740)	2,740	-
Due from other governments	25,008	24,364	49,372
Restricted assets	1,114	45,285	46,399
Prepaid expenses	9,981	19,396	29,377
Capital assets			
Land, improvements, and construction in progress not being depreciated	83,956	528,136	612,092
Other capital assets, net of depreciation	868,793	2,003,211	2,872,004
Total Capital Assets	<u>952,749</u>	<u>2,531,347</u>	<u>3,484,096</u>
Total Assets	<u>1,105,050</u>	<u>3,023,459</u>	<u>4,128,509</u>
Liabilities			
Accounts payable and accrued expenses	22,633	28,511	51,144
Deferred revenues	663	-	663
Long-term liabilities			
Due within one year	4,330	1,232	5,562
Due in more than one year	242,639	239,072	481,711
Total Liabilities	<u>270,265</u>	<u>268,815</u>	<u>539,080</u>
Net Assets			
Invested in capital assets, net of related debt	706,893	2,353,839	3,060,732
Unrestricted	127,892	400,805	528,697
Total Net Assets	<u>\$ 834,785</u>	<u>\$ 2,754,644</u>	<u>\$ 3,589,429</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, 2007

Exhibit B

Functions/Programs	Program Revenue			Net (Expenses) Revenues and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities							
General government	\$ 134,533	\$ 5,342	\$ -	\$ 288,563	\$ 139,372	\$ -	\$ 139,372
Public safety	180,701	86,111	32,294	28,231	(34,065)	-	(34,065)
Public works	55,669	19,764	-	-	(35,905)	-	(35,905)
Animal control	965	50	-	-	(915)	-	(915)
Community development	4,020	-	-	34,527	30,507	-	30,507
Interest on long-term debt	10,855	-	-	-	(10,855)	-	(10,855)
Total Governmental Activities	386,743	111,267	32,294	331,321	88,139	-	88,139
Business-type Activities							
Water	334,720	304,559	-	154,790	124,629	-	124,629
Sewer	28,254	20,918	-	-	(7,336)	-	(7,336)
Gas	331,108	292,101	-	154,790	115,783	-	115,783
Total Business-type Activities	694,082	617,578	-	309,580	233,076	-	233,076
Total	\$ 1,080,825	\$ 728,845	\$ 32,294	\$ 640,901	88,139	233,076	321,215
General Revenues							
Taxes							
Property taxes, levied for general purposes					7,968	-	7,968
Franchise taxes					33,675	-	33,675
Sales taxes, levied for general purposes					34,919	-	34,919
Sales taxes, levied for specific purposes					58,405	-	58,405
Licenses and permits					32,874	-	32,874
Unrestricted investment earnings					1,758	8,603	10,361
Miscellaneous					15,122	1,171	16,293
Gain on sale of asset					300	-	300
Transfers					26,068	(26,066)	-
Total General Revenues and Transfers					211,087	(16,292)	194,795
Changes in Net Assets					299,226	216,784	516,010
Net Assets - Beginning of Year					535,559	2,537,860	3,073,419
Net Assets - End of Year					\$ 834,785	\$ 2,754,644	\$ 3,589,429

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, 2007**

Exhibit C

	General Fund	Fire Department Fund	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 34,145	\$ 12,541	\$ 46,686
Investments at cost	-	44,500	44,500
Receivables	22,867	4,838	27,705
Interest receivable	-	47	47
Due from other funds	384	2,907	3,291
Due from other governments	18,217	6,791	25,008
Restricted assets	1,114	-	1,114
	Total Assets	Total Assets	Total Assets
	\$ 76,727	\$ 71,624	\$ 148,351
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 20,333	\$ 2,299	\$ 22,632
Due to other funds	6,031	-	6,031
Payable from restricted assets	1,114	-	1,114
Deferred revenue	663	-	663
Total Liabilities	28,141	2,299	30,440
Fund Balances			
Unreserved	48,586	69,325	117,911
Total Fund Balances	48,586	69,325	117,911
	Total Liabilities and Fund Balances	Total Liabilities and Fund Balances	Total Liabilities and Fund Balances
	\$ 76,727	\$ 71,624	\$ 148,351

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, 2007

Exhibit D

Total Fund Balance, Governmental Funds	\$ 117,911
 Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the fund financial statement, but are reported in the governmental activities of the Statement of Net Assets.	952,749
Bonds payable are not due and payable in the current period and are not included in the fund financial statement but are included in the governmental activities of the Statement of Net Assets.	(245,856)
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>9,981</u>
Net Assets of Governmental Activities in the Statement of Net Assets	<u>\$ 834,785</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, 2007

Exhibit E

	General Fund	Fire Department Fund	Total Governmental Funds
Revenues			
Property taxes	\$ 7,968	\$ -	\$ 7,968
Sales and other taxes	97,235	29,764	126,999
Licenses and permits	32,874	-	32,874
Intergovernmental	7,142	6,791	13,933
Charges for services	19,764	731	20,495
Grants	298,386	8,408	306,794
Fines	85,380	-	85,380
Interest income	-	1,758	1,758
Other			
Donations and fundraisers	24,527	23,703	48,230
Miscellaneous	15,172	-	15,172
Total Revenues	588,448	71,155	659,603
Expenditures			
Current			
General government	122,831	-	122,831
Public safety	77,236	65,112	142,348
Community development	1,305	-	1,305
Animal control	965	-	965
Highways, streets, and sanitation	50,522	-	50,522
Debt Service			
Principal	4,145	-	4,145
Interest and other charges	10,855	-	10,855
Capital Outlay	362,337	17,178	379,515
Total Expenditures	630,196	82,290	712,486
Deficiency of Revenues Over Expenditures	(41,748)	(11,135)	(52,883)
Other Financing Sources (Uses)			
Transfers in	30,000	9,844	39,844
Transfers out	(13,778)	-	(13,778)
Proceeds from sale of capital assets	300	-	300
Total Other Financing Sources (Uses)	16,522	9,844	26,366
Deficiency of Revenues and Other Financing Sources Over Expenditures	(25,226)	(1,291)	(26,517)
Fund Balances, Beginning of Year	73,812	70,616	144,428
Fund Balances, End of Year	\$ 48,586	\$ 69,325	\$ 117,911

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, 2007

Exhibit F

Net Change in Fund Balances - Total Governmental Funds: \$ (26,517)

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 \$379,427 exceeded depreciation of \$60,387 in the current period. 319,040

Repayment of debt is an expenditure in the governmental funds, but the repayment reduces liabilities in the Statement of Net Assets. 4,145

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. 2,558

Change in Net Assets of Governmental Activities \$ 299,226

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

Village of Forest Hill, Louisiana
Statement of Net Assets
Proprietary Funds
June 30, 2007

Exhibit G

	Enterprise Funds			Total Enterprise Funds
	Water System Fund	Sewer System Fund	Gas System Fund	
Assets				
Current Assets				
Cash and cash equivalents	\$ 1,543	\$ 114,486	\$ -	\$ 116,029
Investments, at cost	222,541	-	-	222,541
Accounts receivable	38,076	2,773	20,680	61,529
Interest receivable	220	-	8	228
Due from other funds	147,115	38,390	13,738	199,243
Receivables from other governments	12,182	-	12,182	24,364
Prepaid expenses	9,698	-	9,698	19,396
Total Current Assets	<u>431,375</u>	<u>155,649</u>	<u>56,306</u>	<u>643,330</u>
Restricted Assets				
Cash	33,005	2,020	3,369	38,394
Investments	-	-	6,891	6,891
Total Restricted Assets	<u>33,005</u>	<u>2,020</u>	<u>10,260</u>	<u>45,285</u>
Non-current Assets				
Capital Assets				
Property, plant, and equipment	2,651,979	795,675	816,114	4,263,768
Accumulated depreciation	(1,054,501)	(316,055)	(361,865)	(1,732,421)
Total Non-current Assets	<u>1,597,478</u>	<u>479,620</u>	<u>454,249</u>	<u>2,531,347</u>
Total Assets	<u>2,061,858</u>	<u>637,289</u>	<u>520,815</u>	<u>3,219,962</u>
Liabilities				
Current Liabilities				
Accounts payable	12,072	16	16,423	28,511
Due to other funds	25,594	145,115	25,794	196,503
Compensated absences	383	115	734	1,232
Total Current Liabilities	<u>38,049</u>	<u>145,246</u>	<u>42,951</u>	<u>226,246</u>
Restricted Liabilities				
(Payable from restricted assets)				
Customer meter deposits	33,005	2,020	22,847	57,872
Total Restricted Liabilities	<u>33,005</u>	<u>2,020</u>	<u>22,847</u>	<u>57,872</u>
Long-term Liabilities				
Notes payable	88,754	-	88,754	177,508
Compensated absences	1,145	345	2,202	3,692
Total Long-term Liabilities	<u>89,899</u>	<u>345</u>	<u>90,956</u>	<u>181,200</u>
Total Liabilities	<u>160,953</u>	<u>147,611</u>	<u>156,754</u>	<u>465,318</u>
Net Assets				
Invested in capital assets, net of related debt	1,508,724	479,620	365,495	2,353,839
Unrestricted	392,181	10,058	(1,434)	400,805
Total Net Assets	<u>\$ 1,900,905</u>	<u>\$ 489,678</u>	<u>\$ 364,061</u>	<u>\$ 2,754,644</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, 2007

Exhibit H

	Enterprise Funds			Total Enterprise Funds
	Water System Fund	Sewer System Fund	Gas System Fund	
Operating Revenues				
Charges for services	\$ 304,559	\$ 20,918	\$ 292,101	\$ 617,578
Miscellaneous income	802	-	369	1,171
Total Operating Revenues	<u>305,361</u>	<u>20,918</u>	<u>292,470</u>	<u>618,749</u>
Operating Expenses				
Gas purchased for resale	-	-	123,810	123,810
Salaries and payroll taxes	75,243	104	62,628	137,975
Other supplies and expenses	-	-	803	803
Legal and other professional	5,768	-	5,864	11,632
System repairs, maintenance, and connections	123,704	7,600	101,587	232,891
Utilities	32,656	4,799	-	37,455
Insurance	18,334	-	21,245	39,579
Depreciation	79,015	15,751	15,371	110,137
Total Operating Expenses	<u>334,720</u>	<u>28,254</u>	<u>331,108</u>	<u>694,082</u>
Operating Loss	(29,359)	(7,336)	(38,638)	(75,333)
Nonoperating Revenues				
Interest income	8,460	-	143	8,603
Total Nonoperating Revenue	<u>8,460</u>	<u>-</u>	<u>143</u>	<u>8,603</u>
Income (Loss) Before Contributions and Transfers	(20,899)	(7,336)	(38,495)	(66,730)
Transfers in	8,388	-	-	8,388
Transfers out	(15,000)	-	(19,454)	(34,454)
Capital contributions	154,790	-	154,790	309,580
Changes in Net Assets	127,279	(7,336)	96,841	216,784
Net Assets, Beginning of Year	<u>1,773,626</u>	<u>497,014</u>	<u>267,220</u>	<u>2,537,860</u>
Net Assets, End of Year	<u>\$ 1,900,905</u>	<u>\$ 489,678</u>	<u>\$ 364,061</u>	<u>\$ 2,754,644</u>

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

Village of Forest Hill, Louisiana
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2007

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	\$ 296,544	\$ 19,776	\$ 285,771	\$ 602,091
Internal activity - receipts from other funds	816,245	1,098,323	572,092	2,486,660
Other receipts	(11,380)	-	(11,813)	(23,193)
Payments to employees	(74,488)	-	(61,646)	(136,134)
Payments to vendors and others	(172,985)	(12,359)	(244,134)	(429,478)
Internal activity - payments to other funds	(881,959)	(1,067,301)	(537,340)	(2,486,600)
Net Cash Provided (Used) by Operating Activities	(28,023)	38,439	2,930	13,346
Cash Flows from Noncapital Financing Activities				
Net change in deposits held for others	(33,005)	(40)	11,267	(21,778)
Operating subsidies and transfers to other funds	(6,612)	-	(19,454)	(26,066)
Net Cash Used by Noncapital Financing Activities	(39,617)	(40)	(8,187)	(47,844)
Cash Flows from Capital and Related Financing Activities				
Proceeds from capital debt	88,754	-	88,754	177,508
Capital contributions	154,790	-	154,790	309,580
Purchase of capital assets and construction in progress	(210,397)	-	(239,578)	(449,975)
Net Cash Provided by Capital and Related Financing Activities	33,147	-	3,966	37,113
Cash Flows from Investing Activities				
Net change in equity in pooled cash and investments	-	-	(164)	(164)
Interest received on operating funds	8,460	-	143	8,603
Net Cash Provided (Used) by Investing Activities	8,460	-	(21)	8,439
Net Increase (Decrease) in Cash and Cash Equivalents	(26,033)	38,399	(1,312)	11,054
Cash and Cash Equivalents, Beginning of Year	27,576	76,087	1,312	104,975
Cash and Cash Equivalents, End of Year	<u>\$ 1,543</u>	<u>\$ 114,486</u>	<u>\$ -</u>	<u>\$ 116,029</u>

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

**Village of Forest Hill
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2007**

**Exhibit I
(Concluded)**

	Enterprise Funds			Total Enterprise Funds
	Water System Fund	Sewer System Fund	Gas System Fund	
Reconciliation of Operating Loss to Net Cash Provided (Used) by Operating Activities				
Operating income (loss)	\$ (29,359)	\$ (7,336)	\$ (38,638)	\$ (75,333)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:				
Depreciation	79,015	15,751	15,371	110,137
Changes in assets and liabilities				
Receivables	(97,740)	(16,495)	918	(113,317)
Prepaid expenses	(1,307)	-	(1,307)	(2,614)
Accounts payable	20,151	46,375	24,120	90,646
Compensated absences	755	104	982	1,841
Customer guaranteed deposits	462	40	1,484	1,986
Net Cash Provided (Used) by Operating Activities	\$ (28,023)	\$ 38,439	\$ 2,930	\$ 13,346

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

Notes to Basic Financial Statements

Village of Forest Hill, Louisiana
June 30, 2007
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.

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.

Village of Forest Hill, Louisiana
June 30, 2007
Notes to Basic 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.

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.

Village of Forest Hill, Louisiana
June 30, 2007
Notes to Basic Financial Statements

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.

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.

Village of Forest Hill, Louisiana
June 30, 2007
Notes to Basic Financial Statements

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, excluding restricted assets, 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.

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.

Village of Forest Hill, Louisiana
June 30, 2007
Notes to Basic Financial Statements

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, 2007, 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.

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.

Village of Forest Hill, Louisiana
June 30, 2007
Notes to Basic Financial Statements

2. Excess Of Expenditures Over Appropriations

The Fire Department Fund had actual expenditures over budgeted expenditures for the year ended June 30, 2007, in the amount of \$11,015.

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 2007, property taxes were levied for 5.13 mills on property with assessed valuations totaling \$1,716,946 and were dedicated for general alimony purposes. Total taxes levied were \$7,968.

4. Sales Tax

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

Fifteen hundredths percent (0.15%) 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.

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 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, 2012.

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.

Village of Forest Hill, Louisiana
June 30, 2007
Notes to Basic Financial Statements

Cash and cash equivalents – governmental and business-type activities

At June 30, 2007, the Village had cash and cash equivalents (book balances) totaling \$202,223 as follows:

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Petty cash and change funds	\$ 550	\$ -	\$ 550
Demand deposits	162,165	39,508	201,673
	<u>\$ 162,715</u>	<u>\$ 39,508</u>	<u>\$ 202,223</u>

Investments – governmental and business-type activities

At June 30, 2007, the Village had investments of \$273,932 consisting of the following:

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Time deposits			
Certificates of deposit	\$ 267,041	\$ 5,636	\$ 272,677
Investment in Louisiana Asset Management Pool	-	1,255	1,255
	<u>\$ 267,041</u>	<u>\$ 6,891</u>	<u>\$ 273,932</u>

Investments held at June 30, 2007, consist of \$1,255 in the Louisiana Asset Management Pool (LAMP), a local government investment pool. LAMP is a 2a7-like investment pool and is rated AAAM by Standard & Poor's. In accordance with GASB Codification Section 150.126, the investment in LAMP at June 30, 2007, is not categorized in the three risk categories provided by GASB Codification Section 150.125 because the investment is in the pool of funds and therefore not evidenced by securities that exist in physical or book entry form.

LAMP is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana. Only local government entities having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with LA-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.

Village of Forest Hill, Louisiana
June 30, 2007
Notes to Basic Financial Statements

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 for demand deposit and \$100,000 for time deposits 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, 2007, the Village's bank balance of \$521,614 was not exposed to custodial credit risk in that \$361,777 was insured and \$159,837 was collateralized by securities held by the pledging banks in the Village's name.

6. Accounts Receivable

Receivables at June 30, 2007, 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	\$ 11,339	\$ 8,834	\$ 18,217	\$ 2,694	\$ 41,084
Fire Department Fund	4,838	-	6,791	-	11,629
Water System Fund	-	-	12,182	38,076	50,258
Sewer System Fund	-	-	-	2,773	2,773
Gas System Fund	-	-	<u>12,182</u>	<u>20,680</u>	<u>32,862</u>
	<u>\$ 16,177</u>	<u>\$ 8,834</u>	<u>\$ 49,372</u>	<u>\$ 64,223</u>	<u>\$ 138,606</u>

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

Amounts due from and to other funds at June 30, 2007, consist of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Water System Fund	\$ 384
Fire Department Fund	General Fund	1,410
Fire Department Fund	Water System Fund	<u>1,497</u>
Total Governmental Funds		3,291
Water System Fund	General Fund	2,000
Water System Fund	Sewer System Fund	145,115
Sewer System Fund	General Fund	621
Sewer System Fund	Gas System Fund	25,794
Sewer System Fund	Water System Fund	11,975
Gas System Fund	General Fund	2,000
Gas System Fund	Water System Fund	<u>11,738</u>
Total Enterprise Funds		<u>199,243</u>
Total Due From/To Other Funds		\$ 202,534

Village of Forest Hill, Louisiana
June 30, 2007
Notes to Basic Financial Statements

Balances at June 30, 2007, 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, 2007, 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	15,000
Fire Department Fund	General Fund	<u>9,844</u>
Total Governmental Funds		39,844
Water System Fund	Gas System Fund	4,454
Water System Fund	General Fund	<u>3,934</u>
Total Enterprise Funds		8,388
Total Transfers		<u>\$ 49,232</u>

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 \$46,399.

Village of Forest Hill, Louisiana
June 30, 2007
Notes to Basic Financial Statements

9. Capital Assets and Depreciation

Capital asset activity for the year ended June 30, 2007, was as follows:

	<u>Balance</u> <u>July 1, 2006</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2007</u>
Governmental Activities				
Capital assets not being depreciated				
Land and land improvements	\$ 81,436	\$ -	\$ -	\$ 81,436
Construction in progress	<u>32,764</u>	<u>2,520</u>	<u>(32,764)</u>	<u>2,520</u>
Total capital assets not being depreciated	114,200	2,520	(32,764)	83,956
Other capital assets				
Buildings and improvements	347,571	335,289	-	682,860
Equipment	122,591	53,133	-	175,724
Vehicles	<u>460,214</u>	<u>21,250</u>	-	<u>481,464</u>
Total other capital assets	930,376	409,672	-	1,340,048
Accumulated depreciation				
Buildings and improvements	(64,915)	(16,019)	-	(80,934)
Equipment	(36,024)	(19,721)	-	(55,745)
Vehicles	<u>(309,929)</u>	<u>(24,647)</u>	-	<u>(334,576)</u>
Total accumulated depreciation	<u>(410,868)</u>	<u>(60,387)</u>	-	<u>(471,255)</u>
Other capital assets, net	<u>519,508</u>	<u>349,285</u>	-	<u>868,793</u>
Net Capital Assets	<u>\$ 633,708</u>	<u>\$ 351,805</u>	<u>\$ (32,764)</u>	<u>\$ 952,749</u>

Depreciation was charged to functions as follows:

Governmental Activities	
General government	\$ 12,867
Public safety	38,353
Community Development	5,147
Highways, streets, and sanitation	<u>4,020</u>
Total depreciation expense for governmental activities	<u>\$ 60,387</u>

Village of Forest Hill, Louisiana
June 30, 2007
Notes to Basic Financial Statements

	<u>Balance</u> <u>July 1, 2006</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2007</u>
Business Type Activities				
Capital assets not being depreciated				
Land	\$ 51,131	\$ -	\$ -	\$ 51,131
Construction in progress	<u>32,500</u>	<u>444,505</u>	<u>-</u>	<u>477,005</u>
Total capital assets not being depreciated	83,631	444,505	-	528,136
Other capital assets				
Plant and equipment	236,731	-	-	236,731
Buildings and improvements	23,529	-	-	23,529
Vehicles	63,781	-	-	63,781
Furniture, fixtures and equipment	17,855	5,470	-	23,325
Infrastructure	<u>3,388,266</u>	<u>-</u>	<u>-</u>	<u>3,388,266</u>
Total other capital assets	3,730,162	5,470	-	3,735,632
Accumulated depreciation				
Plant and equipment	(183,266)	(13,238)	-	(196,504)
Buildings and improvements	(21,677)	(109)	-	(21,786)
Vehicles	(60,428)	(3,353)	-	(63,781)
Furniture, fixtures and equipment	(9,884)	(2,453)	-	(12,337)
Infrastructure	<u>(1,347,029)</u>	<u>(90,984)</u>	<u>-</u>	<u>(1,438,013)</u>
Total accumulated depreciation	<u>(1,622,284)</u>	<u>(110,137)</u>	<u>-</u>	<u>(1,732,421)</u>
Other capital assets, net	<u>2,107,878</u>	<u>(104,667)</u>	<u>-</u>	<u>2,003,211</u>
Net Capital Assets	<u>\$ 2,191,509</u>	<u>\$ 339,838</u>	<u>\$ -</u>	<u>\$ 2,531,347</u>

Depreciation was charged to functions as follows:

Water	\$ 79,015
Sewer	15,751
Gas	<u>15,371</u>
Total depreciation expense for business type activities	\$ 110,137

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, 2007
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>
Gas Fund				
State of Louisiana	\$ 96,620	\$ 96,620	\$ -	None
State Utility Relocation Assistance Funding	88,754	88,754	-	None
Village of Forest Hill	67,720	67,720	-	None
Water Fund				
State of Louisiana	96,620	96,620	-	None
State Utility Relocation Assistance Funding	88,754	88,754	-	None
Village of Forest Hill	38,537	38,537	-	None

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

For the year ended June 30, 2007, 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, 2006</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2007</u>
Governmental activities -				
Restricted				
Customer deposits	\$ 984	\$ 130	\$ -	\$ 1,114
Long-term liability				
Bond anticipation notes payable	250,000	-	(4,145)	245,855
Business-type activities -				
Restricted				
Customer deposits	55,886	1,986	-	57,872
Long-term liability				
Compensated absences	3,083	3,562	(1,721)	4,924
URAF payable	-	177,508	-	177,508
	<u>\$ 309,953</u>	<u>\$ 183,186</u>	<u>\$ (5,866)</u>	<u>\$ 487,273</u>
		<u>Balance</u>	<u>Due within</u>	<u>Due in more</u>
		<u>June 30, 2007</u>	<u>one year</u>	<u>than one year</u>
Governmental activities -				
Restricted				
Customer deposits	\$ 1,114	\$ -	\$ -	\$ 1,114
Long-term liability				
Bond anticipation notes payable		245,855	4,330	241,525
Business-type activities -				
Restricted				
Customer deposits		57,872	-	57,872
Long-term liability				
Compensated absences		4,924	1,232	3,692
URAF payable		177,508	-	177,508
		<u>\$ 487,273</u>	<u>\$ 5,562</u>	<u>\$ 481,711</u>

Village of Forest Hill, Louisiana
June 30, 2007
Notes to Basic Financial Statements

The Village acquired permanent financing for the purchase from USDA Rural Development. This bond is for \$250,000 at an interest rate of four and three-eighths percent (4.375%) with a thirty-year maturity.

The annual requirements to amortize outstanding governmental activities long-term debt excluding compensated absences are as follows:

<u>Year ended June 30,</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total</u>
2008	\$ 4,330	\$ 10,670	\$ 15,000
2009	4,523	10,477	15,000
2010	4,725	10,275	15,000
2011	4,936	10,064	15,000
2012	5,156	9,844	15,000
2013-2017	29,447	45,553	75,000
2018-2022	36,633	38,367	75,000
2023-2027	45,573	29,427	75,000
2028-2032	56,693	18,307	75,000
2033-2036	<u>53,839</u>	<u>4,835</u>	<u>58,674</u>
	\$ 245,855	\$ 187,819	\$ 433,674

The Village began a construction project in conjunction with the Louisiana State Department of Transportation in the year audited to relocate utility lines along Louisiana Highway 165. A portion of the funding required to complete this project was financed through State Utility Relocation Assistance Funding (URAF). According to the contract entered between the Village and the State, this funding is payable to the State in one lump sum with no interest calculated upon completion of the project. However, payment options are available. Total costs obligated at June 30, 2007, are \$177,508.

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, 2007.

Mayor Marcia Young	\$ 4,800
Board of Aldermen	
Earl Linzay	1,200
Glenda Bordelon	1,200
Anna Cloud	2,400
Samuel Echols	2,400

12. Supplemental Pay

The former Chief of Police of the Village of Forest Hill, Louisiana received supplemental pay directly from the State of Louisiana. This supplemental pay in the amount of \$1,800 for the year ended June 30, 2007, is recognized as intergovernmental revenue and as public safety expenditures in the General Fund.

Village of Forest Hill, Louisiana
June 30, 2007
Notes to Basic Financial Statements

13. Federal Financial Assistance Additional Information

During fiscal year end June 30, 2006, the Village of Forest Hill, Louisiana entered into an agreement with USDA for a Rural Development grant to renovate the former Forest Hill Academy building into a community facility. As of June 30, 2007, \$202,275 has been received and \$201,603 has been expended. The Village also entered into an agreement with the Division of Administration, Office of Facility Planning Control for \$80,000 from Capital Outlay. As of June 30, 2007, \$78,400 has been received and related expenses incurred.

The Village of Forest Hill, Louisiana, was awarded an Assistance to Firefighters Grant through the U.S. Department of Homeland Security, Office of State and Local Government Coordination and Preparedness, in collaboration with the U.S. Fire Administration at the Federal Emergency Management Agency to provide equipment and supplies to protect the health and safety of the public and firefighting personnel against fire and fire-related hazards. The approved project costs amount to \$94,450, with \$89,728 to be funded through this grant and the remaining \$4,722 to be funded from the Village's fire fund. As of June 30, 2007, \$58,373 has been received and expended. The project was not completed as of June 30, 2007.

Several other grants were awarded to the police and fire departments through the Office of Homeland Security during 2007. Two grants were awarded to the police department for radios: one for an amount up to \$5,250, of which \$4,766 were spent and one for \$4,278. The fire department was also awarded two grants for radios. The first grant was for \$8,408, which was the amount spent to purchase the radios. The second grant was awarded, but no radios were purchased by June 30, 2007.

Also, the Village of Forest Hill, Louisiana, received additional funds from the Federal Emergency Management Agency for damages incurred during Hurricane Rita. Total funds received during the year audited amounted to \$5,268.

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, 2007**

Schedule 1

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 112,400	\$ 76,228	\$ 105,203	\$ 28,975
Licenses and permits	29,500	32,875	32,874	(1)
Intergovernmental	5,342	5,342	7,142	1,800
Charges for services	-	47,405	19,764	(27,641)
Grants	125,000	271,955	298,386	26,431
Fines	50,000	85,196	85,380	184
Donations and fundraisers	-	59,309	24,527	(34,782)
Miscellaneous	12,575	12,511	15,172	2,661
Total Revenues	<u>334,817</u>	<u>590,821</u>	<u>588,448</u>	<u>(2,373)</u>
Expenditures				
Current				
General government	155,526	187,616	122,831	64,785
Public safety	11,000	23,907	77,236	(53,329)
Community development	-	91,821	1,305	90,516
Animal control	500	965	965	-
Highways, streets, and sanitation	47,500	52,519	50,522	1,997
Debt service	145,400	15,000	15,000	-
Capital outlay	5,000	275,488	362,337	(86,849)
Total Expenditures	<u>364,926</u>	<u>647,316</u>	<u>630,196</u>	<u>17,120</u>
Excess (Deficiency) of Revenues Over Expenditures	(30,109)	(56,495)	(41,748)	14,747
Other Financing Sources				
Transfers in (out)	30,000	30,000	16,222	(13,778)
Proceeds from sale of capital assets	5,000	300	300	-
Total Other Financing Sources	<u>35,000</u>	<u>30,300</u>	<u>16,522</u>	<u>(13,778)</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures	4,891	(26,195)	(25,226)	969
Fund Balances, Beginning of Year	<u>73,812</u>	<u>73,812</u>	<u>73,812</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 78,703</u>	<u>\$ 47,617</u>	<u>\$ 48,586</u>	<u>\$ 969</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, 2007**

Schedule 2

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 23,843	\$ 30,238	\$ 29,764	\$ (474)
Intergovernmental	5,440	6,899	6,791	(108)
Charges for services	586	743	731	(12)
Interest income	1,408	1,786	1,758	(28)
Donations and fundraisers	18,988	24,081	23,703	(378)
Grants	6,735	8,542	8,408	(134)
Total Revenues	<u>57,000</u>	<u>72,289</u>	<u>71,155</u>	<u>(1,134)</u>
Expenditures				
Current				
Public safety	52,000	71,275	65,112	6,163
Capital outlay	-	-	17,178	(17,178)
Total Expenditures	<u>52,000</u>	<u>71,275</u>	<u>82,290</u>	<u>(11,015)</u>
Excess (Deficiency) of Revenues Over Expenditures	5,000	1,014	(11,135)	(12,149)
Other Financing Sources				
Transfers in	-	-	9,844	9,844
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>9,844</u>	<u>9,844</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures	5,000	1,014	(1,291)	(2,305)
Fund Balances, Beginning of Year	<u>70,616</u>	<u>70,616</u>	<u>70,616</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 75,616</u>	<u>\$ 71,630</u>	<u>\$ 69,325</u>	<u>\$ (2,305)</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

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**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, 2007, which collectively comprise the basic financial statements of the Village, and have issued our report thereon dated November 26, 2007. 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 as a basis for designing our auditing procedures for the purpose of expressing an opinion on the effectiveness of the Village of Forest Hill, Louisiana's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village of Forest Hill, Louisiana's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village of Forest Hill, Louisiana's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Village of Forest Hill, Louisiana's financial statements that is more than inconsequential will not be prevented or detected by the Village of Forest Hill, Louisiana's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned responses as Findings 2007-01 through 2007-06 to be significant deficiencies in internal control over financial reporting.

MARVIN A. JUNEAN, C.P.A.
ERNEST F. SASSER, C.P.A.
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CINDY L. HUMPHRIES, C.P.A.



H. FRED RANDOW, C.P.A.

1419 METRO DRIVE • P.O. Box 13200 • ALEXANDRIA, LA 71315-3200

PH: (318) 443-1893 • FAX: (318) 443-2515



PAYNE, MOORE & HERRINGTON, LLP

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

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Village of Forest Hill, Louisiana's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider Finding 2007-06 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of Forest Hill, Louisiana's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as Findings 2007-07 through 2007-08.

We noted certain matters that we reported to management of the Village of Forest Hill, Louisiana, in a separate letter dated November 26, 2007.

Village of Forest Hill, Louisiana's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned responses. We did not audit Village of Forest Hill, Louisiana's response and, accordingly, express no opinion on it.

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

November 26, 2007

**Village of Forest Hill, Louisiana
Schedule of Findings and Responses
Year Ended June 30, 2007**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified? Yes No

Significant deficiencies identified not considered to be material weaknesses? Yes None Reported

Noncompliance material to financial statements noted? Yes No

Management's Summary Schedule of Prior Audit Findings Not Applicable

Management's Corrective Action Plan See attached

Other Comments and Recommendations See attached

Section II – Findings Related to the Financial Statements

Finding 2007-01 – Enforcement of Delinquent Utility Customer Accounts Policy

Criteria: Ordinance 56-96, as amended on May 10, 1999, states that utility supply will be shut off from any premises for which the bill remains unpaid past the twentieth of the current month for which it was read on or before the twentieth day of the previous month that was rendered and mailed. In the event it becomes necessary for the Village to disconnect services, a fee of fifteen dollars will be charged for a reconnection of the service.

Condition: As part of our test of shut off procedures, it was determined from delinquent accounts examined that established policies and procedures were not followed since past due accounts were not shut off as required. In addition, the Village does not maintain a record of delinquent accounts which utility services were shut off or placed on payment plans.

Recommendation: We recommend that on the twentieth day of the month, a listing of delinquent accounts should be provided to the utility service workers in order for them to perform the established shut off procedures to the listed premises. The utility service workers should sign the delinquent account listing as completed and return the listing to the Deputy Clerk. The Deputy Clerk should maintain the listing and collect the unpaid bills along with the fifteen dollar reconnect fee. After all required payments are received,

**Village of Forest Hill, Louisiana
Schedule of Findings and Responses
Year Ended June 30, 2007**

a work order should be prepared by the Deputy Clerk and provided to the utility workers in order for them to reconnect utility services at the premise noted on the work order. All documents referred to in this recommendation should be maintained by the Deputy Clerk as supporting documentation of procedures performed.

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

Finding 2007-02 Bank Reconciliations

Criteria: Reconciling the bank balances with book balances is necessary to ensure that all receipts and disbursements are recorded, checks are clearing the bank in a reasonable time, reconciling items are appropriate and are being recorded, and the reconciled cash balance agrees to the general ledger cash balance. In addition, R.S. 10:4-406(d)(2) allows thirty days for examination of bank statements and cancelled checks for unauthorized signatures or alterations. After thirty days, entities are precluded from asserting a claim against the bank for unauthorized signatures or alterations.

Condition: Monthly bank reconciliations are not always being prepared timely and are not being reconciled to the general ledger.

Recommendation: We recommend that all bank reconciliations should be performed timely, all transactions should be posted to the general ledger timely, and all bank reconciliations should be reconciled to the general ledger.

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

Finding 2007-03 Financial Statement Preparation

Criteria: An appropriate and effective system of internal control over financial reporting includes controls over preparation of the financial statements which would prevent or detect a misstatement in the financial statements.

Condition: The Village does not have personnel with the technical accounting expertise to prepare GAAP financial statements including footnote disclosures.

Recommendation: No action is recommended.

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

Finding 2007-04 Controls over Traffic Tickets

Criteria: An effective system of controls includes accounting for the numerical sequence of traffic tickets.

Condition: The Docket Book was not properly updated for all tickets issued during the year.

Village of Forest Hill, Louisiana
Schedule of Findings and Responses
Year Ended June 30, 2007

Recommendation: We recommend that a separate record within the Docket Book be maintained for each police officer for all traffic tickets issued. In addition, a periodic reconciliation should be performed to ensure that all traffic tickets recorded in Ticket Tracker, the computer system, are also recorded in the Docket Book and vice versa.

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

Finding 2007-05 Disposition of Traffic Tickets

Criteria: The Village's controls over the disposition of traffic tickets issued include that the original white ticket is issued to the violator, the yellow ticket copy is provided to the State Department of Transportation once a month for proper recordkeeping of tickets issued and proper notification to the violator's insurance company, the white copy is retained by the Village court, and the pink copy is retained by the Village as an extra copy. Warrants are issued the day after the violator's court date if payment has not yet been received.

Condition: As part of our test of police fines, we examined related supporting documentation for forty randomly selected traffic tickets issued. Out of the forty tickets examined, we noted twelve instances in which the yellow copy of the ticket was not submitted to the State, three instances in which a warrant was not issued to violators who did not pay timely or attend court, and five instances in which the violator's payment amount and date of payment was not recorded in Ticket Tracker.

Recommendation: We recommend that the Village follow establish procedures for disposition of traffic tickets by sending all yellow ticket copies to the State timely, issuing warrants for violators who have not paid their ticket or attended court on the day following their court date, and properly recording payments received in Ticket Tracker.

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

Finding 2007-06 Utility Receivable Controls

Criteria: Adequate controls include reconciliation of detailed accounts receivable listings to balances in the general ledger on a monthly basis along with investigation of any needed reconciling adjustments to reduce fraud risk.

Condition: For a portion of the fiscal year ended June 30, 2007, reconciliations were not performed between the aged trial balance report and the accounts receivable subsidiary ledger. Significant adjustments were made by personnel to the general ledger accounts receivable balances to reconcile to the accounts receivable balances listed in the subsidiary ledger without any investigation of the reason for these adjustments. In addition, no supporting documentation was maintained along with the appropriate signature of approval from authorized personnel for adjustments to the accounts receivable subsidiary ledger and posted to the applicable customer's account. A considerable effort was required by both Village personnel and audit staff to provide assurance that the utility receivable balances, as adjusted and reflected in the financial statements, are materially correct.

**Village of Forest Hill, Louisiana
Schedule of Findings and Responses
Year Ended June 30, 2007**

Recommendation: We recommend that reconciliation be performed between the aged trial balance report and the accounts receivable subsidiary ledger monthly. All adjustments needed to the general ledger accounts receivable balances should be investigated and documented. Such documentation should be retained along with a listing of all adjustments made. In addition, all adjustments should be signed with approval from authorized personnel independent of the reconciliation process.

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

Finding 2007-07 Bond Indenture Compliance

Criteria: According to the United States Department of Agriculture Rural Development's bond covenant with the Village, a reserve must be funded each month to ensure the availability of funds should the Village be unable to make required payments. The Village is to deposit one hundred and twenty-five dollars monthly until the reserve has reached fifteen thousand dollars. The use of reserve funds is subject to USDA Rural Development concurrence.

Condition: The Village's reserve fund should have been established in June 2006, giving the reserve an accumulated balance of \$1,500 at June 30, 2007. The Village did not establish or begin funding the reserve required by the bond covenant until July 2007.

Recommendation: We recommend that the Village comply with the USDA Rural Development's bond covenant established with them.

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

Finding 2007-08 Timely Deposits

Criteria: According to R.S. 39:1212, all funds of a local depositing authority shall be deposited daily whenever practicable.

Condition: Cash receipts are not being deposited daily whenever practicable. At the present time, the Deputy Clerk accumulated cash receipts collected between the twenty-fifth and the end of the month. As a result, not only is there a risk of loss from theft or misplacement, but cash is not available for expenditures or investment. In addition, payments received between the twenty-fifth and the end of the month are not being posted timely to the customer's account balance or to the general ledger.

Recommendation: We recommend that all deposits be made daily whenever practicable, and payments be posted to the customer's account and to the general ledger when received.

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

Section III – Findings and Questioned Costs for Federal Awards

Not applicable.

Other Comments and Recommendations



PAYNE, MOORE & HERRINGTON, LLP

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Other Comments and Recommendations

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

In planning and performing our audit of the basic financial statements of the Village of Forest Hill, Louisiana, as of and for the year ended June 30, 2007, we considered the Village's internal controls to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal controls.

However, during our audit we became aware of matters that are opportunities for strengthening internal controls, operating efficiency, and compliance. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. A separate report dated November 26, 2007 contains our report on significant deficiencies on the Village's internal control. This letter does not affect our report, dated November 26, 2007 on the basic financial statements of the Village of Forest Hill, Louisiana.

We will review the status of these comments during our next engagement. We have already discussed many of these comments and suggestions with management personnel, and we will be pleased to discuss them in detail at your convenience.

Payne, Moore & Herrington, LLP

Certified Public Accountants

November 26, 2007

MARYIN A. JUNEAD, C.P.A.
ERNEST F. SASSER, C.P.A.
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H. FRED RANNOY, C.P.A.



1419 METRO DRIVE • P.O. BOX 13200 • ALEXANDRIA, LA 71315-3200

PH: (318) 443-1893 • FAX: (318) 443-2515

Memorandum of Other Comments and Recommendations

Finding 2007-09 Controls over Blank Checks

Criteria: Adequate controls should exist over blank checks to ensure that assets are safeguarded against loss.

Condition: Blank checks are not located in a locked secure location and are easily accessible to all employees.

Recommendation: We recommend that blank checks be locked in a secure location with access available to only limited employees.

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

Finding 2007-10 Approval of Pay Rates

Criteria: Effective controls over payroll include maintaining documentation of employee's approved salary or rate of pay.

Condition: As part of our test of cash disbursements, we examined all related supporting documentation for fifteen randomly selected payroll disbursements. Of the fifteen disbursements examined, a signature of approval could not be located in two employee files to support their hourly rate of pay.

Recommendation: We recommend that all salary and hourly rates of pay should be signed with approval from authorized personnel.

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

Finding 2007-11 Segregation of Duties

Criteria: Adequate controls include segregation of incompatible duties.

Condition: The small size of the Village of Forest Hill's administrative and accounting staff limits the extent to which duties can be segregated. Although we recognize that segregating the duties listed below may not be feasible, the incompatible duties assigned to personnel creates a potential for fraud to occur. The following duties are not segregated among personnel employed by the Village:

- Incoming mail is not opened and receipts are not listed by persons having no access to cash receipts or accounts receivable records, and, because a listing of mail receipts is not prepared, there is no comparison of mail receipts to the cash receipt records and to the deposit slip. Incoming mail is opened by the personnel performing that function. For example, the Deputy Clerk picks up the mail and disburses to applicable parties unopened (i.e. Mayor, Clerk, Police Chief) with the exception of utility payments because she is responsible for utility and property tax collections.

Memorandum of Other Comments and Recommendations

- Cash receipts are not entered into the books of original entry by persons independent of the mail opening and receipt listing function. Mail is opened by the personnel over that particular function. The Deputy Clerk collects utility payments, enters those payments into the computer system (the accounts receivable sub ledger), and prepared the deposit slip. The Town Clerk collects and deposits all other receipts (i.e. sales tax, franchise fees, etc.) on an as needed basis and posts transactions to the general ledger. The deputy clerk deposits the occupational licenses and the police fines.
- Complaints on customer statements are not investigated by personnel who are independent of the preparer of the accounts receivable ledgers or the cashier function. The Town Clerk or the Deputy Clerk investigates customer complaints in addition to the performance of the accounts receivable function and the cashier function.
- The general cashier function is not segregated from the general ledger and subsidiary functions. Both the Town Clerk and the Deputy Clerk collect monies and also perform the recordkeeping functions associated with the receipt of those funds.
- Subsequent to check signing, the Town Clerk has custody of the checks before mailing and she also performs procedures related to the payable, disbursing, cash, receivable, and general ledger functions.
- The Town Clerk performs the bank reconciliation and she also participates in the receipt and disbursement of cash.
- The recordkeeping functions for securities and income are not performed by employees who have no access to the physical securities or perform no duties in the cash area. The Town Clerk has access to the physical securities, and she is involved in cash functions.
- The billing functions are not segregated from the accounts receivable and collection functions.
- The Town Clerk is involved in the purchasing, receiving, disbursing, inventory, and general ledger functions.
- Approval of time cards is not obtained by authorized personnel.
- Detailed records of purchased assets are maintained but are maintained by the Town Clerk whom is also responsible for posting to the general ledger.
- There is no separation of duties for initiating asset transactions, recordkeeping, and asset custody. The Town Clerk is associated with all of these functions.
- Detail records on bonds are not maintained by personnel independent of the cash functions.
- No employee is required to take vacation, but the absent personnel's function is performed by other personnel when that person is away.

Recommendation: No action is recommended because the small size of the Village of Forest Hill's administrative and accounting staff limits the extent to which proper segregation of duties can be implemented.

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

Management's Corrective Action Plan

**Village of Forest Hill, Louisiana
Management's Corrective Action Plan
Year Ended June 30, 2007**

The Village of Forest Hill respectfully submits the following corrective action plan for the year ended June 30, 2007.

Independent Public Accounting Firm: Payne, Moore, & Herrington, LLP
P.O. Box 13200
Alexandria, La 71315-3200
(318) 443-1893

Auditee Contact Person: Mary Pringle, Town Clerk
Village of Forest Hill, Louisiana
P.O. Box 309
Forest Hill, La 71430
(318) 748-6300

Audit Period: July 1, 2006 through June 30, 2007

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

Section I – Findings Related to the Financial Statements

Finding 2007-01 – Enforcement of Delinquent Utility Customer Accounts Policy

Condition: As part of our test of shut off procedures, it was determined from delinquent accounts examined that established policies and procedures were not followed since past due accounts were not shut off as required. In addition, the Village does not maintain a record of delinquent accounts which utility services were shut off or placed on payment plans.

Recommendation: We recommend that on the twentieth day of the month, a listing of delinquent accounts should be provided to the utility service workers in order for them to perform the established shut off procedures to the listed premises. The utility service workers should sign the delinquent account listing as completed and return the listing to the Deputy Clerk. The Deputy Clerk should maintain the listing and collect the unpaid bills along with the fifteen dollar reconnect fee. After all required payments are received, a work order should be prepared by the Deputy Clerk and provided to the utility workers in order for them to reconnect utility services at the premise noted on the work order. All documents referred to in this recommendation should be maintained by the Deputy Clerk as supporting documentation of procedures performed.

Action Taken: On the twentieth day of each month, the deputy clerk prints a past due list on delinquent accounts. A list is handed to each of the three utility workers for cut-offs to be done on their book. They then write beside each name if the customer was locked out. Notations are also made on the list if payment arrangements were made or if the customer was called. As payment is made, a \$15.00 reconnect fee is charged, the utility worker notified to cut customer back on, and the delinquent sheet is marked paid. A file is maintained for the completed delinquent list.

**Village of Forest Hill, Louisiana
Management's Corrective Action Plan
Year Ended June 30, 2007**

Finding 2007-02 Bank Reconciliations

Condition: Monthly bank reconciliations are not always being prepared timely and are not being reconciled to the general ledger.

Recommendation: We recommend that all bank reconciliations should be performed timely, all transactions should be posted to the general ledger timely, and all bank reconciliations should be reconciled to the general ledger.

Action Taken: Currently all bank reconciliations are done on a monthly basis and reconciled to the general ledger.

Finding 2007-03 Financial Statement Preparation

Condition: The Village does not have personnel with the technical accounting expertise to prepare GAAP financial statements including footnote disclosures.

Recommendation: No action is recommended.

Action Taken: Financial statements are prepared for the council members at the end of each month and reviewed and approved at the council meetings.

Finding 2007-04 Controls over Traffic Tickets

Condition: The Docket Book was not properly updated for all tickets issued during the year.

Recommendation: We recommend that a separate record within the Docket Book be maintained for each police officer for all traffic tickets issued. In addition, a periodic reconciliation should be performed to ensure that all traffic tickets recorded in Ticket Tracker, the computer system, are also recorded in the Docket Book and vice versa.

Action Taken: The Village installed new police software for maintaining all traffic violations beginning with October 1, 2007 court date. All tickets are recorded in the Municipal Court Records System as they are turned in to the deputy clerk by the chief of police. The system has the capacity to print a report listing all tickets written by an officer by the month. This report will be printed at the end of each month and reviewed to ensure that all tickets have been entered into the system and are accounted for.

Finding 2007-05 Disposition of Traffic Tickets

Condition: As part of our test of police fines, we examined related supporting documentation for forty randomly selected traffic tickets issued. Out of the forty tickets examined, we noted twelve instances in which the yellow copy of the ticket was not submitted to the State, three instances in which a warrant was not issued to violators who did not pay timely or attend court, and five instances in which the violator's payment amount and date of payment was not recorded in Ticket Tracker.

**Village of Forest Hill, Louisiana
Management's Corrective Action Plan
Year Ended June 30, 2007**

Recommendation: We recommend that the Village follow established procedures for disposition of traffic tickets by sending all yellow ticket copies to the State timely, issuing warrants for violators who have not paid their ticket or attended court on the day following their court date, and properly recording payments received in Ticket Tracker.

Action Taken: Current procedures are as follows. Within 10 days after a ticket has been paid, the yellow copy of moving violations is sent in to the La. Department of Motor Vehicles. The yellow copy of citations that have been amended to non-moving violations is retained with the ticket as motor vehicles want only moving violations reported. As tickets are paid, the date and amount paid is recorded in Ticket Tracker or the Municipal Court Record System. Warrants are prepared after the court date and given to the mayor for her signature.

Finding 2007-06 Utility Receivable Controls

Condition: For a portion of the fiscal year ended June 30, 2007, reconciliations were not performed between the aged trial balance report and the accounts receivable subsidiary ledger. Significant adjustments were made by personnel to the general ledger accounts receivable balances to reconcile to the accounts receivable balances listed in the subsidiary ledger without any investigation of the reason for these adjustments. In addition, no supporting documentation was maintained along with the appropriate signature of approval from authorized personnel for adjustments to the accounts receivable subsidiary ledger and posted to the applicable customer's account. A considerable effort was required by both Village personnel and audit staff to provide assurance that the utility receivable balances, as adjusted and reflected in the financial statements, are materially correct.

Recommendation: We recommend that reconciliation be performed between the aged trial balance report and the accounts receivable subsidiary ledger monthly. All adjustments needed to the general ledger accounts receivable balances should be investigated and documented. Such documentation should be retained along with a listing of all adjustments made. In addition, all adjustments should be signed with approval from authorized personnel independent of the reconciliation process.

Action Taken: In working with Utility Data Systems, it was discovered there were discrepancies in how utility accounts were classified. Also, adjustments were being made to customer's accounts when there were no other postings. Both of these factors resulted in the accounts receivable being out of balance. Utility Data Systems corrected the utility customer's accounts and the deputy clerk received training on the proper procedure for recording adjustments. As a result, the accounts receivable report is balanced to the daily cash receipt register after each posting.

Finding 2007-07 Bond Indenture Compliance

Condition: The Village's reserve fund should have been established in June 2006, giving the reserve an accumulated balance of \$1,500 at June 30, 2007. The Village did not establish or begin funding the reserve required by the bond covenant until July 2007.

Recommendation: We recommend that the Village comply with the USDA Rural Development's bond covenant established with them.

Action Taken: Management was unaware of the USDA stipulation for an established reserve account. Upon approval from USDA, a savings account was established and funds deposited as of July 1, 2007.

**Village of Forest Hill, Louisiana
Management's Corrective Action Plan
Year Ended June 30, 2007**

Required \$125.00 deposit is now automatically debited from the general fund checking account into the reserve savings account on a monthly basis.

Finding 2007-08 Timely Deposits

Condition: Cash receipts are not being deposited daily whenever practicable. At the present time, the Deputy Clerk accumulated cash receipts collected between the twenty-fifth and the end of the month. As a result, not only is there a risk of loss from theft or misplacement, but cash is not available for expenditures or investment. In addition, payments received between the twenty-fifth and the end of the month are not being posted timely to the customer's account balance or to the general ledger.

Recommendation: We recommend that all deposits be made daily whenever practicable, and payments be posted to the customer's account and to the general ledger when received.

Action Taken: All funds for utility payments collected in a given month are now deposited by the end of that month and posted to the customer's account. Likewise, other payments received for various funds are deposited by the end of the month and posted to the general ledger.

Section II – Other Comments and Recommendations

Finding 2007-09 Controls over Blank Checks

Condition: Blank checks are not located in a locked secure location and are easily accessible to all employees.

Recommendation: We recommend that blank checks be locked in a secure location with access available to only limited employees.

Action Taken: An additional file cabinet was ordered for the town clerk with a locked drawer to maintain blank checks. The key is accessible only by the town clerk.

Finding 2007-10 Approval of Pay Rates

Condition: As part of our test of cash disbursements, we examined all related supporting documentation for fifteen randomly selected payroll disbursements. Of the fifteen disbursements examined, a signature of approval could not be located in two employee files to support their hourly rate of pay.

Recommendation: We recommend that all salary and hourly rates of pay should be signed with approval from authorized personnel.

Action Taken: Currently, pay rates and increases are noted on the employee's record in the Quickbooks accounting system. A wage/salary history sheet was placed in each employee's folder and will be maintained by the town clerk as pay increases are granted and signed for approval by the mayor.

**Village of Forest Hill, Louisiana
Management's Corrective Action Plan
Year Ended June 30, 2007**

Finding 2007-11 Segregation of Duties

Condition: The small size of the Village of Forest Hill's administrative and accounting staff limits the extent to which duties can be segregated. Although we recognize that segregating the duties listed below may not be feasible, the incompatible duties assigned to personnel creates a potential for fraud to occur. The following duties are not segregated among personnel employed by the Village:

- Incoming mail is not opened and receipts are not listed by persons having no access to cash receipts or accounts receivable records, and, because a listing of mail receipts is not prepared, there is no comparison of mail receipts to the cash receipt records and to the deposit slip. Incoming mail is opened by the personnel performing that function. For example, the Deputy Clerk picks up the mail and disburses to applicable parties unopened (i.e. Mayor, Clerk, Police Chief) with the exception of utility payments because she is responsible for utility and property tax collections.
- Cash receipts are not entered into the books of original entry by persons independent of the mail opening and receipt listing function. Mail is opened by the personnel over that particular function. The Deputy Clerk collects utility payments, enters those payments into the computer system (the accounts receivable sub ledger), and prepared the deposit slip. The Town Clerk collects and deposits all other receipts (i.e. sales tax, franchise fees, etc.) on an as needed basis and posts transactions to the general ledger. The deputy clerk deposits the occupational licenses and the police fines.
- Complaints on customer statements are not investigated by personnel who are independent of the preparer of the accounts receivable ledgers or the cashier function. The Town Clerk or the Deputy Clerk investigates customer complaints in addition to the performance of the accounts receivable function and the cashier function.
- The general cashier function is not segregated from the general ledger and subsidiary functions. Both the Town Clerk and the Deputy Clerk collect monies and also perform the recordkeeping functions associated with the receipt of those funds.
- Subsequent to check signing, the Town Clerk has custody of the checks before mailing and she also performs procedures related to the payable, disbursing, cash, receivable, and general ledger functions.
- The Town Clerk performs the bank reconciliation and she also participates in the receipt and disbursement of cash.
- The recordkeeping functions for securities and income are not performed by employees who have no access to the physical securities or perform no duties in the cash area. The Town Clerk has access to the physical securities, and she is involved in cash functions.
- The billing functions are not segregated from the accounts receivable and collection functions.
- The Town Clerk is involved in the purchasing, receiving, disbursing, inventory, and general ledger functions.
- Approval of time cards is not obtained by authorized personnel.
- Detailed records of purchased assets are maintained but are maintained by the Town Clerk whom is also responsible for posting to the general ledger.
- There is no separation of duties for initiating asset transactions, recordkeeping, and asset custody. The Town Clerk is associated with all of these functions.
- Detail records on bonds are not maintained by personnel independent of the cash functions.
- No employee is required to take vacation, but the absent personnel's function is performed by other personnel when that person is away.

**Village of Forest Hill, Louisiana
Management's Corrective Action Plan
Year Ended June 30, 2007**

Recommendation: No action is recommended because the small size of the Village of Forest Hill's administrative and accounting staff limits the extent to which proper segregation of duties can be implemented.

Action Taken: Due to the small size of our village, every measure is taken to ensure that all receipts are accounted for. If a customer's complaint is not handled to their satisfaction by the town clerk or deputy clerk, they are able to contact the mayor or board of aldermen. Checks written by the town clerk are given to the mayor for a second signature along with the proper documentation to support the check. Financial reports related to the payable, disbursing, cash, receivable and general ledger functions are provided to the mayor and board of alderman at the end of each month for review and approved at the council meeting.