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**VILLAGE OF FREDON**  
**Forest, Louisiana**

**General Purpose Financial Statements  
 With Independent Auditor's Report  
 As of and for the Year Ended  
 December 31, 2004  
 With Supplemental Information Schedules**

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

Release Date: 8/30/05

**LITTLE & ASSOCIATES**  
 CERTIFIED PUBLIC ACCOUNTANTS

VILLAGE OF FOREST  
Forest, Louisiana

General Purpose Financial Statements  
With Independent Auditors' Report  
As of and for the Year Ended  
December 31, 2002  
With Supplemental Information Schedules

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**LITTLE & ASSOCIATES**  
CERTIFIED PUBLIC ACCOUNTANTS

WILLIAM T. LITTLE, CPA  
JAMES E. BOND, CPA  
CHARLES S. HANCOCK, JR., CPA

**Independent Auditors' Report**

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

We have audited the general purpose financial statements of the Village of Forest as of December 31, 2002, and for the year then ended, as listed in the table of contents. These general purpose financial statements are the responsibility of the Village of Forest's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Village of Forest as of December 31, 2002, and the results of operations and cash flows, of its proprietary fund for the year then ended, in conformity with U.S. generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The supplemental information schedules listed in the table of contents are presented for the purpose of additional analysis and are not a required part of the general purpose financial statements of the Village of Forest. Except for those schedules marked unaudited, such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

MAYOR AND BOARD  
OF ALDERMEN  
VILLAGE OF FOREST  
Forest, Louisiana  
Independent Auditors' Report,  
December 31, 2002

In accordance with Government Auditing Standards, we have also issued a report dated May 2, 2003 on the Village of Forest's compliance with laws, regulations, and contracts, and our consideration of the agency's internal control over financial reporting. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

*Little + Associates*

Monroe, Louisiana  
May 2, 2003

**GENERAL PURPOSE FINANCIAL STATEMENTS  
(OVERVIEW)**

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

Continued Balance Sheet, December 31, 2002

	GOVERNMENTAL FUND TYPE - GENERAL FUND	PROPRIETARY FUND TYPE - WATER ENTERPRISE FUND	ACCOUNT GROUP - GENERAL FIXED ASSETS	TOTAL (MEMORANDUM ONLY)
<b>ASSETS</b>				
<b>Current assets:</b>				
Cash	\$9,039	\$10,710		\$19,749
Accounts receivable	<u>3,604</u>	<u>10,421</u>		<u>14,025</u>
Total current assets	<u>14,663</u>	<u>21,131</u>	NONE	<u>35,794</u>
<b>Restricted assets - cash and equivalents</b>				
Water system plant and equipment (net of accumulated depreciation)		103,687		103,687
Land, buildings, and equipment			<u>57,532</u>	<u>57,532</u>
<b>TOTAL ASSETS</b>	<u>\$14,663</u>	<u>\$138,268</u>	<u>\$57,532</u>	<u>\$261,463</u>
<b>LIABILITIES AND FUND EQUITY</b>				
<b>Liabilities:</b>				
<b>Current liabilities:</b>				
Accounts payable	\$166	\$2,451		\$2,617
Customer meter deposits		23,237		23,237
Payable from restricted assets - accrued interest		905		905
Revenue bonds payable		<u>116,620</u>		<u>116,620</u>
Total Liabilities	<u>166</u>	<u>142,883</u>	NONE	<u>143,049</u>
<b>Fund Equity:</b>				
Investment in general fixed assets			\$57,532	\$7,532
Contributed capital (net of accumu- lated depreciation on fixed assets acquired with federal grant)		133,880		133,880
<b>Retained earnings:</b>				
Reserved for debt service		37,015		37,015
Reserved for contingencies		5,147		5,147

(Continued)

## VILLAGE OF FOREST

Forest, Louisiana

## ALL FUND TYPES AND ACCOUNT GROUPS

Continued Balance Sheet, December 31, 2002

	GOVERNMENTAL FUND TYPE - CENTRAL FUND	PROPRIETARY FUND TYPE - WATER ENTERPRISE FUND	ACCOUNT GROUP - GENERAL FIXED ASSETS	TOTAL (MEMORANDUM ONLY)
Fund Equity: (Contd.)				
Retained earnings (cont'd.)				
unreserved - undesignated		\$200,365		\$200,365
Total retained earnings	NONE	242,525	NONE	242,525
Fund balance - unreserved - undesignated	14,497			14,497
Total Fund Equity	14,497	242,525	\$57,532	468,414
TOTAL LIABILITIES AND FUND EQUITY	114,663	\$839,268	\$57,532	\$611,463

(Concluded)

The accompanying notes are an integral part of this statement.



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

**Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances**  
**For the Year Ended December 31, 2002**

<b>REVENUES</b>	
Tax, franchise	\$4,404
Occupational license	6,026
Intergovernmental, state grant	15,000
Use of money and property - interest earnings	15
Other income	<u>5,180</u>
Total revenues	<u>30,625</u>
<b>EXPENDITURES</b>	
General government - current:	
Personal services and related benefits	3,870
Operating services	6,475
Materials and supplies	930
Capital outlay	16,175
Public safety	3,710
Debt service	<u>2,600</u>
Total expenditures	<u>33,810</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>(2,485)</u>
<b>OTHER FINANCING SOURCE</b>	
Proceeds from loans	<u>2,600</u>
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCE</b> <b>OVER EXPENDITURES</b>	115
<b>FUND BALANCE AT BEGINNING OF YEAR</b>	<u>14,379</u>
<b>FUND BALANCE AT END OF YEAR</b>	<u>\$14,494</u>

The accompanying notes are an integral part of this statement.

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

Statement of Revenues, Expenditures, and  
 Changes in Fund Balance - Budget  
 (Cash Basis) and Actual

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
<b>REVENUES</b>			
Taxes :			
Franchise	\$0,000	\$4,111	\$4,111
Occupational licenses	6,000	5,963	(37)
Intergovernmental - State grant	15,000	11,000	(4,000)
Use of money and property - interest earnings	500	15	(285)
Other revenue	<u>4,000</u>	<u>5,895</u>	<u>1,895</u>
Total revenues	<u>28,500</u>	<u>26,984</u>	<u>(1,516)</u>
<b>EXPENDITURES</b>			
General government - current:			
Personal services and related benefits	3,960	3,870	90
Operating services	5,659	6,425	(766)
Material and supplies	290	544	(254)
Miscellaneous	500	988	-488
Public Safety	2,100	4,057	(1,957)
Debt Service		2,600	(2,600)
Capital outlay	<u>15,785</u>	<u>16,135</u>	<u>(350)</u>
Total expenditures	<u>28,294</u>	<u>33,734</u>	<u>(5,440)</u>
<b>EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES</b>	46	(6,750)	(6,796)
<b>OTHER FINANCING SOURCES</b>			
Proceeds from loans		<u>2,600</u>	<u>2,600</u>
<b>EXCESS (Deficiency) OF REVENUES AND OTHER FINANCING SOURCE OVER EXPENDITURES</b>	46	(4,150)	(4,196)
<b>FUND BALANCE AT BEGINNING OF YEAR</b>	<u>8,000</u>	<u>12,210</u>	<u>5,210</u>
<b>FUND BALANCE AT END OF YEAR</b>	<u>\$8,046</u>	<u>\$8,060</u>	<u>\$68</u>

The accompanying notes are an integral part of this statement.

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

Statement of Revenues, Expenses,  
and Changes in Retained Earnings  
For the Year Ended December 31, 2002

<b>OPERATING REVENUES</b>	
Water sales	<u>\$800,274</u>
<b>OPERATING EXPENSES</b>	
Salaries	18,623
Payroll taxes	2,546
Administrative	8,844
Sales tax	3,807
Utilities	10,685
Repairs and maintenance	12,428
Insurance	8,649
Materials and supplies	8,118
Telephone	1,790
Depreciation	<u>21,480</u>
Total Operating Expenses	<u>118,880</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(16,132)</u>
<b>NON-OPERATING REVENUES (Expenses)</b>	
Interest income	1,389
Interest expense	<u>(7,073)</u>
Total Non-Operating Revenues (expenses)	<u>(5,684)</u>
<b>NET (LOSS)</b>	<u>(21,807)</u>
<b>OTHER FINANCING SOURCES</b>	
Adjustment for depreciation on fixed assets acquired with federal grants	<u>3,485</u>
<b>TOTAL NET (LOSS) AND OTHER FINANCING SOURCES (USES)</b>	<u>(18,312)</u>
<b>RETAINED EARNINGS AT BEGINNING OF YEAR</b>	<u>258,817</u>
<b>RETAINED EARNINGS AT END OF YEAR</b>	<u>\$242,525</u>

The accompanying notes are an integral part of this statement.

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

Statement of Cash Flows  
For the Year Ended December 31, 2002

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Operating Income	<u>(816,131)</u>
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	21,480
Increase in accounts receivable	(268)
Decrease in accounts payable	(1,751)
Decrease in accrued interest payable	(47)
Increase in meter deposits	<u>2,395</u>
Total adjustments	<u>21,809</u>
Net cash provided by operating activities	<u>2,678</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Decrease in bonds payable	(3,472)
Interest expense	(7,872)
Acquisition of assets	<u>(836)</u>
Total cash flows from capital and related financing activities	<u>(11,980)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest earnings	<u>1,396</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<u>(6,127)</u>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>118,524</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$114,397</u>

The accompanying notes are an integral part of this statement.

VILLAGE OF FOREST  
Forest, Louisiana

Notes to the Financial Statements  
As of and For the Year Ended December 31, 2002

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Village of Forest was incorporated under the provisions of the Louisiana Act in 1966. The village operates under a Mayor-Board of Aldermen form of government. The mayor and aldermen serve four-year terms which expire on December 31, 2004.

**A. REPORTING ENTITY**

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

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

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

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

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

**B. FUND ACCOUNTING**

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

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

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

**Governmental Funds:**

**General Fund**

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

**Proprietary Fund Type - Water Enterprise Fund**

The Water Enterprise Fund is used to account for the operations of the village's water system. The operations are financed and operated in a

VILLAGE OF FOREST

Forest, Louisiana

Notes to the Financial Statements (Continued)

manner similar to private business enterprises, where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

**C. FIXED ASSETS AND LONG-TERM DEBT**

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures (capital outlay) in governmental funds and the related assets are reported in the general fixed assets account group. All purchased fixed assets are valued at actual cost where historical records are available. Approximately 87 per cent of the general fixed assets are valued at actual historical cost, while the remaining 13 per cent are valued at estimated cost, based on the actual cost of like items. No depreciation has been provided on general fixed assets. There are no general long-term obligations at December 31, 2003.

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

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

Water system	40 years
Equipment	5 years

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

**D. BASIS OF ACCOUNTING**

The financial and reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and

VILLAGE OF FOREST

Forest, Louisiana

Notes to the Financial Statements (Continued)

current liabilities generally are included on the balance sheet. Operating statements for these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

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

**Revenues**

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

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

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

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

**Expenditures**

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

**Proprietary Fund Type - Water Enterprise Fund**

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



VILLAGE OF FOREST

Forest, Louisiana

Notes to the Financial Statements (Continued)

**E. BUDGET PRACTICES**

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

For the year ended December 31, 2002, the village adopted a cash basis budget for the General Fund.

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

Excess of revenues - (budget basis)	(54,150)
Adjustments:	
Receivables	3,848
Payables	<u>430</u>
Excess of revenues and other source over expenditures - (GAAP basis)	<u>\$118</u>

**F. CASH AND CASH EQUIVALENTS**

Under state law, the village may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the union, or the laws of the United States. The village may invest in certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana.

At December 31, 2002, the village has cash (book balances) totaling \$173,426, as follows:

VILLAGE OF FOREST

Forest, Louisiana

Notes to the Financial Statements (Continued)

Demand deposits	\$84,431
Time deposits	<u>39,025</u>
Total	<u>\$123,456</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits, or the resulting bank balances, must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. Deposit balances (bank balances) at December 31, 2002, total \$124,611 and are fully secured by federal deposit insurance and pledged securities.

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

**G. VACATION AND SICK LEAVE**

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

**H. RISK MANAGEMENT**

The village is exposed to various risk of loss related to theft, theft of, damage to, and destruction of assets, and injuries to employees. To handle such risk of loss, the fire district maintains a commercial insurance policy covering property, employee liability, and public officials liability. No claims were paid on any of the policies during the past three years which exceeded the policies' coverage amounts. There was no significant reduction in insurance coverage during the year ended December 31, 2002.

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

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

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

2. RECEIVABLES

The following is a summary of receivables at December 31, 2002:

	General Fund	Water Enterprise Fund	Total
Taxes:			
Franchise	\$1,196		\$1,196
Accounts		\$10,421	10,421
Grants	4,000		4,000
Other	408		408
Total	<u>\$5,604</u>	<u>\$10,421</u>	<u>\$16,025</u>

3. FIXED ASSETS

The following presents changes in general fixed assets for the year ended December 31, 2002:

	Land and Buildings	Improvements Other Than Buildings	Equipment	Total
Balance, January 1, 2002	\$23,053	\$102	\$18,342	\$41,597
Additions	11,800	711	4,424	16,935
Deletions				NONE
Balance, December 31, 2002	<u>\$34,853</u>	<u>\$813</u>	<u>\$22,766</u>	<u>\$58,432</u>

A summary of proprietary fund type property, plant, and equipment at December 31, 2002, follows:

	Cost	Accumulated Depreciation	Net Book Value
Water system	\$637,588	(\$239,301)	\$398,287
Equipment	28,021	(17,828)	10,193
Total	<u>\$665,779</u>	<u>(\$257,129)</u>	<u>\$408,650</u>

VILLAGE OF FOREST

Forest, Louisiana

Notes to the Financial Statements (Continued)

4. PENSION PLAN

The employees of the village are members of the Social Security System. In addition to the employee contributions withheld at 7.65 per cent of gross salary, the village contributes an equal amount to the Social Security System. For the year ended December 31, 2002, employer contributions were \$2,593. Total salaries paid for 2002, were \$38,823. The village does not guarantee the benefits granted by the Social Security System.

5. REVENUE BONDS PAYABLE

At December 31, 2002, the village has one outstanding issue of long-term revenue bonds. The purpose of the bond was to provide financing for the construction of the water system and accessories and improvements to the system. The issue dated May 4, 1989 was for \$100,000. The issue bears interest at 9.0 per cent per annum and the principal is to be repaid in annual payments ranging from \$1,600 to \$13,110 through October 1, 2002. This issue was paid out during the audit year.

In 1990 the village sold an additional revenue bond to the United States Department of Agriculture, Farmers Home Administration. The issue dated November 14, 1990 was for \$130,000. The issue bears interest at 6.125 per cent per annum. Principal and interest are to be repaid in annual payments of \$8,846 through November 14, 2036. All long-term debt is to be repaid solely from the income and revenues derived from the operation of the water system.

The following is a summary of revenue bonds payable transactions for the year ended December 31, 2002:

Revenue bonds payable at January 1, 2002	\$130,000
Additions	8000
Reductions	<u>(2,472)</u>
Long term debt at December 31, 2002	<u>\$115,528</u>

The annual requirements to amortize the revenue bonds outstanding at December 31, 2002, including interest of \$131,064, are as follows:

Year	
2003	\$8,846
2004	8,846
2005	8,846
2006	8,846

**VILLAGE OF FOREST**

Forest, Louisiana

**Notes to the Financial Statements (Continued)**

<b>Year</b>	
2007	98,846
2008 - 2012	44,229
2013 - 2017	44,229
2018 - 2022	44,229
2023 - 2027	44,229
2028 - 2030	36,538
<b>Total</b>	<b><u>3247,684</u></b>

**6. CONTRIBUTED CAPITAL**

In 1990, the village received a grant totaling \$219,800 from the United States Department of Agriculture, Farmers Home Administration to finance the construction of its water system. The grant amount, shown as contributed capital on the balance sheet, is reduced each year by the amount of depreciation expense recognized on fixed assets constructed or acquired with the grant funds. At December 31, 2012, accumulated depreciation on these assets is \$153,960.

**7. RESERVED RETAINED EARNINGS**

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

- A. A "Water Revenue Bond and Interest Sinking Fund". The village must transfer into this fund, each month, one-twelfth of the principal and interest due on the next principal and interest payment date. This fund is used to pay bond principal and interest as they become due.
- B. A "Water Reserve Fund". The village must transfer into this fund, each month, an amount equal to 3 per cent of the amount to be paid into the Water Revenue Bond and Interest Sinking Fund. Such amounts may be used only for the payment of matured bonds and interest when sufficient funds are not available in the Water Revenue Bond and Interest Sinking Fund.
- C. A "Water Depreciation and Contingency Fund". The village must transfer into this fund, each month, an amount equal to 3 per cent of the amount to be paid into the Water Revenue Bond and Interest Sinking Fund. The deposits in this fund may be used for annual or extraordinary maintenance, repairs, replacements, and extensions and for the cost of improvements to

VILLAGE OF FOREST

Forest, Louisiana

Notes to the Financial Statements (Continued)

the system. Money in this fund may also be used to pay principal and interest on bonds falling due at any time there is not sufficient funds in the other reserve funds.

At December 31, 2002 the village has \$42,162 in restricted accounts to meet reserve requirements. The following is a summary of transactions in the bond reserve accounts for the year ended December 31, 2002:

Reserve for revenue bonds payable at January 1, 2002	\$97,477
Deposits	15,342
Interest earnings	1,386
Bank fees	(4)
Excess Bancroft Bonds transferred to savings	(61,523)
Debt service	<u>(10,519)</u>
Reserve for bonds payable at December 31, 2002	<u>\$42,162</u>

8. LITIGATION AND CLAIMS

The village is not involved in any lawsuits at December 31, 2002, nor is it aware of any asserted claims.

**SUPPLEMENTAL INFORMATION SCHEDULES**

## VILLAGE OF FOREST

Forest, Louisiana

## Schedule of Water Rates

For the Year Ended December 31, 2002

<u>Classification</u>	<u>Tariff</u>	<u>Rate</u>
Residential	Monthly minimum for first 2,000 gallons	\$7.77
	Per 1,000 gallons for the next 4,000 gallons	2.10
	Per 1,000 gallons for the next 4,000 gallons	1.50
	Per 1,000 gallons for all over 10,000 gallons	1.00
Commercial	Monthly minimum for first 10,000 gallons	50.00
	Per 1,000 gallons for all over 10,000 gallons	1.70



VILLAGE OF FOREST  
Forest, Louisiana

Schedule of Insurance Coverage  
As of December 31, 2002

Type of Coverage	Name of Insurer	Policy Number	Amount of Coverage	Expiration Date
Commercial General Liability	Louisiana Municipal Risk Management Agency	LML-124	Aggregate - \$500,000 Each Occurrence - \$800,000 Medical Payments - \$1,000 per person - \$10,000 per accident Fire Legal Liability - \$50,000 per occurrence	5/1/03
Law Enforcement Officers Comprehensive Liability	Louisiana Municipal Risk Management Agency	LML-124	\$500,000	5/1/03
Public Officials Errors and Omissions Liability	Louisiana Municipal Risk Management Agency	LML-124	\$500,000	5/1/03
Worker's Compensation and Employers Liability	Louisiana Municipal Risk Management Agency	WC-0184	Statutory	1/1/03
Standard Fire	Farm Bureau	SF204639	\$240,000	1/22/03
Standard Fire	Farm Bureau	SF187734	\$287,300	4/30/03
Property Damage	State Farm	98-13-6929-5	\$21,500	5/30/03
Fidelity Bond	Fidelity & Deposit Co. of Maryland	30406398	\$100,000	12/1/03
Business Auto Physical Damage	Audubon E & S	APD022426	\$16,598	6/09/03

**VILLAGE OF FOREST**  
**Forest, Louisiana**  
**PROPRIETARY FUND TYPE - INTERPRISE FUND**

Proposed Operating Budget  
 For the Year Ending December 31, 2003  
 (Unaudited)

<b>REVENUES</b>	
Water	\$104,000
Other	4,200
Interest income	<u>2,433</u>
Total revenues	<u>110,633</u>
<b>EXPENSES</b>	
Insurance	8,800
Interest expense	8,700
Depreciation expense	16,500
Permits	400
Payroll taxes	3,062
Office	500
Sales tax	4,000
Repairs and maintenance	4,100
Salaries	38,220
Supplies	4,900
Administrative expense	6,200
Mowing	1,000
Postage	1,382
Utilities and telephone	<u>14,000</u>
Total expenses	<u>110,534</u>
<b>NET INCOME</b>	<u><u>99</u></u>

VILLAGE OF FOREST  
Forest, Louisiana  
SUPPLEMENTAL INFORMATION SCHEDULE  
As of and For the Year Ended December 31, 2002

**COMPENSATION PAID ALDERMEN**

The schedule of compensation paid aldermen is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. In accordance with Louisiana Revised Statute 33:403, aldermen receive up to \$20.00 for each regular meeting and \$5.00 for each special meeting they attend. Compensation of aldermen is included in personal services and related benefits expenditures of the General Fund.

VILLAGE OF FOREST  
Forest, LouisianaSchedule of Compensation Paid Aldermen  
For the Year Ended December 31, 2002

Dorothy Knox	\$100
Ed McKeasale	100
Mike Jones	<u>80</u>
Total	<u>\$280</u>

**Independent Auditors' Report Required  
by Government Auditing Standards**

The following Independent Auditors' report on compliance with laws, regulations, contracts, and grants and internal control is presented in compliance with the requirements of *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Louisiana Governmental-Audit Code*, issued by the Society of Louisiana Certified Public Accountants and the Louisiana Legislative Auditor.



**LITTLE & ASSOCIATES**  
CERTIFIED PUBLIC ACCOUNTANTS

Wm. Todd Little, CPA  
James C. Bond, CPA  
Charles R. Matthews, Jr., CPA

**Independent Auditors' Report on Compliance and  
Internal Control Over Financial Reporting**

MAYOR AND BOARD  
OF ALDERMEN  
VILLAGE OF FOREST  
Forest, Louisiana

We have audited the general purpose financial statements of the Village of Forest as of and for the year ended December 31, 2002 ended and have issued our report thereon dated May 2, 2003. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Village of Forest's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial amounts. However, providing an opinion on compliance with these provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that was required to be reported under *Government Auditing Standards*. That finding is presented in the accompanying schedule of findings and questioned costs as item 02-1.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Village of Forest's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

MAYOR AND BOARD  
OF ALDERMEN  
VILLAGE OF FOREST  
Forest, Louisiana  
Independent Auditors' Report on Compliance  
And Internal Control Over Financial Reporting, etc.  
December 31, 2002

This report is intended solely for the information and use of the Village of Forest, management of the village's office, and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than those specified parties.

*Tittle & Associates*

Monroe, Louisiana  
May 7, 2003

VILLAGE OF FOREST  
Forest, LouisianaSchedule of Findings and Questioned Costs  
For the Year Ended December 31, 2002

## A. SUMMARY OF AUDIT RESULTS

1. The *Auditors'* report expresses an unqualified opinion on the general purpose financial statements of Village of Forest.
2. No instances of noncompliance material to the financial statements of Village of Forest were disclosed during the audit.
3. One reportable condition relating to the audit of the financial statements is reported in the *Independent Auditors' Report on Internal Control*.

## B. FINDINGS - FINANCIAL STATEMENTS AUDIT

## B2-1. Need to Comply with Louisiana Local Government Budget Act

**Findings:** The village did not adequately monitor budgets. Louisiana Revised Statute (LRS) 49:1309-1310 requires the village to adopt a budget amendment when expenditures to date plus projected expenditures for the remainder of the year exceed estimated annual budgeted expenditures by five per cent or more. The village was not fully aware of the statutory requirements. Consequently, for the year ended 2002, actual expenditures exceeded budgeted expenditures by \$3,481 or 19%.

**Recommendation:** In the future, the village should amend its budget when actual expenditures plus projected expenditures exceed estimated by five per cent or more as required by the statute.

**Management's Response:** The village stated that in the future a budget would be amended as required by the statute.



VILLAGE OF FOREST  
Forest, Louisiana

Summary Schedule of Prior Audit Findings  
For the Year Ended December 31, 2002

There were no findings reported in the audit report for the year ended December 31, 2001.

# VILLAGE OF FOREST

P. O. Box 236 • Forest, Louisiana 71342 • Phone/Fax 318-438-9058

June 16, 2003

As Mayor I did not know to amend the budget by five per cent or more as required by the statute. In the future I will watch the budget more closely and will amend the budget as required by the statute.

Shelbi J. Hughes



Mayor