



**Independent Auditor's Report on Compliance
With Laws, Regulations, and Contracts**

**MAYOR AND BOARD
OF ALDERMEN
VILLAGE OF FOREST
Forest, Louisiana**

I have audited the general purpose financial statements of the Village of Forest, as of December 31, 1997, and for the year then ended, and have issued my report thereon dated February 6, 1998.

I conducted my audit in accordance with generally accepted auditing standards; *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Louisiana Governmental Audit Guide*, issued by the Society of Louisiana Certified Public Accountants and the Louisiana Legislative Auditor. Those standards and the audit guide require that I plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement.

Compliance with laws, regulations, and contracts applicable to the Village of Forest is the responsibility of the Village of Forest's management. As part of obtaining reasonable assurance about whether the general purpose financial statements are free of material misstatement, I performed tests of the Village of Forest's compliance with certain provisions of laws, regulations, and contracts. However, my objective was not to provide an opinion on overall compliance with such provisions. Accordingly, I do not express such an opinion.

The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of the mayor and board of aldermen of the Village of Forest and management of the village. This is not intended to limit the distribution of this report, which is a matter of public record.

West Monroe, Louisiana
February 6, 1998

MEMBER AMERICAN
INSTITUTE OF CERTIFIED
PUBLIC ACCOUNTANTS

SOCIETY OF LOUISIANA
CERTIFIED PUBLIC
ACCOUNTANTS

PRACTICE LIMITED TO
GOVERNMENTAL
ACCOUNTING, AUDITING
AND FINANCIAL REPORTING

116 PROFESSIONAL DRIVE,
WEST MONROE,
LOUISIANA 71291
PHONE 318.325.2121
TOLL FREE LOUISIANA
1.800.541.5020
FAX 318.324.1630

**Independent Auditor's Reports Required
by *Government Auditing Standards***

The following independent auditor's reports on compliance with laws, regulations and contracts and internal control structure are presented in compliance with the requirements of *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Louisiana Governmental Audit Guide*, issued by the Society of Louisiana Certified Public Accountants and the Louisiana Legislative Auditor.

VILLAGE OF FOREST
Forest, Louisiana

Schedule of Compensation Paid Aldermen
For the Year Ended December 31, 1997

Sue Glidewell	\$125
Dorothy Keen	115
Mike Jones	<u>125</u>
Total	<u>\$365</u>

VILLAGE OF FOREST
Forest, Louisiana
SUPPLEMENTAL INFORMATION SCHEDULE
As of and For the Year Ended December 31, 1997

COMPENSATION PAID ALDERMEN

The schedule of compensation paid aldermen is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. In accordance with Louisiana Revised Statute 33:405, aldermen receive \$10.00 for each regular meeting and \$5.00 for each special meeting they attend. Compensation of aldermen is included in personal services and related benefits expenditures of the General Fund.

VILLAGE OF FOREST
FOREST, Louisiana
PROPRIETARY FUND TYPE - ENTERPRISE FUND

Proposed Operating Budget
For the Year Ending December 31, 1998
(Unaudited)

REVENUES

Water	\$116,000
Other	2,000
Interest income	5,000
Total revenues	<u>123,000</u>

EXPENSES

Insurance	8,200
Interest expense	12,000
Depreciation expense	17,400
Permits	400
Payroll taxes	3,000
Office	5,000
Sales tax	4,800
Repairs and maintenance	15,000
Salaries	32,000
Supplies	3,000
Truck expenses	5,000
Utilities and telephone	12,000
Total expenses	<u>117,800</u>
NET INCOME	<u><u>\$5,200</u></u>

VILLAGE OF FOREST
FOREST, Louisiana

Schedule of Insurance Coverage
As of December 31, 1997

Type of Coverage	Name of Insurer	Policy Number	Amount of Coverage	Expiration Date
Commercial General Liability	Louisiana Municipal Risk Management Agency	LML-124	Aggregate - \$500,000 Each Occurrence - \$500,000 Medical Payments - \$1,000 per person - \$10,000 per accident Fire Legal Liability - \$50,000 per occurrence	5/1/00
Law Enforcement Officers Comprehensive Liability	Louisiana Municipal Risk Management Agency	LML-124	\$500,000	5/1/00
Public Officials Errors and Omissions Liability	Louisiana Municipal Risk Management Agency	LML-124	\$500,000	5/1/00
Worker's Compensation and Employers Liability	Louisiana Municipal Risk Management Agency	WC-0164	Statutory	1/1/99
Standard Fire	Farm Bureau	SF204639	\$268,000	1/22/99
Property Damage	State Farm	98-13-6529-5	\$20,800	5/30/98

VILLAGE OF FOREST
FOREST, LouisianaSchedule of Water Rates
For the Year Ended December 31, 1997

<u>Classification</u>	<u>Tariff</u>	<u>Rate</u>
Residential	Monthly minimum for first 2,000 gallons	\$7.50
	Per 1,000 gallons for the next 4,000 gallons	2.10
	Per 1,000 gallons for the next 4,000 gallons	1.50
	Per 1,000 gallons for all over 10,000 gallons	1.00
Commercial	Monthly minimum for first 10,000 gallons	50.00
	Per 1,000 gallons for all over 10,000 gallons	1.70

SUPPLEMENTAL INFORMATION SCHEDULES

VILLAGE OF FOREST

Forest, Louisiana

Notes to the Financial Statements (Continued)

- C. A "Water Depreciation and Contingency Fund". The village must transfer into this fund, each month, an amount equal to 5 per cent of the amount to be paid into the Water Revenue Bond and Interest Sinking Fund. The deposits in this fund may be used for unusual or extraordinary maintenance, repairs, replacements, and extensions and for the cost of improvements to the system. Money in this fund may also be used to pay principal and interest on bonds falling due at any time there is not sufficient funds in the other reserve funds.

At December 31, 1997 the village has \$81,800 in restricted accounts to meet reserve requirements. The following is a summary of transactions in the bond reserve accounts for the year ended December 31, 1997:

Reserve for revenue bonds payable at January 1, 1997	\$77,336
Deposits	25,024
Interest earnings	2,161
Debt service	<u>(22,722)</u>
Reserve for bonds payable at December 31, 1997	<u>\$81,799</u>

8. LITIGATION AND CLAIMS

The village is not involved in any lawsuits at December 31, 1997, nor is it aware of any unasserted claims.

VILLAGE OF FOREST

Forest, Louisiana

Notes to the Financial Statements (Continued)

6. RESERVED RETAINED EARNINGS

The bond covenant for the 1989 revenue bonds discussed in note 4 above, requires the village to establish the following reserve accounts:

- A. A "Sinking Fund". The village must transfer into this fund, each month, one-twelfth of the principal and interest due on the next principal and interest payment date. This fund is used to pay bond principal and interest as they become due.
- B. A "Reserve Fund". The village must transfer into this fund, each month, an amount equal to 5 per cent of the amount to be paid into the Sinking Fund each month until \$14,440 has been accumulated therein. Such amounts may be used only for the payment of maturing bonds and interest for which sufficient funds are not available in the Sinking Fund.
- C. A "Waterworks Depreciation and Contingency Fund". The village must transfer, each month, an amount equal to 5 per cent of the amount to be paid into the Sinking Fund. The deposits in this fund may be used for unusual or extraordinary maintenance, repairs, replacements, and extensions and for the cost of improvements to the system. Money in this fund may also be used to pay principal and interest on bonds falling due at any time there is not sufficient funds in the other reserve funds.

The bond covenant with the United States Department of Agriculture, Farmers Home Administration for the 1990 revenue bond discussed in note 4 above, requires the village to establish the following reserve accounts:

- A. A "Water Revenue Bond and Interest Sinking Fund". The village must transfer into this fund, each month, one-twelfth of the principal and interest due on the next principal and interest payment date. This fund is used to pay bond principal and interest as they become due.
- B. A "Water Reserve Fund". The village must transfer into this fund, each month, an amount equal to 5 per cent of the amount to be paid into the Water Revenue Bond and Interest Sinking Fund. Such amounts may be used only for the payment of matured bonds and interest when sufficient funds are not available in the Water Revenue Bond and Interest Sinking Fund.

VILLAGE OF FOREST

Forest, Louisiana

Notes to the Financial Statements (Continued)

In 1990 the village sold an additional revenue bond to the United States Department of Agriculture, Farmers Home Administration. The issue dated November 14, 1990 was for \$130,200. The issue bears interest at 6.125 per cent per annum and the principal and interest is to be repaid in annual payments of \$8,846 through November 14, 2030. All long-term debt is to be repaid solely from the income and revenues derived from the operation of the water system.

The following is a summary of revenue bonds payable transactions for the year ended December 31, 1997:

Revenue bonds payable at January 1, 1997	\$182,210
Additions	NONE
Reductions	<u>(10,602)</u>
Long-term debt at December 31, 1997	<u>\$171,608</u>

The annual requirements to amortize the revenue bonds outstanding at December 31, 1997, including interest of \$177,453, are as follows:

<u>Year</u>	
1998	\$22,700
1999	22,697
2000	22,695
2001	22,696
2002	10,591
2003 - 2007	44,229
2008 - 2012	44,229
2013 - 2017	44,229
2018 - 2022	44,229
2023 - 2027	44,229
2028 - 2030	<u>26,537</u>
Total	<u>\$349,061</u>

5. CONTRIBUTED CAPITAL

In 1990, the village received a grant totaling \$219,800 from the United States Department of Agriculture, Farmers Home Administration to finance the construction of its water system. The grant amount, shown as contributed capital on the balance sheet, is reduced each year by the amount of depreciation expense recognized on fixed assets constructed or acquired with the grant funds. At December 31, 1997, accumulated depreciation on these assets is \$38,465.

VILLAGE OF FOREST

Forest, Louisiana

Notes to the Financial Statements (Continued)

2. **FIXED ASSETS**

The following presents changes in general fixed assets for the year ended December 31, 1997:

	Land and <u>Buildings</u>	<u>Equipment</u>	<u>Total</u>
Balance, January 1, 1997	\$6,438	\$3,008	\$9,446
Additions	NONE	NONE	NONE
Deletions	NONE	NONE	NONE
Balance, December 31, 1997	<u>\$6,438</u>	<u>\$3,008</u>	<u>\$9,446</u>

A summary of proprietary fund type property, plant, and equipment at December 31, 1997, follows:

	<u>Basis</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Water system	\$637,588	(\$159,502)	\$478,086
Equipment	990	(678)	312
Total	<u>\$638,578</u>	<u>(\$160,180)</u>	<u>\$478,398</u>

3. **PENSION PLAN**

The employees of the village are members of the Social Security System. In addition to the employee contributions withheld at 7.65 per cent of gross salary, the village contributes an equal amount to the Social Security System. For the year ended December 31, 1997, employer contributions were \$2,477. Total salaries paid for 1997, were \$32,369. The village does not guarantee the benefits granted by the Social Security System.

4. **REVENUE BONDS PAYABLE**

At December 31, 1997, the village has two outstanding issues of long-term revenue bonds. The purpose of the bonds was to provide financing for the construction of the water system and extensions and improvements to the system. The issue dated May 4, 1989 was for \$102,260. The issue bears interest at 9.0 per cent per annum and the principal is to be repaid in annual payments ranging from \$1,670 to \$13,110 through October 1, 2002.

VILLAGE OF FOREST

Forest, Louisiana

Notes to the Financial Statements (Continued)

F. CASH AND CASH EQUIVALENTS

Under state law, the village may deposit funds within 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 certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana.

At December 31, 1997, the village has cash (book balances) totaling \$117,962, as follows:

Demand deposits	\$36,163
Time deposits	<u>81,799</u>
Total	<u>\$117,962</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits, or the resulting bank balances, must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. Deposit balances (bank balances) at December 31, 1997, total \$119,700 and are fully secured by federal deposit insurance.

For purposes of the statement of cash flows, cash equivalents include all highly liquid investments with a maturity date of three months or less when purchased.

G. VACATION AND SICK LEAVE

The Village of Forest has not adopted vacation and sick leave policies; therefore, there is no liability for compensated absences.

**H. TOTAL COLUMN ON THE
COMBINED STATEMENTS**

Total columns on the combined statements are captioned *Memorandum Only* (overview) to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position nor results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

VILLAGE OF FOREST
Forest, Louisiana
Notes to the Financial Statements (Continued)

Proprietary Fund Type - Water Enterprise Fund

The Water Enterprise Fund is accounted for using the accrual basis of accounting. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

E. BUDGET PRACTICES

A preliminary budget for the ensuing year is prepared for the General Fund by the mayor prior to December 31 of each year and is made available for public inspection at least fifteen days prior to the beginning of each fiscal year. The budget is established and controlled by the board of aldermen at the functional level of expenditure. Encumbrance accounting is not used by the village. Appropriations lapse at year end and must be reappropriated for the following year to be expended. All changes in the budget must be approved by the board of aldermen.

For the year ended December 31, 1997, the village adopted a cash basis budget for the General Fund.

The budget comparison statement included in the accompanying financial statements includes the original budget and all subsequent amendments. The following reconciles the excess of revenues and other source over expenditures as shown on budgetary comparison Statement C (budget basis) to the same amount shown on Statement B (GAAP basis):

Excess of revenues and other source over expenditures - (budget basis)	\$216
Adjustments - payables	<u>(281)</u>
Excess (deficiency) of revenues and other source over expenditures - (GAAP basis)	<u><u>(\$65)</u></u>

VILLAGE OF FOREST

Forest, Louisiana

Notes to the Financial Statements (Continued)

D. BASIS OF ACCOUNTING

The financial and reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements for these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used for reporting all governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The village uses the following practices in recognizing and reporting revenues and expenditures:

Revenues

Franchise taxes and intergovernmental revenues are recorded when the village is entitled to the funds.

Interest income on bank deposits is recorded when the interest has been earned and the amount is determinable.

Substantially all other revenues are recorded when they are received by the village.

Based on the above criteria, tobacco taxes and franchise taxes have been treated as susceptible to accrual.

Expenditures

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

Proprietary Fund Type - Water Enterprise Fund

The Water Enterprise Fund is used to account for the operations of the village's water system. The operations are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

C. FIXED ASSETS AND LONG-TERM DEBT

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures (capital outlay) in governmental funds and the related assets are reported in the general fixed assets account group. All purchased fixed assets are valued at actual cost where historical records are available. Approximately 20 per cent of the general fixed assets are valued at actual historical cost, while the remaining 80 per cent are valued at estimated cost, based on the actual cost of like items. No depreciation has been provided on general fixed assets. There are no general long-term obligations at December 31, 1997.

The cost of normal maintenance and repairs that do not add to the value of fixed assets or materially extend their useful lives are not capitalized but are only recognized as a normal current expenditure of the governmental funds. Public domain or infrastructure general fixed assets consisting of roads, sidewalks, bridges, parking lots, and drainage systems are not capitalized, as these assets are immovable and of value only to the village.

The fixed assets used in the proprietary fund type operations are included on the balance sheet of the fund. Depreciation of all exhaustible fixed assets used by the proprietary fund type operations is charged as an expense against operations. Depreciation is computed using the straight-line method over the estimated useful lives as follows:

Water system	40 years
Equipment	5 years

Long-term liabilities expected to be financed from enterprise fund operations are accounted for in the enterprise fund.

VILLAGE OF FOREST

Forest, Louisiana

Notes to the Financial Statements (Continued)

3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Based on the previous criteria, the village has determined that there are no component units that are part of the reporting entity.

B. FUND ACCOUNTING

The village uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts that comprises its assets, liabilities, fund equity, revenues, and expenditures. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities (general fixed assets and general long-term debt) that are not recorded in the "funds" because they do not directly affect net expendable available financial resources. They are concerned only with the measurement of financial position, not with the measurement of results of operations.

Funds are classified into three categories; governmental, proprietary, and fiduciary. Each category, in turn, is divided into separate "fund types". Governmental funds are used to account for a government's general activities, where the focus of attention is on the providing of services to the public as opposed to proprietary funds where the focus of attention is on recovering the cost of providing services to the public or other agencies through service charges or user fees. Fiduciary funds are used to account for assets held for others. The village's current operations require the use of governmental and proprietary fund types described as follows:

Governmental Funds:

General Fund

The General Fund is the general operating fund of the village. It accounts for all financial resources, except those required to be accounted for in other funds.

VILLAGE OF FOREST
Forest, Louisiana

Notes to the Financial Statements
As of and for the Year Ended December 31, 1997

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Village of Forest was incorporated under the provisions of the Lawrason Act in 1966. The village operates under a Mayor-Board of Aldermen form of government. The mayor and aldermen serve four-year terms which expire on December 31, 2000.

A. REPORTING ENTITY

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

Governmental Accounting Standards Board (GASB) Statement No. 14 established criteria for determining which component units should be considered part of the Village of Forest for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

1. Appointing a voting majority of an organization's governing body,
and
 - a. The ability of the village to impose its will on that organization and/or
 - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the village.
2. Organizations for which the village does not appoint a voting majority but are fiscally dependent on the village.

VILLAGE OF FOREST
FOREST, Louisiana
PROPRIETARY FUND TYPE -
WATER ENTERPRISE FUND

Statement of Cash Flows
For the Year Ended December 31, 1997

CASH FLOWS FROM OPERATING ACTIVITIES

Operating Loss	<u>(\$3,176)</u>
Adjustments to Reconcile Operating Income to Net Cash	
Provided by Operating Activities:	
Depreciation	17,458
Decrease in accounts receivable	1,177
Increase in accounts payable	1,606
Increase in customer meter deposits	745
Total adjustments	<u>20,986</u>
Net cash provided by operating activities	<u>17,810</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Decrease in bonds payable	(10,602)
Interest expense	(11,812)
Acquisition of fixed assets	(190)
Grant proceeds	<u>9,987</u>
Total cash flows from capital and related financing activities	<u>(12,617)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest earnings	<u>2,480</u>
-------------------	--------------

NET INCREASE IN CASH AND CASH EQUIVALENTS

	7,673
--	-------

CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR

	<u>97,341</u>
--	---------------

CASH AND CASH EQUIVALENTS AT END OF YEAR

	<u><u>\$105,014</u></u>
--	-------------------------

The accompanying notes are an integral part of this statement.

VILLAGE OF FOREST
FOREST, Louisiana
PROPRIETARY FUND TYPE -
WATER ENTERPRISE FUND

Statement of Revenues, Expenses,
and Changes in Retained Earnings
For the Year Ended December 31, 1997

OPERATING REVENUES	
Water sales	<u>\$102,459</u>
OPERATING EXPENSES	
Salaries	32,879
Payroll taxes	2,477
Office	2,331
Sales tax	3,954
Utilities	9,688
Repairs and maintenance	16,504
Insurance	8,571
Materials and supplies	4,984
Telephone	1,059
Truck expense	4,800
Other expenses	929
Depreciation	<u>17,458</u>
Total operating expenses	<u>105,634</u>
OPERATING INCOME	<u>(3,175)</u>
NON-OPERATING REVENUES (Expenses)	
Interest income	2,479
State grant	9,987
Interest expense	<u>(11,812)</u>
Total non-operating revenues (expenses)	<u>654</u>
NET INCOME (LOSS)	(2,521)
Adjustment for depreciation on fixed assets acquired with federal grant	5,495
RETAINED EARNINGS AT BEGINNING OF YEAR	<u>215,408</u>
RETAINED EARNINGS AT END OF YEAR	<u>\$218,382</u>

The accompanying notes are an integral part of this statement.

VILLAGE OF FOREST
Forest, Louisiana
GOVERNMENTAL FUND TYPE -
GENERAL FUND

Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget
(Cash Basis) and Actual
For the Year Ended December 31, 1997

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
REVENUES			
Taxes :			
Tobacco	\$3,500	\$1,422	(\$2,078)
Franchise	3,000	4,155	1,155
Occupational licenses	4,000	4,089	89
Use of money and property - interest earnings	300	211	(89)
Intergovernmental - state grant		686	686
Total revenues	<u>10,800</u>	<u>10,563</u>	<u>(237)</u>
EXPENDITURES			
General government - current:			
Personal services and related benefits	2,000	2,165	(165)
Operating services	8,000	6,362	1,638
Material and supplies	300	323	(23)
Public safety	3,500	1,497	2,003
Total expenditures	<u>13,800</u>	<u>10,347</u>	<u>3,453</u>
EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES	<u>(3,000)</u>	<u>216</u>	<u>3,216</u>
FUND BALANCE AT BEGINNING OF YEAR	<u>12,732</u>	<u>12,732</u>	
FUND BALANCE AT END OF YEAR	<u>\$9,732</u>	<u>\$12,948</u>	<u>\$3,216</u>

The accompanying notes are an integral part of this statement.

VILLAGE OF FOREST
Forest, Louisiana
GOVERNMENTAL FUND TYPE - GENERAL FUND

Statement of Revenues, Expenditures,
and Changes in Fund Balances
For the Year Ended December 31, 1997

REVENUES

Taxes:

Tobacco	\$1,422
Franchise	4,155
Occupational licenses	4,089
Use of money and property - interest earnings	211
Intergovernmental - state grant	<u>686</u>
Total revenues	<u>10,563</u>

EXPENDITURES

General government - current:

Personal services and related benefits	2,165
Operating services	6,643
Materials and supplies	323
Public safety	<u>1,497</u>
Total expenditures	<u>10,628</u>

**EXCESS (Deficiency) OF REVENUES
OVER EXPENDITURES**

(65)

FUND BALANCE AT BEGINNING OF YEAR12,732**FUND BALANCE AT END OF YEAR**\$12,667

The accompanying notes are an integral part of this statement.

Statement A

VILLAGE OF FOREST

Forest, Louisiana

ALL FUND TYPES AND ACCOUNT GROUPS

Combined Balance Sheet, December 31, 1997

	GOVERNMENTAL FUND TYPE - GENERAL FUND	PROPRIETARY FUND TYPE - WATER ENTERPRISE FUND	ACCOUNT GROUP - GENERAL FIXED ASSETS	TOTAL (MEMORANDUM ONLY)
Fund Equity: (Contd.)				
Retained earnings - reserved for capital improvements		\$8,766		\$8,766
Retained earnings - unreserved - undesignated		174,979		174,979
Total retained earnings	NONE	218,382	NONE	218,382
Fund balance - unreserved-undesignated	\$12,667	NONE	NONE	12,667
Total Fund Equity	12,667	399,717	\$9,446	421,830
TOTAL LIABILITIES AND FUND EQUITY	\$12,948	\$593,556	\$9,446	\$615,950

(Concluded)

The accompanying notes are an integral part of this statement.

VILLAGE OF FOREST
Forest, Louisiana
ALL FUND TYPES AND ACCOUNT GROUPS

Combined Balance Sheet, December 31, 1997

	GOVERNMENTAL FUND TYPE - GENERAL FUND	PROPRIETARY FUND TYPE - WATER ENTERPRISE FUND	ACCOUNT GROUP - GENERAL FIXED ASSETS	TOTAL (MEMORANDUM ONLY)
ASSETS				
Current assets:				
Cash	\$12,948	\$23,215		\$36,163
Accounts receivable		10,144		10,144
Total current assets	<u>12,948</u>	<u>33,359</u>	NONE	<u>46,307</u>
Restricted assets - cash and equivalents		81,799		81,799
Water system plant and equipment (net of accumulated depreciation)		478,398		478,398
Land, buildings, and equipment			\$9,446	9,446
TOTAL ASSETS	<u><u>\$12,948</u></u>	<u><u>\$593,556</u></u>	<u><u>\$9,446</u></u>	<u><u>\$615,950</u></u>
LIABILITIES AND FUND EQUITY				
Liabilities:				
Current liabilities (payable from current assets):				
Accounts payable	\$281	\$1,894		\$2,175
Customer meter deposits		\$18,357		\$18,357
Current liabilities (payable from restricted assets) - accrued interest payable		1,980		1,980
Revenue bonds payable		171,608		171,608
Total Liabilities	<u>281</u>	<u>193,839</u>	NONE	<u>194,120</u>
Fund Equity:				
Investment in general fixed assets			\$9,446	9,446
Contributed capital (net of accumu- lated depreciation on fixed assets acquired with federal grant)		181,335		181,335
Retained earnings - reserved for debt service		34,637		34,637

(Continued)

**GENERAL PURPOSE FINANCIAL STATEMENTS
(OVERVIEW)**

MAYOR AND BOARD
OF ALDERMEN
VILLAGE OF FOREST
Forest, Louisiana
Independent Auditor's Report,
December 31, 1997

In accordance with *Government Auditing Standards*, I have also issued reports dated February 6, 1998, on my consideration of the Village of Forest's internal control structure and its compliance with laws, regulations and contracts.

A handwritten signature in black ink, appearing to be 'V. Smith', written in a cursive style.

West Monroe, Louisiana
February 6, 1998



Independent Auditor's Report

MAYOR AND BOARD
OF ALDERMEN
VILLAGE OF FOREST
Forest, Louisiana

I have audited the general purpose financial statements of the Village of Forest as of December 31, 1997, and for the year then ended, as listed in the table of contents. These general purpose financial statements are the responsibility of the Village of Forest's management. My responsibility is to express an opinion on these general purpose financial statements based on my audit.

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

In my opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Village of Forest as of December 31, 1997, and the results of operations and cash flows of its proprietary fund for the year then ended, in conformity with generally accepted accounting principles.

My audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The supplemental information schedules listed in the table of contents are presented for the purpose of additional analysis and is not a required part of the general purpose financial statements of the Village of Forest. Such information, except for that portion marked "unaudited" on which I express no opinion, has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in my opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

MEMBER AMERICAN
INSTITUTE OF CERTIFIED
PUBLIC ACCOUNTANTS

SOCIETY OF LOUISIANA
CERTIFIED PUBLIC
ACCOUNTANTS

PRACTICE LIMITED TO
GOVERNMENTAL
ACCOUNTING, AUDITING
AND FINANCIAL REPORTING

116 PROFESSIONAL DRIVE,
WEST MONROE,
LOUISIANA 71291
PHONE 318.325.2121
TOLL FREE LOUISIANA
1.800.541.5020
FAX 318.324.1630

C O N T E N T S (CONTD.)

	<u>Schedule</u>	<u>Page No.</u>
Supplemental Information Schedules (Contd.):		
Proposed Operating Budget - For the Year Ending December 31, 1998 (Unaudited)	3	25
Schedule of Compensation Paid Aldermen	4	27
Independent Auditor's Reports Required by <i>Government Auditing Standards:</i>		
Report on Compliance With Laws, Regulations and Contracts		29
Report on Internal Control Structure		30

VILLAGE OF FOREST
Forest, Louisiana

General Purpose Financial Statements
With Independent Auditor's Report
As of and for the Year Ended
December 31, 1997
With Supplemental Information Schedules

C O N T E N T S

	<u>Statement</u>	<u>Page No.</u>
Independent Auditor's Report		3
General Purpose Financial Statements:		
Combined Balance Sheet - All Fund Types and Account Groups	A	6
Governmental Fund Type - General Fund -		
Statement of Revenues, Expenditures, and Changes in Fund Balance	B	8
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Cash Basis) and Actual	C	9
Proprietary Fund Type - Water Enterprise Fund:		
Statement of Revenues, Expenses, and Changes in Retained Earnings	D	10
Statement of Cash Flows	E	11
Notes to the Financial Statements		12
	<u>Schedule</u>	<u>Page No.</u>
Supplemental Information Schedules:		
Schedule of Water Rates	1	23
Schedule of Insurance Coverage	2	24

2377

RECEIVED
LEGISLATIVE AUDITOR
98 FEB 16 AM 10:13

**OFFICIAL
FILE COPY**
DO NOT SEND OUT
(Xerox necessary
copies from this
copy and PLACE
BACK in FILE)

**VILLAGE OF FOREST
Forest, Louisiana**

**General Purpose Financial Statements
With Independent Auditor's Report
As of and for the Year Ended
December 31, 1997
With Supplemental Information Schedules**

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

Release Date 3/4/98

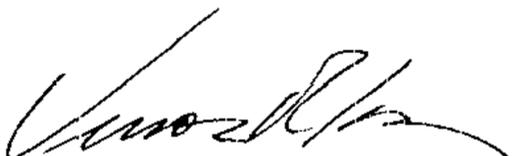
**VERNON R
COON**
CERTIFIED PUBLIC ACCOUNTANT

MAYOR AND BOARD
OF ALDERMEN
VILLAGE OF FOREST
Forest, Louisiana
Independent Auditor's Report on
Internal Control Structure,
December 31, 1997

In planning and performing my audit of the general purpose financial statements of the Village of Forest for the year ended December 31, 1997, I obtained an understanding of the internal control structure. With respect to the internal control structure, I obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and I assessed control risk in order to determine my auditing procedures for the purpose of expressing my opinion on the general purpose financial statements and not to provide an opinion on the internal control structure. Accordingly, I do not express such an opinion.

My consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control structure and its operation that I considered to be material weaknesses as defined above.

This report is intended for the information of the mayor and board of aldermen of the Village of Forest and management of the village. This is not intended to limit the distribution of this report, which is a matter of public record.


West Monroe, Louisiana
February 6, 1998



MEMBER AMERICAN
INSTITUTE OF CERTIFIED
PUBLIC ACCOUNTANTS

SOCIETY OF LOUISIANA
CERTIFIED PUBLIC
ACCOUNTANTS

PRACTICE LIMITED TO
GOVERNMENTAL
ACCOUNTING, AUDITING
AND FINANCIAL REPORTING

116 PROFESSIONAL DRIVE,
WEST MONROE,
LOUISIANA 71291
PHONE 318.325.2121
TOLL FREE LOUISIANA
1.800.541.5020
FAX 318.324.1630

Independent Auditor's Report on Internal Control Structure

MAYOR AND BOARD
OF ALDERMEN
VILLAGE OF FOREST
Forest, Louisiana

I have audited the general purpose financial statements of the Village of Forest as of December 31, 1997, and for the year then ended, and have issued my report thereon dated February 6, 1998.

I conducted my audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement.

The management of Village of Forest is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.