

VILLAGE OF FOREST HILL, LOUISIANA

FOREST HILL, LOUISIANA

JUNE 30, 2008

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Release Date 3/25/09

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Village of Forest Hill, Louisiana

June 30, 2008

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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, 2008, 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 the 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, 2008, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2008, on our consideration of the Village of Forest Hill, Louisiana's internal control over financial reporting and on 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 important for assessing the results of our audit.

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PAYNE, MOORE & HERRINGTON, LLP

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

The management's discussion and analysis and budgetary comparison information on pages 3 through 8 and 37 through 38, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Payne, Moore & Herrington, LLP
Certified Public Accountants

November 26, 2008

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

**Village of Forest Hill
Management's Discussion and Analysis
Year Ended June 30, 2008**

Management's Discussion and Analysis is a fact-based analysis of the Village's financial activities during the fiscal year ended June 30, 2008. Its purpose is to provide an overview of activities within the Village based on currently known facts, decisions, 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, 2008, were:

	<u>Governmental Activities</u>		<u>% Change Inc/(Dec)</u>	<u>Business Type Activities</u>		<u>% Change Inc/(Dec)</u>
	2008	2007		2008	2007	
<u>Assets:</u>						
Current and						
Other Assets	\$ 130,794	\$ 155,041	(15.64)	\$ 509,913	\$ 489,372	4.20
Internal Balances	(511)	(2,740)	(81.35)	511	2,740	(81.35)
Capital Assets	1,098,245	952,749	15.27	2,490,017	2,531,347	(1.63)
Total Assets	\$ 1,228,528	\$ 1,105,050	11.17	\$ 3,000,441	\$ 3,023,459	.76
<u>Liabilities:</u>						
Current and						
Other Liabilities	\$ 10,113	\$ 23,296	(56.59)	\$ 25,249	\$ 28,511	(11.44)
Long-term Liabilities	255,744	246,969	3.55	240,517	240,304	.09
Total Liabilities	\$ 265,857	\$ 270,265	(1.63)	\$ 265,766	\$ 268,815	(1.13)
<u>Net Assets:</u>						
Invested in						
Cap Assets (Net)	\$ 843,661	\$ 706,893	19.35	\$ 2,312,509	\$ 2,353,839	(1.76)
Restricted	-	-	-	-	-	-
Unrestricted	119,010	127,892	(6.94)	422,166	400,805	5.33
Total Net Assets	\$ 962,671	\$ 834,785	15.32	\$ 2,734,675	\$ 2,754,644	(.72)

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.

The Village received \$25,000 from the State of Louisiana for Act 18 Line Item Appropriation to be spent on drainage. All funds were spent in fiscal year 2008.

**Village of Forest Hill
Management's Discussion and Analysis
Year Ended June 30, 2008**

Fund-Type Activities

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. The project was bid out and construction was completed in fiscal year 2008.

The police and fire departments each received grants through the Office of Homeland Security during fiscal year 2008 to purchase radios for their departments. The police received a grant in the amount \$4,000, of which \$3,605 was spent. The fire department received a grant in the amount of \$5,856, of which \$1,947 was spent.

The police department was awarded a grant in the amount of \$8,070, of which \$7,444 was spent, from The Louisiana Highway Safety Commission to purchase in-board computer and camera for the police unit.

The village received \$50,000 from the State of Louisiana for Act 18 Line Item Appropriation to be spent on community enhancements. The funds were used to purchase play equipment, a lawnmower, and to construct a walking trail, basketball court and pavilion. At the end of fiscal year 2008, \$43,700 was spent.

The village also was awarded two grants to construct a walking trail. One grant was from The Rapides Foundation in the amount of \$10,000, of which \$5,000 was received in fiscal year 2008, and the other was from The Governor's Office of Recreational Trails in the amount of \$20,000, all of which was not received by the end of fiscal year 2008. Construction on the trail has not yet begun.

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 from 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</u>
	<u>Original</u>	<u>Final</u>		<u>Positive (Negative)</u>
Total Revenues	\$ 362,267	\$ 514,790	\$ 544,304	\$ 29,514
Total Expenditures	362,300	484,343	498,301	(13,958)
Excess (deficiency) of revenues				
Over expenditures	\$ (33)	\$ 30,447	\$ 46,003	\$ 15,556

The village had a debt amount of \$241,525 at the close of fiscal year 2008 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, 2008**

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

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		<u>Positive (Negative)</u>
Total Revenues	\$ 87,788	\$ 146,986	\$ 100,523	\$ (46,463)
Total Expenditures	87,649	158,336	166,800	(8,464)
Excess (deficiency) of revenues				
Over expenditures	\$ 139	\$ (11,350)	\$ (66,277)	\$ (54,927)

The difference in the budget is attributed to the construction of a new fire station in the amount of \$58,969 in which costs exceeded original estimates. Also, the variance in the final budget is the result of a certificate of deposit in the amount of \$40,000 that was deposited in the fire department fund and a journal entry was not made to clear the amount from the general ledger. The fire department remains debt free at the close of fiscal year 2008.

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, 1082 water customers, and 125 sewer customers. A summary of the proprietary funds is presented as follows:

Village of Forest Hill
Management's Discussion and Analysis
Year Ended June 30, 2008

	Water System		%Change		Sewer System		%Change		Gas System		%Change	
	2008	2007	Inc/(Dec)		2008	2007	Inc/(Dec)		2008	2007	Inc/(Dec)	
	Fund	Fund			Fund	Fund			Fund	Fund		
Assets:												
Current and												
Other Assets:	\$ 494,909	\$ 431,375	14.73	\$ 183,515	\$ 155,649	17.90	\$ 64,589	\$ 56,306	14.71			
Restricted Assets	33,165	33,005	.48	1,968	2,020	(2.57)	4,461	10,260	(56.52)			
Capital Assets	1,557,014	1,597,478	(2.53)	470,112	479,620	(1.98)	462,891	454,249	1.90			
Total Assets	\$2,085,088	\$ 2,061,858	1.13	\$ 655,595	\$ 637,289	2.87	\$ 531,941	\$520,815	2.14			
Liabilities:												
Current and												
Other Liabilities	\$ 46,621	\$ 38,049	22.53	\$ 177,498	\$ 145,246	22.21	\$ 77,270	\$ 42,951	79.90			
Restricted Liabilities	33,165	33,005	.48	1,968	2,020	(2.57)	22,794	22,847	(.23)			
Long-term Liabilities	88,785	89,899	(1.24)	3	345	(99.13)	89,842	90,956	(1.22)			
Total Liabilities	\$ 168,571	\$ 160,953	4.73	\$ 179,469	\$ 147,611	21.58	\$ 189,906	\$156,754	21.15			
Net Assets:												
Invested in Capital												
Assets (Net)	\$1,468,260	\$ 1,508,724	(2.68)	\$ 470,112	\$ 479,620	(1.98)	\$ 374,137	\$365,495	2.36			
Unrestricted	\$ 448,257	392,181	14.30	6,014	10,058	(40.21)	(32,102)	\$ (1,434)	2138.63			
Total Net Assets)	\$1,916,517	\$ 1,900,905	.82	\$ 476,126	\$ 489,678	(2.77)	\$ 342,035	\$364,061	(6.05)			

Village of Forest Hill
Management's Discussion and Analysis
Year Ended June 30, 2008

	Water System		Sewer System		Gas System		% Change Inc/(Dec)	% Change Inc/(Dec)
	Fund	2007	Fund	2007	Fund	2008		
Operating:	\$ 294,197	305,361	\$ 19,635	\$ 20,918	\$ 275,205	\$ 292,470	(6.13)	(5.90)
Expense:	306,053	334,720	33,187	28,254	300,333	331,108	17.46	(9.29)
Operating Income (Loss)	\$ (11,856)	\$ (29,359)	\$ (13,552)	\$ (7,336)	\$ (25,128)	\$ (38,638)	84.73	(34.97)
Nonoperating Revenue (Expense)	\$ 22,803	\$ 8,460	\$ -	\$ -	\$ 12,718	\$ 143	-	8793.71
Transfer In	11,092	8,388	-	-	653	-	-	100.00
Transfer Out	(6,426)	(15,000)	-	-	(10,269)	(19,454)	-	(47.21)
Capital Contribution Change in	-	154,790	-	-	-	154,790	-	(100.00)
Net Assets:	\$ 15,613	\$ 127,279	\$ (13,552)	\$ (7,336)	\$ (22,026)	\$ 96,841	84.73	(122.74)

Gas and water lines located on Highway 165 had to be relocated due to road construction in fiscal year 2007. Due to unforeseen circumstances with the relocation of the roadway, additional water lines had to be moved in fiscal year 2008, thereby resulting in an increase in expenditures. The proprietary funds remain debt free at the end of fiscal year 2008.

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, 2008

Exhibit A

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and equivalents	\$ 72,610	\$ 124,430	\$ 197,040
Investments	4,500	229,541	234,041
Receivables	26,312	72,932	99,244
Interest receivable	17	1,774	1,791
Internal balances	(511)	511	-
Due from other governments	9,772	19,046	28,818
Restricted assets	1,160	39,594	40,754
Prepaid expenses	16,423	22,596	39,019
Capital assets			
Land, improvements, and construction in progress not being depreciated	100,724	530,970	631,694
Other capital assets, net of depreciation	997,521	1,959,047	2,956,568
Total Capital Assets	<u>1,098,245</u>	<u>2,490,017</u>	<u>3,588,262</u>
Total Assets	<u>1,228,528</u>	<u>3,000,441</u>	<u>4,228,969</u>
Liabilities			
Accounts payable and accrued expenses	9,450	25,249	34,699
Deferred revenues	663	-	663
Long-term liabilities			
Due within one year	12,676	3,960	16,636
Due in more than one year	243,068	236,557	479,625
Total Liabilities	<u>265,857</u>	<u>265,766</u>	<u>531,623</u>
Net Assets			
Invested in capital assets, net of related debt	843,661	2,312,509	3,156,170
Unrestricted	119,010	422,166	541,176
Total Net Assets	<u>\$ 962,671</u>	<u>\$ 2,734,675</u>	<u>\$ 3,697,346</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, 2008

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	\$ 195,916	\$ 5,571	\$ -	\$ 78,858	\$ (111,487)	\$ -	\$ (111,487)
Public safety	241,752	246,233	55,329	44,823	104,633	-	104,633
Public works	49,142	19,713	-	-	(29,429)	-	(29,429)
Animal control	787	50	-	-	(737)	-	(737)
Community development	6,916	-	-	7,192	276	-	276
Interest on long-term debt	10,932	-	-	-	(10,932)	-	(10,932)
Total Governmental Activities	505,445	271,567	55,329	130,873	(47,676)	-	(47,676)
Business-type Activities							
Water	306,053	293,405	-	12,557	(91)	-	(91)
Sewer	33,189	19,635	-	-	(13,554)	-	(13,554)
Gas	300,333	274,854	-	12,557	(12,922)	-	(12,922)
Total Business-type Activities	639,575	587,894	-	25,114	(26,567)	-	(26,567)
Total	\$ 1,145,020	\$ 859,461	\$ 55,329	\$ 155,987	(47,676)	(26,567)	(74,243)
General Revenues							
Taxes							
Property taxes, levied for general purposes					8,802	-	8,802
Franchise taxes					36,339	-	36,339
Sales taxes, levied for general purposes					32,412	-	32,412
Sales taxes, levied for specific purposes					61,745	-	61,745
Licenses and permits					38,578	-	38,578
Unrestricted investment earnings					429	10,404	10,833
Miscellaneous					8,753	1,145	9,898
Transfers					4,951	(4,951)	-
Total General Revenues and Transfers					192,009	6,598	198,607
Changes in Net Assets					144,333	(19,969)	124,364
Net Assets - Beginning of Year					818,338	2,754,644	3,572,982
Net Assets - End of Year					\$ 962,671	\$ 2,734,675	\$ 3,697,346

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, 2008**

Exhibit C

	General Fund	Fire Department Fund	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 70,673	\$ 1,937	\$ 72,610
Investments at cost	-	4,500	4,500
Receivables	22,576	3,736	26,312
Interest receivable	-	17	17
Due from other funds	3,949	1,497	5,446
Due from other governments	2,900	6,872	9,772
Restricted assets	1,160	-	1,160
	\$ 101,258	\$ 18,559	\$ 119,817
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 9,450	\$ -	\$ 9,450
Due to other funds	4,010	1,947	5,957
Payable from restricted assets	1,160	-	1,160
Deferred revenue	663	-	663
Total Liabilities	15,283	1,947	17,230
Fund Balances			
Unreserved	85,975	16,612	102,587
Total Fund Balances	85,975	16,612	102,587
	\$ 101,258	\$ 18,559	\$ 119,817

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, 2008**

Exhibit D

Total Fund Balance, Governmental Funds \$ 102,587

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. 1,098,245

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. (254,584)

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. 16,423

Net Assets of Governmental Activities in the Statement of Net Assets \$ 962,671

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, 2008

Exhibit E

	<u>General Fund</u>	<u>Fire Department Fund</u>	<u>Total Governmental Funds</u>
Revenues			
Property taxes	\$ 8,802	\$ -	\$ 8,802
Sales and other taxes	106,207	24,289	130,496
Licenses and permits	38,578	-	38,578
Intergovernmental	10,090	16,709	26,799
Charges for services	19,713	-	19,713
Grants	103,681	25,000	128,681
Fines	246,233	-	246,233
Interest income	5	424	429
Other			
Donations and fundraisers	2,192	34,101	36,293
Miscellaneous	8,803	-	8,803
Total Revenues	<u>544,304</u>	<u>100,523</u>	<u>644,827</u>
Expenditures			
Current			
General government	159,902	-	159,902
Public safety	118,494	84,967	203,461
Community development	24,266	-	24,266
Animal control	787	-	787
Highways, streets, and sanitation	45,481	-	45,481
Debt Service			
Principal	7,719	-	7,719
Interest and other charges	11,003	-	11,003
Capital Outlay	130,649	81,833	212,482
Total Expenditures	<u>498,301</u>	<u>166,800</u>	<u>665,101</u>
Excess (Deficiency) of Revenues Over Expenditures	46,003	(66,277)	(20,274)
Other Financing Sources (Uses)			
Transfers in	12,853	13,564	26,417
Transfers out	(21,467)	-	(21,467)
Total Other Financing Sources (Uses)	<u>(8,614)</u>	<u>13,564</u>	<u>4,950</u>
Excess (Deficiency) of Revenues and Other Financing Sources (Uses) Over Expenditures	37,389	(52,713)	(15,324)
Fund Balances, Beginning of Year	<u>48,586</u>	<u>69,325</u>	<u>117,911</u>
Fund Balances, End of Year	<u>\$ 85,975</u>	<u>\$ 16,612</u>	<u>\$ 102,587</u>

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

Village of Forest Hill, Louisiana
Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2008

Exhibit F

Net Change in Fund Balances - Total Governmental Funds: \$ (15,324)

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 \$212,482 exceeded depreciation of \$66,986 in the current period. 145,496

Repayment of debt is an expenditure in the Governmental Funds, but the repayment reduces liabilities in the Statement of Net Assets. 7,719

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. 6,442

Change in Net Assets of Governmental Activities \$ 144,333

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

Village of Forest Hill, Louisiana
Statement of Net Assets
Proprietary Funds
June 30, 2008

Exhibit G

	Enterprise Funds			Total Enterprise Funds
	Water System Fund	Sewer System Fund	Gas System Fund	
Assets				
Current Assets				
Cash and cash equivalents	\$ 17,159	\$ 107,271	\$ -	\$ 124,430
Investments, at cost	229,541	-	-	229,541
Accounts receivable	46,843	2,774	23,315	72,932
Interest receivable	1,777	-	-	1,777
Due from other funds	178,768	73,470	20,453	272,691
Receivables from other governments	9,523	-	9,523	19,046
Prepaid expenses	11,298	-	11,298	22,596
Total Current Assets	<u>494,909</u>	<u>183,515</u>	<u>64,589</u>	<u>743,013</u>
Restricted Assets				
Cash	33,165	1,968	3,153	38,286
Investments	-	-	1,308	1,308
Total Restricted Assets	<u>33,165</u>	<u>1,968</u>	<u>4,461</u>	<u>39,594</u>
Non-current Assets				
Capital Assets				
Property, plant, and equipment	2,685,624	802,611	842,491	4,330,726
Accumulated depreciation	(1,128,610)	(332,499)	(379,600)	(1,840,709)
Total Non-current Assets	<u>1,557,014</u>	<u>470,112</u>	<u>462,891</u>	<u>2,490,017</u>
Total Assets	<u>2,085,088</u>	<u>655,595</u>	<u>531,941</u>	<u>3,272,624</u>
Liabilities				
Current Liabilities				
Accounts payable	9,418	16	15,815	25,249
Due to other funds	35,723	176,768	59,689	272,180
Compensated absences	1,480	714	1,766	3,960
Total Current Liabilities	<u>46,621</u>	<u>177,498</u>	<u>77,270</u>	<u>301,389</u>
Restricted Liabilities				
(Payable from restricted assets)				
Customer meter deposits	33,165	1,968	22,794	57,927
Total Restricted Liabilities	<u>33,165</u>	<u>1,968</u>	<u>22,794</u>	<u>57,927</u>
Long-term Liabilities				
Notes payable	88,754	-	88,754	177,508
Compensated absences	31	3	1,088	1,122
Total Long-term Liabilities	<u>88,785</u>	<u>3</u>	<u>89,842</u>	<u>178,630</u>
Total Liabilities	<u>168,571</u>	<u>179,469</u>	<u>189,906</u>	<u>537,946</u>
Net Assets				
Invested in capital assets, net of related debt	1,468,260	470,112	374,137	2,312,509
Unrestricted	448,257	6,014	(32,102)	422,169
Total Net Assets	<u>\$ 1,916,517</u>	<u>\$ 476,126</u>	<u>\$ 342,035</u>	<u>\$ 2,734,678</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, 2008

Exhibit H

	Enterprise Funds			Total Enterprise Funds
	Water System Fund	Sewer System Fund	Gas System Fund	
Operating Revenues				
Charges for services	\$ 293,405	\$ 19,635	\$ 274,854	\$ 587,894
Miscellaneous income	792	-	351	1,143
Total Operating Revenues	<u>294,197</u>	<u>19,635</u>	<u>275,205</u>	<u>589,037</u>
Operating Expenses				
Gas purchased for resale	-	-	128,368	128,368
Salaries and payroll taxes	78,818	257	64,472	143,547
Legal and other professional	6,979	-	6,979	13,958
System repairs, maintenance, and connections	87,133	11,582	60,411	159,126
Utilities	36,646	4,904	-	41,550
Insurance	22,368	-	22,368	44,736
Depreciation	74,109	16,444	17,735	108,288
Total Operating Expenses	<u>306,053</u>	<u>33,187</u>	<u>300,333</u>	<u>639,573</u>
Operating (Loss)	(11,856)	(13,552)	(25,128)	(50,536)
Nonoperating Revenues				
Grants	12,559	-	12,558	25,117
Interest income	10,244	-	160	10,404
Total Nonoperating Revenue	<u>22,803</u>	<u>-</u>	<u>12,718</u>	<u>35,521</u>
Income (Loss) Before Contributions and Transfers	10,947	(13,552)	(12,410)	(15,015)
Transfers in	11,092	-	653	11,745
Transfers out	(6,426)	-	(10,269)	(16,695)
Changes in Net Assets	15,613	(13,552)	(22,026)	(19,965)
Net Assets, Beginning of Year	<u>1,900,904</u>	<u>489,678</u>	<u>364,061</u>	<u>2,754,643</u>
Net Assets, End of Year	<u>\$ 1,916,517</u>	<u>\$ 476,126</u>	<u>\$ 342,035</u>	<u>\$ 2,734,678</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, 2008

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	\$ 283,082	\$ 19,634	\$ 272,227	\$ 574,943
Internal activity - receipts from other funds	481,338	685,594	350,151	1,517,083
Other receipts	3,451	-	3,010	6,461
Payments to employees	(78,835)	-	(64,554)	(143,389)
Payments to vendors and others	(157,220)	(16,538)	(220,387)	(394,145)
Internal activity - payments to other funds	(502,865)	(689,021)	(322,972)	(1,514,858)
Net Cash Provided (Used) by Operating Activities	28,951	(331)	17,475	46,095
Cash Flows from Noncapital Financing Activities				
Net change in deposits held for others	(160)	52	216	108
Grants and contributions	12,559	-	12,558	25,117
Operating subsidies and transfers to other funds	4,666	-	(9,616)	(4,950)
Net Cash Provided by Noncapital Financing Activities	17,065	52	3,158	20,275
Cash Flows from Capital and Related Financing Activities				
Purchase of capital assets and construction in progress	(33,645)	(6,936)	(26,377)	(66,958)
Net Cash (Used) by Capital and Related Financing Activities	(33,645)	(6,936)	(26,377)	(66,958)
Cash Flows from Investing Activities				
Net change in equity in pooled cash and investments	(6,999)	-	5,584	(1,415)
Interest received on operating funds	10,244	-	160	10,404
Net Cash Provided by Investing Activities	3,245	-	5,744	8,989
Net Increase (Decrease) in Cash and Cash Equivalents	15,616	(7,215)	-	8,401
Cash and Cash Equivalents, Beginning of Year	1,543	114,486	-	116,029
Cash and Cash Equivalents, End of Year	\$ 17,159	\$ 107,271	\$ -	\$ 124,430

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, 2008

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 (loss)	\$ (11,856)	\$ (13,552)	\$ (25,128)	\$ (50,536)
Adjustments to reconcile operating (loss) to net cash provided (used) by operating activities:				
Depreciation	74,109	16,444	17,735	108,288
Changes in assets and liabilities				
Receivables	(39,318)	(35,081)	(6,683)	(81,082)
Prepaid expenses	(1,600)	-	(1,600)	(3,200)
Accounts payable	7,476	31,653	33,287	72,416
Compensated absences	(17)	257	(82)	158
Customer guaranteed deposits	160	(52)	(53)	55
Net Cash Provided (Used) by Operating Activities	\$ 28,954	\$ (331)	\$ 17,476	\$ 46,099

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

Notes to Basic Financial Statements

Village of Forest Hill, Louisiana
June 30, 2008
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 governmental funds. The primary effect of internal activity has been eliminated from the government-wide financial statements.

Village of Forest Hill, Louisiana
June 30, 2008
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 revenues 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, 2008
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, 2008
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, 2008
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. The Village qualifies as a Phase Three government exempting them from reporting infrastructure on a retroactive basis. Due to this qualification, they have elected to report infrastructure on a prospective basis. 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, 2008, 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, 2008
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, 2008, in the amount of \$8,464.

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 2008, property taxes were levied for 5.13 mills on property with assessed valuations totaling \$1,812,793 and were dedicated for general alimony purposes. Total taxes levied were \$8,802.

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, 2008
Notes to Basic Financial Statements

Cash and cash equivalents – governmental and business-type activities

At June 30, 2008, the Village had cash and cash equivalents (book balances) totaling \$236,486 as follows:

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Petty cash and change funds	\$ 550	\$ -	\$ 550
Demand deposits	<u>196,490</u>	<u>39,446</u>	<u>235,936</u>
	\$ 197,040	\$ 39,446	\$ 236,486

Investments – governmental and business-type activities

At June 30, 2008, the Village had investments of \$235,349 consisting of the following:

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Time deposits			
Certificates of deposit	\$ 234,041	\$ -	\$ 234,041
Investment in Louisiana Asset Management Pool	<u>-</u>	<u>1,308</u>	<u>1,308</u>
	\$ 234,041	\$ 1,308	\$ 235,349

Investments held at June 30, 2008, consist of \$1,308 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, 2008, 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-I) commercial paper of domestic United States corporations." Effective October 1, 2001, LAMP's Investment Guidelines were amended to allow the limited investment in A-I or A-1 + commercial paper.

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

Village of Forest Hill, Louisiana
June 30, 2008
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, 2008, the Village's bank balance of \$573,586 was not exposed to custodial credit risk in that \$293,963 was insured and \$279,623 was collateralized by securities held by the pledging banks in the Village's name.

6. Accounts Receivable

Receivables at June 30, 2008, 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	\$ 11,069	\$ 8,843	\$ 2,900	\$ 2,664	\$ 25,476
Fire Department Fund	3,736	-	6,872	-	10,608
Water System Fund	-	-	9,523	46,843	56,366
Sewer System Fund	-	-	-	2,774	2,774
Gas System Fund	-	-	9,523	23,315	32,838
	<u>\$ 14,805</u>	<u>\$ 8,843</u>	<u>\$ 28,818</u>	<u>\$ 75,596</u>	<u>\$ 128,062</u>

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

Amounts due from and to other funds at June 30, 2008, consist of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Water System Fund	\$ 2,002
General Fund	Fire Department Fund	1,947
Fire Department Fund	Water System Fund	1,497
Total Governmental Funds		<u>5,446</u>
Water System Fund	Sewer System Fund	176,768
Water System Fund	General Fund	2,000
Sewer System Fund	Gas System Fund	59,689
Sewer System Fund	Water System Fund	13,771
Sewer System Fund	General Fund	10
Gas System Fund	General Fund	2,000
Gas System Fund	Water System Fund	18,453
Total Enterprise Funds		<u>272,691</u>
Total Due from/to Other Funds		\$ 278,137

Village of Forest Hill, Louisiana
June 30, 2008
Notes to Basic Financial Statements

Balances at June 30, 2008, 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, 2008, were as follows:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Water System Fund	\$ 6,426
General Fund	Gas System Fund	6,427
Fire Department Fund	General Fund	<u>13,564</u>
Total Governmental Funds		26,417
Gas System Fund	General Fund	653
Water System Fund	Gas System Fund	3,842
Water System Fund	General Fund	<u>7,250</u>
Total Enterprise Funds		11,745
Total Transfers		\$ 38,162

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 \$40,754.

9. Capital Assets and Depreciation

Capital asset activity for the year ended June 30, 2008, was as follows:

	<u>Balance</u> <u>July 1, 2007</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2008</u>
Governmental Activities				
Capital assets not being depreciated				
Land and land improvements	\$ 81,436	\$ -	\$ -	\$ 81,436
Construction in progress	<u>2,520</u>	<u>19,288</u>	<u>(2,520)</u>	<u>19,288</u>
Total capital assets not being depreciated	83,956	19,288	(2,520)	100,724
Other capital assets				
Buildings and improvements	682,860	102,746	-	785,606
Equipment	175,724	71,520	-	247,244
Vehicles	<u>481,464</u>	<u>21,448</u>	<u>-</u>	<u>502,912</u>
Total other capital assets	1,340,048	195,714	-	1,535,762
Accumulated depreciation				
Buildings and improvements	(80,934)	(21,743)	-	(102,677)
Equipment	(55,745)	(25,772)	-	(81,517)

Village of Forest Hill, Louisiana
June 30, 2008
Notes to Basic Financial Statements

	<u>Balance</u> <u>July 1, 2007</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2008</u>
Vehicles	(334,576)	(19,471)	-	(354,047)
Total accumulated depreciation	(471,255)	(66,986)	-	(538,241)
Other capital assets, net	868,793	128,728	-	997,521
Net Capital Assets	<u>\$ 952,749</u>	<u>\$ 148,016</u>	<u>\$ (2,520)</u>	<u>\$ 1,098,245</u>

Depreciation was charged to functions as follows:

Governmental Activities				
General government				\$ 18,119
Public safety				38,291
Community Development				6,916
Highways, streets, and sanitation				3,660
Total depreciation expense for governmental activities				<u>\$ 66,986</u>

	<u>Balance</u> <u>July 1, 2007</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2008</u>
Business-type Activities				
Capital assets not being depreciated				
Land	\$ 51,131	\$ -	\$ -	\$ 51,131
Construction in progress	477,005	2,834	-	479,839
Total capital assets not being depreciated	528,136	2,834	-	530,970
Other capital assets				
Plant and equipment	236,731	18,708	-	255,439
Buildings and improvements	23,529	10,028	-	33,557
Vehicles	63,781	-	-	63,781
Furniture, fixtures and equipment	23,325	1,162	-	24,487
Infrastructure	3,388,266	34,226	-	3,422,492
Total other capital assets	3,735,632	64,124	-	3,799,756
Accumulated depreciation				
Plant and equipment	(196,504)	(12,689)	-	(209,193)
Buildings and improvements	(21,786)	(611)	-	(22,397)
Vehicles	(63,781)	-	-	(63,781)
Furniture, fixtures and equipment	(12,337)	(2,807)	-	(15,144)
Infrastructure	(1,438,013)	(92,181)	-	(1,530,194)
Total accumulated depreciation	(1,732,421)	(108,288)	-	(1,840,709)
Other capital assets, net	2,003,211	(44,164)	-	1,959,047
Net Capital Assets	<u>\$ 2,531,347</u>	<u>\$ (41,330)</u>	<u>\$ -</u>	<u>\$ 2,490,017</u>

Depreciation was charged to functions as follows:

Water	\$ 74,109
Sewer	16,444
Gas	17,735
Total depreciation expense for business type activities	<u>\$ 108,288</u>

Village of Forest Hill, Louisiana
June 30, 2008
Notes to Basic Financial Statements

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

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	41,371	41,371	-	None

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

For the year ended June 30, 2008, 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, 2007</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2008</u>
Governmental activities -				
Restricted				
Customer deposits	\$ 1,114	\$ 46	\$ -	\$ 1,160
Long-term liability				
Bond anticipation notes payable	245,855	-	(4,330)	241,525
Vehicle notes payable	-	16,448	(3,389)	13,059
Business-type activities -				
Restricted				
Customer deposits	57,872	55	-	57,927
Long-term liability				
Compensated absences	4,924	4,067	(3,909)	5,082
URAF payable	177,508	-	-	177,508
	<u>\$ 487,273</u>	<u>\$ 20,616</u>	<u>\$ (11,628)</u>	<u>\$ 496,261</u>

Village of Forest Hill, Louisiana
June 30, 2008
Notes to Basic Financial Statements

	<u>Balance</u> <u>June 30, 2008</u>	<u>Due within</u> <u>one year</u>	<u>Due in more</u> <u>than one year</u>
Governmental activities -			
Restricted			
Customer deposits	\$ 1,160	\$ -	\$ 1,160
Long-term liability			
Bond anticipation notes payable	241,525	4,523	237,002
Vehicle notes payable	13,059	8,153	4,906
Business-type activities -			
Restricted			
Customer deposits	57,927	-	57,927
Long-term liability			
Compensated absences	5,082	3,960	1,122
URAF payable	<u>177,508</u>	<u>-</u>	<u>177,508</u>
	<u>\$ 496,261</u>	<u>\$ 16,636</u>	<u>\$ 479,625</u>

The Village acquired permanent financing for the renovation of the Forest Hill Academy to be a municipal complex 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 Village also acquired permanent financing for the purchase of a police unit. The loan is for \$16,448 at an interest rate of five percent (5.000%) with a two year maturity.

The annual requirements to amortize outstanding governmental activities long-term debt excluding compensated absences, customer deposits, and Utility Relocation Assistance Funding (URAF) are as follows:

<u>Year ended June 30,</u>	<u>Principal</u> <u>Payments</u>	<u>Interest</u> <u>Payments</u>	<u>Total</u>
2009	\$ 12,676	\$ 10,991	\$ 23,667
2010	9,631	10,384	20,015
2011	4,936	10,064	15,000
2012	5,156	9,844	15,000
2013	5,387	9,613	15,000
2014-2018	30,762	44,238	75,000
2019-2023	38,268	36,732	75,000
2024-2028	47,607	27,393	75,000
2029-2033	59,224	15,776	75,000
2034-2036	<u>40,937</u>	<u>2,737</u>	<u>43,674</u>
	<u>\$ 254,584</u>	<u>\$ 177,772</u>	<u>\$ 432,356</u>

The Village began a construction project in conjunction with the Louisiana State Department of Transportation in the year ended June 30, 2007 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, 2008, are \$177,508.

Village of Forest Hill, Louisiana
June 30, 2008
Notes to Basic Financial Statements

11. Compensation Paid to Mayor and Board of Aldermen

In accordance with the requirements of the Office of the Legislative Auditor, State of Louisiana, the following report reflects compensation paid to the Mayor and members of the Board of Aldermen of the Village of Forest Hill, Louisiana, for the fiscal year ending June 30, 2008.

Mayor Marcia Young	\$ 4,800
Board of Aldermen	
Glenda Bordelon	2,400
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 \$4,519 for the year ended June 30, 2008, is recognized as intergovernmental revenue and as public safety expenditures in the General Fund.

13. Federal Financial Assistance Additional Information

During fiscal year end June 30, 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, 2008, \$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, 2008, \$78,400 has been received and related expenses incurred.

Several other grants were awarded to the police and departments through the Office of Homeland Security during 2008. One grant was awarded to the police department for radios for an amount up to \$4,000, of which \$3,605 was spent. The fire department was also awarded one grant for radios for an amount up to \$5,856, of which \$1,947 was spent.

The other grant was awarded to the police department through the Louisiana Highway Safety Commission for an amount up to \$8,070, of which \$7,444 was spent.

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, 2008

Schedule 1

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive
				(Negative)
Revenues				
Taxes	\$ 108,900	\$ 115,813	\$ 115,009	\$ (804)
Licenses and permits	28,000	38,578	38,578	-
Intergovernmental	5,342	5,571	10,090	4,519
Charges for services	19,000	19,635	19,713	78
Grants	33,000	23,979	103,681	79,702
Fines	144,000	246,416	246,233	(183)
Donations and fundraisers	15,000	57,192	2,192	(55,000)
Interest income	-	4	5	1
Miscellaneous	9,025	7,602	8,803	1,201
Total Revenues	<u>362,267</u>	<u>514,790</u>	<u>544,304</u>	<u>29,514</u>
Expenditures				
Current				
General government	128,800	185,418	159,902	25,516
Public safety	110,000	126,974	118,494	8,480
Community development	50,000	50,774	24,266	26,508
Animal control	500	769	787	(18)
Highways, streets, and sanitation	48,000	51,359	45,481	5,878
Debt service	15,000	15,000	18,722	(3,722)
Capital outlay	10,000	54,049	130,649	(76,600)
Total Expenditures	<u>362,300</u>	<u>484,343</u>	<u>498,301</u>	<u>(13,958)</u>
Excess (Deficiency) of Revenues Over Expenditures	(33)	30,447	46,003	15,556
Other Financing Sources (Uses)				
Transfers in (out)	30,000	4,000	(8,614)	(12,614)
Proceeds from sale of capital assets	-	215	-	(215)
Total Other Financing Sources (Uses)	<u>30,000</u>	<u>4,215</u>	<u>(8,614)</u>	<u>(12,829)</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures	29,967	34,662	37,389	2,727
Fund Balances, Beginning of Year	<u>48,586</u>	<u>48,586</u>	<u>48,586</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 78,553</u>	<u>\$ 83,248</u>	<u>\$ 85,975</u>	<u>\$ 2,727</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, 2008

Schedule 2

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive
				(Negative)
Revenues				
Taxes	\$ 21,212	\$ 35,516	\$ 24,289	\$ (11,227)
Intergovernmental	14,592	24,432	16,709	(7,723)
Charges for services	-	-	-	-
Interest income	370	620	424	(196)
Donations and fundraisers	29,781	49,863	34,101	(15,762)
Grants	21,833	36,555	25,000	(11,555)
Total Revenues	<u>87,788</u>	<u>146,986</u>	<u>100,523</u>	<u>(46,463)</u>
Expenditures				
Current				
Public safety	87,649	158,336	84,967	73,369
Capital outlay	-	-	81,833	(81,833)
Total Expenditures	<u>87,649</u>	<u>158,336</u>	<u>166,800</u>	<u>(8,464)</u>
Excess (Deficiency) of Revenues Over Expenditures	139	(11,350)	(66,277)	(54,927)
Other Financing Sources				
Transfers in	-	-	13,564	13,564
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>13,564</u>	<u>13,564</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures	139	(11,350)	(52,713)	(41,363)
Fund Balances, Beginning of Year	<u>69,325</u>	<u>69,325</u>	<u>69,325</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 69,464</u>	<u>\$ 57,975</u>	<u>\$ 16,612</u>	<u>\$ (41,363)</u>

GAAP serves as the budgetary basis of accounting.

See independent auditor's report.

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

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



PAYNE, MOORE & HERRINGTON, LLP

CERTIFIED PUBLIC ACCOUNTANTS

Established 1945

**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 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, 2008, which collectively comprise the Village's basic financial statements, and have issued our report thereon dated November 26, 2008. 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 our opinion on the financial statements, but not 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 2008-01 through 2008-05 to be significant deficiencies in internal control over financial reporting.

MARYIN A. JUNEAU, C.P.A.
ERNEST F. SASSER, C.P.A.
ROBERT L. LITTON, C.P.A.

ROBERT W. DYORAK, C.P.A.
REBECCA B. MORRIS, C.P.A.
MICHAEL A. JUNEAU, C.P.A.

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

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H. FRED RANDOW, C.P.A.



PAYNE, MOORE & HERRINGTON, LLP

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

A material weakness is a 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.

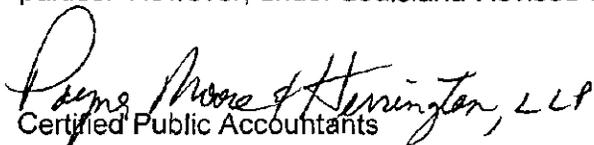
Our consideration of the internal control over financial reporting was for the *limited purpose described in the first paragraph of this section* and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider Findings 2008-04 through 2008-05 to be material weaknesses.

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 2008-06 through 2008-07.

Village of Forest Hill, Louisiana's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Village of Forest Hill, Louisiana's responses 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.


Certified Public Accountants

November 26, 2008

**Village of Forest Hill, Louisiana
Schedule of Findings and Responses
Year Ended June 30, 2008**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified? X Yes No

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

Noncompliance material to financial
statements noted? X Yes No

*Management's Summary Schedule of
Prior Audit Findings* See attached

Management's Corrective Action Plan See attached

Other Comments and Recommendations See attached

Section II – Findings Related to the Financial Statements

Finding 2008-01 – 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. The utility employee, upon arrival at the residence, may leave the service on if the customer requests, allowing them to go directly to Town Hall for payment. However, a fee of fifteen dollars will still be charged for a reconnection of 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 and reconnection fees were not collected as required. In addition, the Village does not maintain an adequate 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, return the original listing to the Deputy Clerk, and create a duplicate copy to maintain for their records. 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.

**Village of Forest Hill, Louisiana
Schedule of Findings and Responses
Year Ended June 30, 2008**

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

Finding 2008-02 Utility Deposit Recognition

Criteria: All customer accounts should have utility deposits collected and recorded for all services provided to their residence. These utility deposits should be deposited into a local depositing authority in accordance with R.S. 39:1212 whenever practicable.

Condition: In conducting the test of utility deposits, three customer deposits were not properly transferred from their old, inactive account number to their newly established account number; two utility deposits received were not recorded in the Utility Data System; four customers were charged either an incorrect utility deposit amount or not charged a utility deposit; and three customers were charged either an incorrect connection fee amount or not charged a connection fee.

Recommendation: We recommend that utility deposits be collected and recorded for all services rendered. These deposits should be recorded on the utility management report and deposited into a local depositing authority timely. A unique customer account number should be created for all new customers or transferring customers. If customer utility deposits are collected prior to the date of service, establish a unique customer account, deposit the funds collected, and make the account inactive until services are rendered. Lastly, all new and transferring customers should be refunded their deposit when their account is closed or transferred and deposited when a new account is opened.

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

Finding 2008-03 Controls over and 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 within seven days after the violator's court date if payment has not yet been received. The Mayor's signature of approval is obtained for all alteration made to ticket charges.

Condition: As part of our test of police fines, we examined related supporting documentation for sixty randomly selected traffic tickets issued. Out of the sixty tickets examined, we noted three instances in which the yellow copy of the ticket was not submitted to the State, nine instances in which a warrant was not issued to violators who did not pay timely or attend court, one instance in which the incorrect fine amount was recorded in the Municipal Court Records System and Docket Book, two instances in which the ticket charge was altered without signature of approval by the Mayor, and one instance in which the ticket payment date was omitted from the associated supporting documentation.

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 within seven days following their court date, obtaining the Mayor's approval for all ticket charge alterations, and properly maintaining all supporting documentation for ticket fines collected.

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

**Village of Forest Hill, Louisiana
Schedule of Findings and Responses
Year Ended June 30, 2008**

Finding 2008-04 Financial Statement Preparation

Criteria: An appropriate and effective system of internal control over financial reporting includes controls over preparation of 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.

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

Finding 2008-05 Undeposited Receipts-Possible Misappropriation of Public Funds

Criteria: All funds collected should be deposited into a local depositing authority.

Condition: Fines and meter deposits totaling \$250 and \$395, respectively, were collected and subsequently not deposited. Per the Village's further investigation, numerous additional fines and meter deposits totaling approximately \$9,000 were collected and subsequently not deposited.

Further review indicated that the nondeposit of funds may constitute a misappropriation of public funds. When located, we reported this matter to the Mayor of the Village of Forest Hill, and subsequently by letter dated September 19, 2008, to the Louisiana Legislative Auditor, and to the District Attorney of the Ninth Judicial District, Parish of Rapides. The District Attorney referred the matter to the Sheriff, Parish of Rapides. As of the date of the release of this report, the Sheriff's office has not completed the investigation and to our knowledge charges have not been filed on the individual suspected of misappropriation.

Recommendation: We recommend that management consider collecting only check or money orders for payment of police fines. When fines are collected, the tickets should be marked paid with the amount and date collected documented by the Deputy Clerk, and a prenumbered receipt should be issued for all payments received. The Deputy Clerk should record the payment in the Municipal Court Records System and in Quickbooks in order to generate the deposit slip. The Deputy Clerk should generate a receipt report from the Municipal Court Records System and generate the deposit slip from Quickbooks. Then the Deputy Clerk should reconcile the funds collected to the paid tickets, to the Municipal Court Records System receipt report, and to the generated Quickbooks deposit slip daily. The reconciliation of all reports stated above should be reviewed and signed off as reviewed by the Town Clerk daily. Lastly, the Deputy Clerk should deposit the ticket fines collected into a local depositing authority daily. Utility meter deposits should be recorded on the accounts receivable subsidiary listing and deposited into a local depositing authority timely. A unique customer account number should be created for all new customers or transferring customers. If customer utility deposits are collected prior to the date of service, establish a unique customer account, deposit the funds collected, and make the account inactive until services are rendered. Lastly, all new and transferring customers should be refunded their deposit when their account is closed or transferred and deposited when a new account is opened.

In regards to the above noted appearance of misappropriation, we recommended to the Mayor that the following additional actions be taken as soon as practical:

- Consult with the Village's attorney for legal advise regarding the matter.
- Call a special meeting and advise the Board of Alderman.
- Report the matter to the Village's insurance carrier.

**Village of Forest Hill, Louisiana
Schedule of Findings and Responses
Year Ended June 30, 2008**

- Notify the Louisiana Legislative Auditor of the matter.
- Notify the District Attorney of the matter.
- Determine if the Deputy Clerk should be placed on administrative leave.

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

Finding 2008-06 Bid Law Compliance

Criteria: Louisiana Revised Statute 38:2212 provides in part that all purchases of any materials or supplies in excess of threshold amount must be purchased in accordance with statutory guidelines.

Condition: We noted that playground equipment was purchased for an amount exceeding the threshold amounts stated in the public bid law, which were not advertised and let by contract to the lowest responsible bidder.

Recommendation: We recommend compliance with Louisiana Revised Statutes in regards to purchasing requirements for all purchases made.

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

Finding 2008-07 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 accumulates 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.

Management's Corrective Action Plan

**Village of Forest Hill, Louisiana
Management's Corrective Action Plan
Year Ended June 30, 2008**

The Village of Forest Hill respectfully submits the following corrective action plan for the year ended June 30, 2008.

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, 2007 through June 30, 2008

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 2008-01 – 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 and reconnection fees were not collected as required. In addition, the Village does not maintain an adequate record of delinquent accounts in 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, return the original listing to the Deputy Clerk, and create a duplicate copy to maintain for their records. 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 twenty-first 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 reconnect services, and the delinquent sheet is marked to reflect actions taken. A file is maintained for the completed delinquent list.

**Village of Forest Hill, Louisiana
Management's Corrective Action Plan
Year Ended June 30, 2008**

Finding 2008-02 Utility Deposit Recognition

Condition: In conducting the test of utility deposits, three customer deposits were not properly transferred from their old, inactive account number to their newly established account number; two utility deposits received were not recorded in the Utility Data System; four customers were charged either an incorrect utility deposit amount or not charged a utility deposit; and three customers were charged either an incorrect connection fee amount or not charged a connection fee.

Recommendation: We recommend that utility deposits be collected and recorded for all services rendered. These deposits should be recorded on the accounts receivable subsidiary listing and deposited into a local depository authority timely. A unique customer account number should be created for all new customers or transferring customers. If customer utility deposits are collected prior to the date of service, establish a unique customer account, deposit the funds collected, and make the account inactive until services are rendered. Lastly, all new and transferring customers should be refunded their deposit when their account is closed or transferred and deposited when a new account is opened.

Action Taken: As new utility customers apply for services, a utility agreement application is obtained, all fees are collected, deposited and recorded in the utility billing system and utility management report. New account numbers are assigned to new customers and to customers transferring services and then entered into the utility billing system; then made inactive until services are rendered. Refunds are made to customers as accounts are closed after their last billing cycle. Deposits that are transferred are noted on both the old account and the new account.

Finding 2008-03 Controls over and Disposition of Traffic Tickets

Condition: As part of our test of police fines, we examined related supporting documentation for sixty randomly selected traffic tickets issued. Out of the sixty tickets examined, we noted three instances in which the yellow copy of the ticket was not submitted to the State, nine instances in which a warrant was not issued to violators who did not pay timely or attend court, one instance in which the incorrect fine amount was recorded in the Municipal Court Records System and Docket Book, two instances in which the ticket charge was altered without signature of approval by the Mayor, and one instance in which the ticket payment date was omitted from the associated supporting documentation.

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 within seven days following their court date, obtaining the Mayor's approval for all ticket charge alterations, and properly maintaining all supporting documentation for ticket fines collected.

Action Taken: Within 10 days of a ticket being paid, the yellow copy is sent to the State. Warrants are issued for unpaid tickets within 10 days of the court date (as the deputy clerk also handles the utility payments which are due at this time). The Mayor also approves all amendments to the charges on tickets. Any notes associated with the ticket are attached to the docket jacket.

**Village of Forest Hill, Louisiana
Management's Corrective Action Plan
Year Ended June 30, 2008**

Finding 2008-04 Financial Statement Preparation

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

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 2008-05 Undeposited Receipts-Possible Misappropriation of Public Funds

Condition: Out of the sixty randomly selected tickets examined, two instances were noted in which there is no evidence to support that the funds were deposited into the bank. Out of the twenty-five new utility accounts established, nine instances were noted in which there no evidence was provided supporting the deposit of funds into the bank. Per the Village's further investigation, twenty additional instances were noted in which no evidence was available to support the deposit of fines collected and twenty-one additional instances were noted in which no evidence was available to support the deposit of meter deposits collected.

Further review indicated that the nondeposit of funds may constitute a misappropriation of public funds. When located, we reported this matter to the Mayor of the Village of Forest Hill, and subsequently by letter dated September 19, 2008, to the Louisiana Legislative Auditor, and to the District Attorney of the Ninth Judicial District, Parish of Rapides. The District Attorney referred the matter to the Sheriff, Parish of Rapides. As of the date of the release of this report, the Sheriff's office has not completed the investigation and to our knowledge charges have not been filed on the individual suspected of misappropriation.

Recommendation: We recommend that management consider collecting only check or money orders for payment of police fines. When fines are collected, the tickets should be marked paid with the amount and date collected documented by the Deputy Clerk, and a prenumbered receipt should be issued for all payments received. The Deputy Clerk should record the payment in the Municipal Court Records System and in Quickbooks in order to generate the deposit slip. The Deputy Clerk should generate a receipt report from the Municipal Court Records System and generate the deposit slip from Quickbooks. Then the Deputy Clerk should reconcile the funds collected to the paid tickets, to the Municipal Court Records System receipt report, and to the generated Quickbooks deposit slip daily. The reconciliation of all reports stated above should be reviewed and signed off as reviewed by the Town Clerk daily. Lastly, the Deputy Clerk should deposit the ticket fines collected into a local depositing authority daily. Utility meter deposits should be recorded on the accounts receivable subsidiary listing and deposited into a local depositing authority timely. A unique customer account number should be created for all new customers or transferring customers. If customer utility deposits are collected prior to the date of service, establish a unique customer account, deposit the funds collected, and make the account inactive until services are rendered. Lastly, all new and transferring customers should be refunded their deposit when their account is closed or transferred and deposited when a new account is opened.

In regards to the above noted appearance of misappropriation, we recommended to the Mayor that the following additional actions be taken as soon as practical:

- Consult with the Village's attorney for legal advise regarding the matter.
- Call a special meeting and advise the Board of Alderman.
- Report the matter to the Village's insurance carrier.
- Notify the Louisiana Legislative Auditor of the matter.

**Village of Forest Hill, Louisiana
Management's Corrective Action Plan
Year Ended June 30, 2008**

- Notify the District Attorney of the matter.
- Determine if the Deputy Clerk should be placed on administrative leave.

Action Taken: Procedures are now in place for the disposition of all traffic tickets. When possible, only checks and money orders are accepted. Cash is only accepted if the violator comes in to pay and is only prepared to pay cash. As fines are paid to the clerk, a receipt is written if paid in person. The ticket is then pulled and recorded with the date, amount and method of payment. All paid tickets are then entered into Quickbooks and all monies are deposited timely. The paid tickets are then entered into the court system, a receipt is printed and attached to the ticket, and a Payment/Actions List is printed and balanced to the total recorded into Quickbooks and to the deposit slip. These reports are then given to the Town Clerk for review and signed with her approval. All meter deposits are recorded as they are received as explained in Finding 02.

Finding 2008-06 Bid Law Compliance

Condition: We noted that playground equipment was purchased for an amount exceeding the threshold amounts stated in the public bid law, which were not advertised and let by contract to the lowest responsible bidder.

Recommendation: We recommend compliance with Louisiana Revised Statutes in regards to purchasing requirements for all purchases made.

Action Taken: The village did not intentionally circumvent the public bid law process in the purchase of playground equipment. Three quotes were obtained, but only the cost of the equipment was considered in determining who was awarded the bid rather than the entire quote which included the freight costs. The public bid law process will be followed in the future.

Finding 2008-07 Timely Deposits

Condition: Cash receipts are not being deposited daily whenever practicable. At the present time, the Deputy Clerk accumulates 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 are now deposited to the end of the 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.

Management's Summary Schedule of Prior Audit Findings

**Village of Forest Hill, Louisiana
Management's Summary Schedule of Prior Audit Findings
Year Ended June 30, 2008**

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 in which utility services were shut off or placed on payment plans.

Current Status: Unresolved. See Finding 2008-01.

Finding 2007-02 Bank Reconciliations

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

Current Status: Resolved.

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.

Current Status: Unresolved. See Finding 2008-04.

Finding 2007-04 Controls over Traffic Tickets

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

Current Status: Resolved.

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.

Current Status: Unresolved. See Finding 2008-03.

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.

**Village of Forest Hill, Louisiana
Management's Summary Schedule of Prior Audit Findings
Year Ended June 30, 2008**

Current Status: Resolved.

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.

Current Status: Resolved.

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.

Current Status: Unresolved. See Finding 2008-08.

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.

Current Status: Resolved.

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.

Current Status: Resolved.

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.

Village of Forest Hill, Louisiana
Management's Summary Schedule of Prior Audit Findings
Year Ended June 30, 2008

- 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 prepares 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.

Current Status: Unresolved. See Prior Year's Management's Response.