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VILLAGE OF FOREST
Forest, Louisiana

**General Purpose Financial Statements
With Independent Auditor's Report
As of and for the Year Ended
December 31, 2001
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. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 8/14/02

LITTLE & BANKS LLC
CERTIFIED PUBLIC ACCOUNTANTS

VILLAGE OF FOREST

Forest, Louisiana

General Purpose Financial Statements

With Independent Auditor's Report

As of and for the Year Ended

December 31, 2001

With Supplemental Information Schedules

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LITTLE & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

Wm. TODD LITTLE, CPA
JAMES C. BOND, CPA
CHARLES R. MARCHBANKS, JR., CPA

Independent Auditor's 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, 2001, 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. Those 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, 2001, 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 Auditor's Report,
December 31, 2001

In accordance with *Government Auditing Standards*, we have also issued a report dated May 30, 2002, 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 30, 2002

**GENERAL PURPOSE FINANCIAL STATEMENTS
(OVERVIEW)**

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

Combined Balance Sheet, December 31, 2001

| | GOVERNMENTAL FUND TYPE - GENERAL FUND | PROPRIETARY FUND TYPE - WATER ENTERPRISE FUND | ACCOUNT GROUP - GENERAL FIXED ASSETS | TOTAL (MEMORANDUM ONLY) |
|---|--|---|--|-------------------------------|
| ASSETS | | | | |
| Current assets: | | | | |
| Cash | \$13,210 | \$21,047 | | \$34,257 |
| Accounts receivable | 1,755 | 10,152 | | 11,907 |
| Total current assets | <u>14,965</u> | <u>31,199</u> | NONE | <u>46,164</u> |
| Restricted assets - cash and equivalents | | 97,477 | | 97,477 |
| Water system plant and equipment (net of accumulated depreciation) | | 435,273 | | 435,273 |
| Land, buildings, and equipment | | | \$41,397 | 41,397 |
| TOTAL ASSETS | <u><u>\$14,965</u></u> | <u><u>\$563,949</u></u> | <u><u>\$41,397</u></u> | <u><u>\$620,311</u></u> |
| LIABILITIES AND FUND EQUITY | | | | |
| Liabilities: | | | | |
| Current liabilities: | | | | |
| Accounts payable | \$586 | \$4,181 | | \$4,767 |
| Customer meter deposits | | 20,842 | | 20,842 |
| Payable from restricted assets - accrued interest | | 642 | | 642 |
| Revenue bonds payable | | 120,092 | | 120,092 |
| Total Liabilities | <u>586</u> | <u>145,757</u> | NONE | <u>146,343</u> |
| Fund Equity: | | | | |
| Investment in general fixed assets | | | \$41,397 | 41,397 |
| Contributed capital (net of accumu- lated depreciation on fixed assets acquired with federal grant) | | 159,355 | | 159,355 |
| Retained earnings: | | | | |
| Reserved for debt service | | 83,849 | | 83,849 |
| Reserved for contingencies | | 13,628 | | 13,628 |

(Continued)

Statement A

VILLAGE OF FOREST
 Forest, Louisiana
 ALL FUND TYPES AND ACCOUNT GROUPS
 Combined Balance Sheet, December 31, 2001

| | GOVERNMENTAL FUND TYPE - GENERAL FUND | PROPRIETARY FUND TYPE - WATER ENTERPRISE FUND | ACCOUNT GROUP - GENERAL FIXED ASSETS | TOTAL (MEMORANDUM ONLY) |
|---|--|---|--|-------------------------------|
| Fund Equity: (Contd.) | | | | |
| Retained earnings (contd.): | | | | |
| unreserved - undesignated | | \$161,360 | | \$161,360 |
| Total retained earnings | NONE | 258,837 | NONE | 258,837 |
| Fund balance - unreserved - undesignated | \$14,379 | | | 14,379 |
| Total Fund Equity | 14,379 | 418,192 | \$41,397 | 473,968 |
| TOTAL LIABILITIES AND FUND EQUITY | \$14,965 | \$563,949 | \$41,397 | \$620,311 |

(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, 2001

REVENUES

| | |
|---|---------------|
| Tax, franchise | \$4,584 |
| Occupational licenses | 8,156 |
| Intergovernmental, state grant | 15,000 |
| Use of money and property - interest earnings | 200 |
| Other revenue | <u>7,664</u> |
| Total revenues | <u>35,604</u> |

EXPENDITURES

| | |
|--|---------------|
| General government - current: | |
| Personal services and related benefits | 3,890 |
| Operating services | 10,493 |
| Materials and supplies | 679 |
| Capital outlay | 15,100 |
| Public safety | 3,848 |
| Debt service | <u>13,000</u> |
| Total expenditures | <u>47,010</u> |

EXCESS OF REVENUES OVER EXPENDITURES (11,406)

OTHER FINANCING SOURCE

Proceeds from Loan 13,000

**EXCESS OF REVENUES AND OTHER FINANCING SOURCE
OVER EXPENDITURES** 1,594

FUND BALANCE AT BEGINNING OF YEAR 12,785

FUND BALANCE AT END OF YEAR \$14,379

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> |
|---|-----------------|-----------------|---|
| REVENUES | | | |
| Taxes : | | | |
| Tobacco | \$1,066 | | (\$1,066) |
| Franchise | 2,742 | \$4,904 | 2,162 |
| Occupational licenses | 5,718 | 8,156 | 2,438 |
| Intergovernmental - State grant | 15,000 | 15,000 | |
| Use of money and property - interest earnings | 300 | 200 | (100) |
| Other revenue | 7,030 | 6,818 | (212) |
| Total revenues | <u>31,856</u> | <u>35,078</u> | <u>3,222</u> |
| EXPENDITURES | | | |
| General government - current: | | | |
| Personal services and related benefits | 4,160 | 3,890 | 270 |
| Operating services | 15,891 | 10,413 | 5,478 |
| Material and supplies | 870 | 561 | 309 |
| Miscellaneous | 500 | 324 | 176 |
| Public Safety | 3,945 | 3,620 | 325 |
| Capital outlay | 38,000 | 38,183 | (183) |
| Total expenditures | <u>63,366</u> | <u>56,991</u> | <u>6,375</u> |
| EXCESS OF REVENUES OVER EXPENDITURES | <u>(31,510)</u> | <u>(21,913)</u> | <u>9,597</u> |
| FUND BALANCE AT BEGINNING OF YEAR | <u>35,000</u> | <u>35,123</u> | <u>123</u> |
| FUND BALANCE AT END OF YEAR | <u>\$3,490</u> | <u>\$13,210</u> | <u>\$9,720</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, 2001

| | |
|--|-------------------------|
| OPERATING REVENUES | |
| Water sales | <u>\$102,987</u> |
| OPERATING EXPENSES | |
| Salaries | 38,220 |
| Payroll taxes | 2,924 |
| Administrative | 6,972 |
| Sales tax | 4,336 |
| Utilities | 12,441 |
| Repairs and maintenance | 4,844 |
| Insurance | 7,050 |
| Materials and supplies | 4,093 |
| Telephone | 1,894 |
| Depreciation | <u>21,387</u> |
| Total Operating Expenses | <u>104,161</u> |
| OPERATING INCOME (LOSS) | <u>(1,174)</u> |
| NON-OPERATING REVENUES (Expenses) | |
| Interest income | 2,602 |
| Interest expense | <u>(7,506)</u> |
| Total Non-Operating Revenues (expenses) | <u>(4,904)</u> |
| NET (LOSS) | <u>(6,078)</u> |
| OTHER FINANCING SOURCES (USES) | |
| Adjustment for depreciation on fixed assets acquired with federal grants | <u>5,495</u> |
| TOTAL NET (LOSS) AND OTHER FINANCING SOURCES (USES) | <u>(583)</u> |
| RETAINED EARNINGS AT BEGINNING OF YEAR | <u>259,420</u> |
| RETAINED EARNINGS AT END OF YEAR | <u><u>\$258,837</u></u> |

The accompanying notes are an integral part of this statement.

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

Statement of Cash Flows
For the Year Ended December 31, 2001

| | |
|---|-------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Operating Income | <u>(\$1,174)</u> |
| Adjustments to Reconcile Operating Income to Net Cash | |
| Provided by Operating Activities: | |
| Depreciation | 21,387 |
| Decrease in accounts receivable | 408 |
| Decrease in accounts payable | (713) |
| Decrease in accrued interest payable | <u>(303)</u> |
| Total adjustments | <u>20,779</u> |
| Net cash provided by operating activities | <u>19,605</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | |
| Decrease in bonds payable | (14,886) |
| Interest expense | <u>(7,506)</u> |
| Total cash flows from capital and related financing activities | <u>(22,392)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Interest earnings | <u>2,602</u> |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | (185) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | <u>118,709</u> |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | <u><u>\$118,524</u></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, 2001

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Village of Forest was incorporated under the provisions of the Lawrason Act in 1966. The village operates under a Mayor-Board of Aldermen form of government. The mayor and aldermen serve four-year terms which expire on December 31, 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 82 per cent of the general fixed assets are valued at actual historical cost, while the remaining 18 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, 2001.

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 expenditure. Encumbrance accounting is not used by the village. Appropriations lapse at year end and must be reappropriated for the following year to be expended. All changes in the budget must be approved by the board of aldermen.

For the year ended December 31, 2001, 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) | (\$21,913) |
| Adjustments: | |
| Receivables | 532 |
| Payables | <u>22,975</u> |
| Excess (deficiency) of revenues and other source over expenditures - (GAAP basis) | <u>\$1,594</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, 2001, the village has cash (book balances) totaling \$131,734, as follows:

VILLAGE OF FOREST

Forest, Louisiana

Notes to the Financial Statements (Continued)

| | |
|-----------------|------------------|
| Demand deposits | \$93,827 |
| Time deposits | <u>37,907</u> |
| Total | <u>\$131,734</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, 2001, total \$131,203 and are fully secured by federal deposit insurance.

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

G. VACATION AND SICK LEAVE

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

II. RISK MANAGEMENT

The village is exposed to various risk of loss related to torts; 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 were no significant reductions in insurance coverage during the year ended December 31, 2001.

**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, 2001:

| | <u>General Fund</u> | <u>Water Enterprise Fund</u> | <u>Total</u> |
|-----------|-------------------------|--------------------------------------|-----------------|
| Taxes: | | | |
| Franchise | \$902 | | \$902 |
| Accounts | | \$10,152 | 10,152 |
| Other | <u>853</u> | | <u>853</u> |
| Total | <u>\$1,755</u> | <u>\$10,152</u> | <u>\$11,907</u> |

3. FIXED ASSETS

The following presents changes in general fixed assets for the year ended December 31, 2001:

| | <u>Land and Buildings</u> | <u>Improvements Other Than Buildings</u> | <u>Equipment</u> | <u>Total</u> |
|----------------------------|-----------------------------------|--|------------------|-----------------|
| Balance, January 1, 2001 | \$8,053 | \$102 | \$18,142 | \$26,297 |
| Additions | 15,000 | | 100 | 15,100 |
| Deletions | | | | NONE |
| Balance, December 31, 2001 | <u>\$23,053</u> | <u>\$102</u> | <u>\$18,242</u> | <u>\$41,397</u> |

A summary of proprietary fund type property, plant, and equipment at December 31, 2001, follows:

| | <u>Basis</u> | <u>Accumulated Depreciation</u> | <u>Net Book Value</u> |
|--------------|------------------|-------------------------------------|---------------------------|
| Water system | \$637,588 | (\$223,261) | \$414,327 |
| Equipment | <u>28,035</u> | <u>(7,089)</u> | <u>20,946</u> |
| Total | <u>\$665,623</u> | <u>(\$230,350)</u> | <u>\$435,273</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, 2001, employer contributions were \$2,924. Total salaries paid for 2001, were \$38,220. The village does not guarantee the benefits granted by the Social Security System.

5. REVENUE BONDS PAYABLE

At December 31, 2001, the village has two outstanding issues of long-term revenue bonds. The purpose of the bonds was to provide financing for the construction of the water system and extensions and improvements to the system. The issue dated May 4, 1989 was for \$102,260. The issue bears interest at 9.0 per cent per annum and the principal is to be repaid in annual payments ranging from \$1,670 to \$13,110 through October 1, 2002.

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

The following is a summary of revenue bonds payable transactions for the year ended December 31, 2001:

| | |
|--|------------------|
| Revenue bonds payable at January 1, 2001 | \$134,978 |
| Additions | NONE |
| Reductions | <u>(14,886)</u> |
| Long-term debt at December 31, 2001 | <u>\$120,092</u> |

The annual requirements to amortize the revenue bonds outstanding at December 31, 2001, including interest of \$138,181, are as follows:

| | |
|-------------|----------|
| <u>Year</u> | |
| 2002 | \$10,590 |
| 2003 | 8,846 |
| 2004 | 8,846 |
| 2005 | 8,846 |
| 2006 | 8,846 |

VILLAGE OF FOREST

Forest, Louisiana

Notes to the Financial Statements (Continued)

| <u>Year</u> | |
|-------------|------------------|
| 2007 - 2011 | \$44,229 |
| 2012 - 2016 | 44,229 |
| 2017 - 2021 | 44,229 |
| 2022 - 2026 | 44,229 |
| 2027 - 2030 | <u>35,383</u> |
| Total | <u>\$258,273</u> |

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, 2001, accumulated depreciation on these assets is \$60,445.

7. RESERVED RETAINED EARNINGS

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

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

VILLAGE OF FOREST

Forest, Louisiana

Notes to the Financial Statements (Continued)

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

At December 31, 2001 the village has \$97,477 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, 2001:

| | |
|--|-----------------|
| Reserve for revenue bonds payable at January 1, 2001 | \$93,466 |
| Deposits | 24,234 |
| Interest earnings | 2,481 |
| Bank fees | (8) |
| Debt service | <u>(22,696)</u> |
| Reserve for bonds payable at December 31, 2001 | <u>\$97,477</u> |

8. LITIGATION AND CLAIMS

The village is not involved in any lawsuits at December 31, 2001, nor is it aware of any unasserted claims.

SUPPLEMENTAL INFORMATION SCHEDULES

VILLAGE OF FOREST
Forest, LouisianaSchedule of Water Rates
For the Year Ended December 31, 2001

| <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, 2001

| Type of Coverage | Name of Insurer | Policy Number | Amount of Coverage | Expiration Date |
|--|--|---------------|---|-----------------|
| Commercial General Liability | Louisiana Municipal Risk Management Agency | LML-124 | Aggregate - \$500,000 Each Occurrence - \$500,000 Medical Payments - \$1,000 per person - \$10,000 per accident Fire Legal Liability - \$50,000 per occurrence | 5/1/02 |
| Law Enforcement Officers Comprehensive Liability | Louisiana Municipal Risk Management Agency | LML-124 | \$500,000 | 5/1/02 |
| Public Officials Errors and Omissions Liability | Louisiana Municipal Risk Management Agency | LML-124 | \$500,000 | 5/1/02 |
| Worker's Compensation and Employers Liability | Louisiana Municipal Risk Management Agency | WC-0164 | Statutory | 1/1/02 |
| Standard Fire | Farm Bureau | SF204639 | \$292,000 | 1/22/02 |
| Standard Fire | Farm Bureau | SF187734 | \$217,200 | 4/30/02 |
| Property Damage | State Farm | 98-13-6529-5 | \$21,300 | 5/30/02 |
| Fidelity Bond | Fidelity & Deposit Co. of Maryland | 30406398 | \$100,000 | 12/1/02 |

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

Proposed Operating Budget
For the Year Ending December 31, 2002
(Unaudited)

| | |
|-------------------------|--------------------|
| REVENUES | |
| Water | \$104,000 |
| Other | 3,600 |
| Interest income | <u>2,450</u> |
| Total revenues | <u>110,050</u> |
| EXPENSES | |
| Insurance | 6,800 |
| Interest expense | 8,710 |
| Depreciation expense | 16,323 |
| Permits | 400 |
| Payroll taxes | 3,062 |
| Office | 900 |
| Sales tax | 4,000 |
| Repairs and maintenance | 4,100 |
| Salaries | 39,220 |
| Supplies | 4,900 |
| Administrative expense | 6,200 |
| Mowing | 480 |
| Postage | 900 |
| Utilities and telephone | <u>14,000</u> |
| Total expenses | <u>109,995</u> |
| NET INCOME | <u><u>\$55</u></u> |

VILLAGE OF FOREST
Forest, Louisiana
SUPPLEMENTAL INFORMATION SCHEDULE
As of and For the Year Ended December 31, 2001

COMPENSATION PAID ALDERMEN

The schedule of compensation paid aldermen is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. In accordance with Louisiana Revised Statute 33:405, aldermen receive up to \$30.00 for each regular meeting and \$5.00 for each special meeting they attend. Compensation of aldermen is included in personal services and related benefits expenditures of the General Fund.

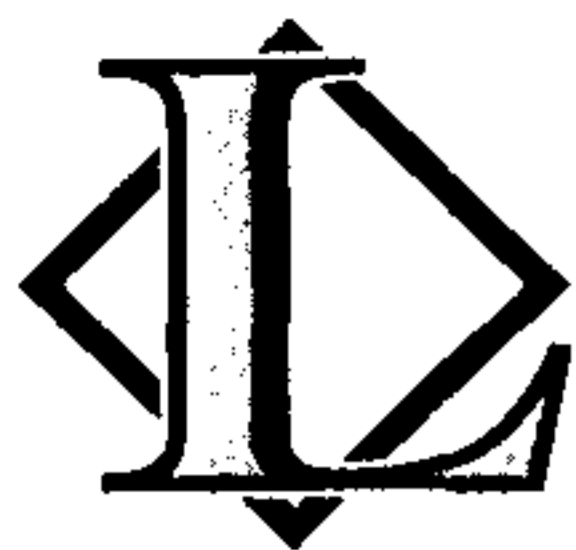
VILLAGE OF FOREST
Forest, Louisiana

Schedule of Compensation Paid Aldermen
For the Year Ended December 31, 2001

| | |
|--------------|--------------|
| Dorothy Keen | \$145 |
| Ed McKaskale | 100 |
| Mike Jones | <u>115</u> |
| Total | <u>\$360</u> |

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

The following independent auditor's 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 Guide*, 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. MARCHBANKS, JR., CPA

**Independent Auditor's 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, 2001 ended and have issued our report thereon dated May 30, 2002. 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 those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

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 Auditor's Report on Compliance
And Internal Control Over Financial Reporting, etc.
December 31, 2001

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 these specified parties.

Little & Associates

Monroe, Louisiana
May 30, 2002

VILLAGE OF FOREST
Forest, Louisiana

Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2001

A. SUMMARY OF AUDIT RESULTS

1. The auditor's 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. No reportable conditions relating to the audit of the financial statements are reported in the Independent Auditor's Report on Internal Control.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

None

VILLAGE OF FOREST
Forest, Louisiana

Summary Schedule of Prior Audit Findings
For the Year Ended December 31, 2001

There were no findings reported in the audit report for the year ended December 31, 2000.