

OFFICIAL
FILE COPY

DO NOT SEND OUT

(Xerox necessary
copies from this
copy and PLACE
BACK in FILE)

VILLAGE OF EPPS
Epps, Louisiana

Annual Financial Statements

As of and for the Year Ended
December 31, 2008

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 6/10/09

VILLAGE OF EPPS
Epps, Louisiana

Annual Financial Statements

As of and for the Year Ended December 31, 2008

C O N T E N T S

	Statement	Page No.
Independent Auditor's Report		3
Required Supplemental Information:		
Management's Discussion and Analysis		5
Basic Financial Statements:		
Government-Wide Financial Statements:		
Statement of Net Assets	A	11
Statement of Activities	B	12
Fund Financial Statements:		
Governmental Funds:		
Balance Sheet	C	13
Statement of Revenues, Expenditures and Changes in Fund Balances	D	14
Business-Type Activities:		
Statement of Net Assets	E	16
Statement of Revenues, Expenses, and Changes in Net Assets	F	17
Statement of Cash Flows	G	18
Notes to the Financial Statements		19

VILLAGE OF EPPS
Epps, Louisiana
Annual Financial Statements
As of and for the Year Ended December 31, 2008

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

	Schedule	Page No.
Required Supplemental Information:		
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and And Actual - General Fund	1	33
Other Supplemental Information Schedules:		
Schedule of Per Diem Paid Aldermen	2	36
Status of Prior Year Findings	3	37
Independent Auditor's Reports Required by <i>Government Auditing Standards:</i>		
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		40
Current Year Findings and Management's Planned Corrective Action Plan		42

M. CARLEEN DUMAS
CERTIFIED PUBLIC ACCOUNTANT
369 Donaldson Road.Calhoun, Louisiana 71225.Telephone 318/644-5726

Independent Auditor's Report

MAYOR AND BOARD OF ALDERMEN
VILLAGE OF EPPS
Epps, Louisiana

I have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Village of Epps, as of and for the year ended December 31, 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's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my 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 I 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. I believe that my audit provides a reasonable basis for my opinions.

In my 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 Epps, as of December 31, 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.

Member of the American Institute of Certified Public Accountants
Member of the Society of Louisiana Certified Public Accountants

MAYOR AND BOARD OF ALDERMEN
VILLAGE OF EPPS
Epps, Louisiana
Independent Auditor's Report
December 31, 2008

In accordance with *Government Auditing Standards*, I have also issued a report dated May 21, 2009, on my consideration of the Village of Epps' internal control over financial reporting and on my tests of the Village's 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 my 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 my audit.

The management's discussion and analysis and budgetary comparison on pages 5 through 9 and 33, 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. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Epps' basic financial statements. The Schedule of Per Diem Paid Aldermen and the Status of Prior Year Findings listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

/s/ Carleen Dumas
Calhoun, Louisiana
May 21, 2009

VILLAGE OF EPPS
Epps, Louisiana

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2008

Our discussion and analysis of Village of Epps' (hereafter referred to as the Village) financial performance provides an overview of the Village's financial activities for the fiscal year ended December 31, 2008. Please read it in conjunction with the Village's basic financial statements.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Village as a whole. Fund financial statements provide information on how the general activities of the Village are financed in the short term as well as what remains for future spending. Fund financial statements report the Village's operations in more detail than the government-wide statements.

**Reporting the Village as a Whole - The Statement of Net Assets
and the Statement of Activities**

Our analysis of the Village as a whole begins with the Statement of Net Assets and the Statement of Activities. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most businesses. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Village's *net assets* and the changes in them. Net assets - the difference between assets (what the Village owns) and liabilities (what the Village owes) is a way to measure the financial position of the Village. Over time, increases or decreases in the Village's net assets are an indicator of whether the Village's financial position is improving or deteriorating.

In the Statement of Net Assets and the Statement of Activities, the Village is divided into two kinds of activities:

Governmental activities - all of the Village's governmental services are reported here including the police department, community development, and general administration.

Business-type activities - the Village's water and sewer system is reported here.

Reporting the Village's Funds - Fund Financial Statements

The fund financial statements provide more detailed information about the Village's funds. The General Fund is the operating fund of the Village and accounts for all of the financial resources of the general government. The LCDBG Capital Projects Fund was required to be established by the federal grantor. The Water and Sewer Enterprise Fund was established by the Village to help it

control and manage money for particular purposes. The Village's two kinds of funds - governmental and business-type funds use different accounting methods.

Governmental funds focus on how money flows into and out of the funds and the balances left at year-end that are available for spending. Governmental funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the Village's operations. Governmental fund information helps to determine whether there are more or fewer financial resources that are available to be spent in the near future. The differences between governmental activities reported in the Statement of Net Assets and the Statement of Activities and governmental funds are reported in a reconciliation at the bottom of the fund financial statements.

Business-type activities funds are reported in the same way that the activities are reported in the Statement of Net Assets and the Statement of Activities.

COMPARATIVE ANALYSIS OF FINANCIAL DATA

The Village's total net assets increased by \$331,920 during 2008. The increase in net assets is primarily due to a \$325,260 increase in business-type activities net assets resulting from the completion of the water system improvement project. The following presents an analysis of net assets and changes in net assets of the Village's governmental and business-type activities:

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2008	2007	2008	2007	2008	2007
Assets						
Current assets	\$94,220	\$50,691	\$60,119	\$56,581	\$154,339	\$107,272
Restricted assets			12,900	8,534	12,900	8,534
Capital assets	309,650	355,773	1,510,496	1,215,779	1,820,146	1,571,552
Total assets	<u>403,870</u>	<u>406,464</u>	<u>1,583,515</u>	<u>1,280,894</u>	<u>1,987,385</u>	<u>1,687,358</u>
Liabilities						
Current liabilities	82,373	91,626	33,361	38,223	118,855	129,849
Long-term liabilities	3,121	3,121	337,156	354,933	337,156	358,054
Total liabilities	<u>85,494</u>	<u>94,747</u>	<u>370,517</u>	<u>393,156</u>	<u>456,011</u>	<u>487,903</u>
Net Assets						
Invested in capital assets, net of related debt	306,529	334,733	1,155,907	844,250	1,462,436	1,178,983
Restricted			12,900	8,534	12,900	8,534
Unrestricted (deficit)	11,847	(23,017)	44,191	34,954	56,038	11,937
Total net assets	<u>318,376</u>	<u>311,716</u>	<u>1,212,998</u>	<u>887,738</u>	<u>1,531,374</u>	<u>1,199,454</u>

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2008	2007	2008	2007	2008	2007
Program revenues						
Charges for services	\$304,292	\$195,760	\$130,433	\$122,429	\$434,725	\$318,189
Operating grant	4,914				4,914	
Capital grants	348,610	64,913			348,610	64,913
General revenues						
Franchise taxes	18,580	15,570			18,580	15,570
Tobacco taxes		1,889				1,889
Investment earnings			46	74	46	74
Other	5,391	1,390			5,391	1,390
Special item - gain (loss) on sale of fixed assets	4,850	24,692			4,850	24,692
Transfers	<u>(359,671)</u>	<u>9,170</u>	<u>359,671</u>	<u>(9,170)</u>		
Total revenue and transfers	<u>326,966</u>	<u>313,384</u>	<u>490,150</u>	<u>113,333</u>	<u>817,116</u>	<u>426,717</u>
Program expenses						
General government	320,306	253,270			320,306	253,270
Water and sewer			164,890	146,410	164,890	146,410
Total expenses	<u>320,306</u>	<u>253,270</u>	<u>164,890</u>	<u>146,410</u>	<u>485,196</u>	<u>399,680</u>
Change in net assets	6,660	60,114	325,260	(33,077)	331,920	27,037
Net assets - beginning, restated	<u>311,716</u>	<u>251,602</u>	<u>887,738</u>	<u>920,815</u>	<u>1,199,454</u>	<u>1,172,417</u>
Net assets - ending	<u>\$318,376</u>	<u>\$311,716</u>	<u>\$1,212,998</u>	<u>\$887,738</u>	<u>\$1,531,374</u>	<u>\$1,199,454</u>

The Village's total revenues increased \$390,399. The increase in total revenues resulted from a increase in rent revenue and federal grants. Total expenses increased \$85,516 due to increases in salaries, insurance, and IRS penalties and interest.

Governmental Funds

Total revenue and transfers for governmental activities increased \$13,582 from revenues and transfers of the prior year due to the net effect of an increase in rent revenue and federal grants, and an increase in transfers to business-type activities fund. The expenses of the governmental activities increased \$67,036 from expenses of the prior year due primarily to increases in salaries, insurance, and IRS penalties and interest.

Business-Type Activities

The Village's charges for services for its business-type activities increased \$8,004 from the prior year. Total expenses increased \$18,480 primarily due to an increase in insurance, gas, fuel and oil, and repairs and maintenance expenses.

OVERALL FINANCIAL POSITION

The Village made significant improvements in its financial condition during 2008. The Village's net assets increased \$331,920 as a result of this year's operations. The completion of the water system improvement project funded by a federal grant is responsible for the increase in the business-type activities but the governmental activities had a net increase of \$6,660 that can be attributed to an increase in rent revenue. Unrestricted net assets (those assets available to finance the daily operations of the Village) were \$56,038 at year end. Assets restricted for debt service were \$12,900 at year end. The amount invested in capital assets, net of related debt, was \$1,155,907 at year end.

VILLAGE'S FUNDS

At the end of the year, the Village's General Fund reported a fund balance of \$11,866. The increase in net assets for 2008 was \$34,864 due primarily an increase in rent revenue that resulted from the Village renegotiating its agreement with Emerald Corporation for operating the detention center. The Water and Sewer Enterprise Fund reported unrestricted net assets of \$44,191 at year end. The increase in net assets was \$325,260 for 2008 due to the completion of the water system improvement project that had been accounted for in the LCDBG Capital Projects Fund. The Water and Sewer Enterprise Fund had an operating loss of \$15,218 due to the fact that revenues are not sufficient to cover operating expenses including depreciation of \$82,533. The LCDBG Capital Projects Fund reported a deficit fund balance of \$19 at year end.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Village amended its General Fund budget one time during 2008. At year end, actual revenues and other sources were \$35,879 more than budgeted revenues and other sources and actual expenditures were \$28,115 more than budgeted expenditures. The Village prepares its General Fund budget on the modified accrual basis of accounting.

CAPITAL ASSETS AND DEBT

Capital Assets

At the end of the year, the Village had capital assets (net of accumulated depreciation) totaling \$1,820,146. Capital assets include land, buildings, the water and sewer systems and improvements, and vehicles and equipment, costing \$1,000 or more. The Village has elected not to report major general infrastructure assets such as roads, bridges, sidewalks, etc., that were purchased or constructed prior to January 1, 2002.

The Village purchased a police car and a generator during 2008. The Village also completed the construction of the water system improvement project during 2008 at a total cost of \$377,250. The Village sold some land, three old police cars and a utility trailer resulting in a gain from the sale of fixed assets of \$4,850. Additional information about the Village's capital assets is presented in the notes to the financial statements.

Debt

At year end, the Village owed \$3,121 under a capital lease agreement for a new police car. At year end the Village had \$354,589 in revenue bonds payable. Additional information about the Village's debt is presented in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Village prepared its 2009 General Fund budget on the assumption that revenues and other financing sources will increase approximately \$16,450 and expenditures will decrease approximately \$48,215 from 2008 budgeted amounts. The increase in revenues and other financing sources is primarily the net effect of an increase in rent revenue and a decrease in state grants and transfers from the Water and Sewer Enterprise Fund. The decrease in expenditures is primarily due to decreases in insurance, capital outlay, and debt service expenditures. The Village approved a water and sewer rate increase in February 2009, therefore the Water and Sewer Enterprise Fund's 2009 revenues will increase over 2008 amounts. The expenses of the Water and Sewer Enterprise Fund are anticipated to be fairly constant for 2009.

BASIC FINANCIAL STATEMENTS

VILLAGE OF EPPS
Epps, Louisiana

STATEMENT OF NET ASSETS
December 31, 2008

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash	\$66,013	\$50,375	\$116,388
Receivables (net of allowances for uncollectibles)	28,207	9,744	37,951
Restricted assets - certificates of deposit		12,900	12,900
Capital assets (net)	<u>309,650</u>	<u>1,510,496</u>	<u>1,820,146</u>
TOTAL ASSETS	<u>403,870</u>	<u>1,583,515</u>	<u>1,987,385</u>
LIABILITIES			
Accounts payable	32,876	1,277	34,153
Payroll taxes and withholdings payable	49,497		49,497
Customer deposits		6,500	6,500
Accrued interest payable		8,151	8,151
Long-term liabilities:			
Due within one year	3,121	17,433	20,554
Due in more than one year		<u>337,156</u>	<u>337,156</u>
TOTAL LIABILITIES	<u>85,494</u>	<u>370,517</u>	<u>456,011</u>
NET ASSETS			
Invested in capital assets, net of related debt	306,529	1,155,907	1,462,436
Restricted for debt service		12,900	12,900
Unrestricted	<u>11,847</u>	<u>44,191</u>	<u>56,038</u>
TOTAL NET ASSETS	<u>\$318,376</u>	<u>\$1,212,998</u>	<u>\$1,531,374</u>

The accompanying notes are an integral part of this statement.

VILLAGE OF EPPS
Epps, Louisiana

BALANCE SHEET - GOVERNMENTAL FUNDS
December 31, 2008

	General Fund	LCDBG Capital Projects Fund	Total Governmental Funds
ASSETS			
Cash	\$65,932	\$81	\$66,013
Receivables	28,207		28,207
Due from other funds	100		100
	<u>100</u>		<u>100</u>
TOTAL ASSETS	<u>\$94,239</u>	<u>\$81</u>	<u>\$94,320</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$32,876		\$32,876
Payroll taxes and withholdings payable	49,497		49,497
Due to other funds		\$100	100
	<u>82,373</u>	<u>100</u>	<u>82,473</u>
Total liabilities	82,373	100	82,473
Fund balance - unreserved (deficit)	11,866	(19)	11,847
	<u>11,866</u>	<u>(19)</u>	<u>11,847</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$94,239</u>	<u>\$81</u>	<u>\$94,320</u>

**Reconciliation of the Balance Sheet of Governmental
Funds To the Statement of Net Assets:**

Fund balances - unreserved - Total Governmental Funds	\$11,847
Amount reported for net assets of governmental activities in the Statement of Net Assets (Statement A) is different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund	309,650
Long-term liabilities such as capital leases payable are not due and payable in the current period and therefore are not reported in the funds	(3,121)
Net assets of governmental activities (Statement A)	<u>\$318,376</u>

The accompanying notes are an integral part of this statement.

VILLAGE OF EPPS
Epps, Louisiana

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
For the Year Ended December 31, 2008

	General Fund	LCDBG Capital Projects Fund	Total Governmental Funds
REVENUES			
Franchise taxes	\$18,580		\$18,580
Licenses and permits	15,830		15,830
Intergovernmental revenue:			
State grants	26,187		26,187
Federal grants		\$327,337	327,337
Fines	45,817		45,817
Rent	240,057		240,057
Other revenues	7,979		7,979
Total revenues	<u>354,450</u>	<u>327,337</u>	<u>681,787</u>
EXPENDITURES			
General government:			
Personal services	202,356		202,356
Operating services	77,670		77,670
Materials and supplies	17,400		17,400
Community development - facilities construction		327,337	327,337
Capital outlay	26,253		26,253
Debt service	18,336		18,336
Total expenditures	<u>342,015</u>	<u>327,337</u>	<u>669,352</u>
EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES	<u>12,435</u>	NONE	<u>12,435</u>
OTHER FINANCING SOURCES (Uses)			
Operating transfer in	17,579		17,579
Proceeds from sale of fixed assets	4,850		4,850
Total other financing sources (uses)	<u>22,429</u>	NONE	<u>22,429</u>
NET CHANGE IN FUND BALANCES	34,864	NONE	34,864
FUND BALANCE (Deficit) AT BEGINNING OF YEAR, Restated	<u>(22,998)</u>	<u>(19)</u>	<u>(23,017)</u>
FUND BALANCE (Deficit) AT END OF YEAR	<u>\$11,866</u>	<u>(\$19)</u>	<u>\$11,847</u>

(Continued)

The accompanying notes are an integral part of this statement.

VILLAGE OF EPPS
 Epps, Louisiana
 STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE - GOVERNMENTAL FUND
 For the Year Ended December 31, 2008

	<u>Total Governmental Funds</u>
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities:	
Net change in fund balances - Total Governmental Funds	\$34,864
Amount reported for governmental activities in the Statement of Activities (Statement B) is different because:	
Governmental funds report capital outlays and facilities construction as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay and facilities construction exceeded depreciation expense in the current period.	331,127
The completion of the project in the LCDBG Capital Projects Fund is shown as a transfer of capital assets to the Water and Sewer Enterprise Fund in the statement of net assets.	(377,250)
Capital lease payments are an expenditure in the governmental funds, but the payments (less the amount representing interest) reduce long-term liabilities in the statement of net assets.	<u>17,919</u>
Change in net assets of governmental activities (Statement B)	<u><u>\$6,660</u></u>

(Concluded)

The accompanying notes are an integral part of this statement.

VILLAGE OF EPPS
Epps, Louisiana

STATEMENT OF NET ASSETS - BUSINESS-TYPE ACTIVITIES
December 31, 2008

	Water and Sewer Enterprise Fund
	<u> </u>
ASSETS	
Current assets:	
Cash	\$50,375
Accounts receivable (net of allowance for doubtful accounts)	9,744
Total current assets	<u>60,119</u>
Noncurrent assets:	
Restricted assets - certificates of deposit	12,900
Capital assets (net of accumulated depreciation)	1,510,496
Total noncurrent assets	<u>1,523,396</u>
Total assets	<u>1,583,515</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$1,277
Accrued interest payable	8,151
Current portion of long-term debt	17,433
Customer deposits	6,500
Total current liabilities	<u>33,361</u>
Noncurrent liabilities:	
Long-term debt - revenue bonds payable	337,156
Total liabilities	<u>370,517</u>
NET ASSETS	
Invested in capital assets, net of related debt	1,155,907
Restricted for debt service	12,900
Unrestricted	44,191
Total net assets	<u>\$1,212,998</u>

The accompanying notes are an integral part of this statement.

Statement F**VILLAGE OF EPPS
Epps, Louisiana****STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS - BUSINESS-TYPE ACTIVITIES
For the Year Ended December 31, 2008**

	<u>Water and Sewer Enterprise Fund</u>
OPERATING REVENUES	
Water sales	\$79,393
Sewer fees	49,576
Penalties	1,233
Other	231
Total operating revenue	<u>130,433</u>
OPERATING EXPENSES	
Office expense	369
Advertising	563
Postage	1,000
Repairs and maintenance	6,275
Utilities and telephone	18,399
Supplies	4,940
Gas, fuel, and oil	5,928
Insurance	15,894
Accounting	4,150
Fees and dues	1,752
Water and sewer analysis	3,848
Depreciation	82,533
Total operating expenses	<u>145,651</u>
OPERATING INCOME (Loss)	<u>(15,218)</u>
NON-OPERATING REVENUES (Expenses)	
Interest earned on deposits	46
Capital assets transferred from LCDBG Capital Projects Fund	377,250
Transfers to General Fund	(17,579)
Interest expense	(19,239)
Total non-operating revenues	<u>340,478</u>
CHANGE IN NET ASSETS	325,260
NET ASSETS - BEGINNING	887,738
NET ASSETS - ENDING	<u>\$1,212,998</u>

The accompanying notes are an integral part of this statement.

VILLAGE OF EPPS
Epps, Louisiana

STATEMENT OF CASH FLOWS - BUSINESS-TYPE ACTIVITIES
For the Year Ended December 31, 2008

	<u>Water and Sewer Enterprise Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$126,187
Customer meter deposits (net)	549
Payments to suppliers	<u>(64,587)</u>
Net cash provided by operating activities	<u>62,149</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfer to General Fund	<u>(17,579)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal paid on capital debt	(16,939)
Interest paid on capital debt	(19,357)
Increase in restricted cash - certificates of deposit	<u>(4,366)</u>
Net cash used by capital and related financing activities	<u>(40,662)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	<u>46</u>
NET INCREASE IN CASH	3,954
CASH AT BEGINNING OF YEAR	<u>46,421</u>
CASH AT END OF YEAR	<u>\$50,375</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income (Loss)	<u>(\$15,218)</u>
Adjustments:	
Depreciation	82,533
Decrease in accounts receivable	416
Decrease in customer meter deposits	(4,114)
Decrease in accounts payable	<u>(1,468)</u>
Total adjustments	<u>77,367</u>
Net cash provided by operating activities	<u>\$62,149</u>

The accompanying notes are an integral part of this statement.

VILLAGE OF EPPS
Epps, Louisiana

Notes to the Financial Statements
As of and for the Year Ended December 31, 2008

INTRODUCTION

The Village of Epps was incorporated under the provisions of the Lawrason Act in 1939. The village is governed by the mayor-board of aldermen form of government. The mayor and three aldermen serve four-year terms which expire on December 31, 2010. The aldermen receive a per diem of \$75 per regular meeting and \$37 for each special meeting. The village provides general government, public safety, and water and sewer services to its residents. The village has a full-time clerk, an elected Chief of Police and seven other employees.

GASB Statement No. 14, *The Reporting Entity*, established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the Village of Epps is considered a primary government, since it is a special purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state and local governments. As used in GASB Statement No. 14, fiscally independent means that the municipality may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges, and issue bonded debt. The village has no component units.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the activities of the Village of Epps. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

VILLAGE OF EPPS
Notes to the Financial Statements

Separate financial statements are provided for governmental funds and business-type activities funds. All individual governmental funds and individual enterprise funds are reported as separate columns in the fund financial statements.

**B. Measurement Focus, Basis of Accounting, and
Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the business-type fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, revenues are considered to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgements, are recorded only when payment is due.

Franchise taxes, and charges for services associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the village.

The Village of Epps reports the following governmental funds:

General Fund

The General fund is the general operating fund of the village and accounts for all financial resources of the general government.

Capital Projects - LCDBG Fund

The LCDBG Fund is used to account for a grant from the United States Department of Housing and Urban Development, Division of Administration for the improvement of the village's water system.

VILLAGE OF EPPS
Notes to the Financial Statements

The Village of Epps reports the following business-type activity fund:

Water and Sewer Enterprise Fund

The Water and Sewer Enterprise fund accounts for the operations of the village's water and sewer systems.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide and business-type activities fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The village has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity is eliminated from the government-wide financial statements.

Amounts reported as program revenues include charges to customers for goods, services, or privileges provided and capital grants. General revenues include all taxes, interest and other miscellaneous revenue.

Business-type activities funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the fund's ongoing operations. The Water and Sewer Enterprise Fund's operating revenues consist of charges for water and sewer sales and penalties. Operating expenses for enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

C. Deposits

The village's cash and restricted cash are amounts in demand deposits and short-term investments with original maturities of 90 days or less from the date of acquisition. State law allows the village to invest in collateralized certificates of deposits, government-backed securities, commercial paper, the state sponsored investment pool, and mutual funds consisting solely of government-backed securities. If the original maturities of investments exceed 90 days, they are classified as investments.

D. Receivables

Activity between funds that are representative of lending/borrowing arrangements at the end of the fiscal year are referred to as "due to/from other funds". Any residual balances

VILLAGE OF EPPS
Notes to the Financial Statements

outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Trade receivables are generally shown net of an allowance for uncollectible amounts. The allowance for uncollectibles is based a percentage of past due accounts at year-end.

E. Restricted Assets

Certain resources set aside for the repayment of revenue bonds are classified as restricted assets on the balance sheet because their use is limited by the debt agreement.

F. Capital Assets

Capital assets, which include land, buildings, the water and sewer systems and improvements, and vehicles and equipment are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are capitalized at historical cost or estimated cost if historical cost is not available. Approximately 90 percent of the village's capital assets have been capitalized at cost and the remaining 10 percent have been capitalized at estimated cost based on the historical cost of similar assets. The Village of Epps maintains a threshold level of \$1,000 or more for capitalizing capital assets. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. The village has elected not to report general infrastructure assets, such as roads, bridges, sidewalks, etc., constructed prior to January 1, 2002.

Major outlays for capital assets and improvements are capitalized as projects are constructed. No interest has been incurred in connection with the construction during the year ended December 31, 2008.

All capital assets, other than land, are depreciated using the straight-line method over the following useful lives:

	<u>Estimated Lives</u>
Infrastructure - water and sewer system and improvements	25 years
Buildings	25 - 40 years
Vehicles and equipment	5-20 years

G. Compensated Absences

The village has the following policy relating to vacation and sick leave:

VILLAGE OF EPPS
Notes to the Financial Statements

Permanent, full-time employees receive from five to fifteen days of vacation leave depending on length of service on the employee's anniversary date of employment. Employees may not accumulate or carry over annual leave from one anniversary date of employment to another. Sick leave is earned at the rate of one day for each month worked, however, no employee may accumulate more than ten days of sick leave per year, nor accumulate more than a total of thirty days of sick leave. Employees who resign, retire, or who are dismissed from employment will not be paid for accumulated sick leave.

H. Long-Term Obligations

In the government-wide financial statements and the Water and Sewer Enterprise Fund fund financial statements, long-term debt is reported as a liability in the applicable governmental activities and business-type activities statement of net assets.

I. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. At December 31, 2008, the village's governmental fund balances were unreserved and undesignated.

J. 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 certain reported amounts of assets and liabilities, disclosures, and revenues, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

K. Interest Costs

The following provides disclosure on interest costs for the year ended December 31, 2008 for the Water and Sewer Enterprise Fund:

Total interest cost expensed	\$19,239
Total interest cost capitalized	<u>NONE</u>
Total interest costs incurred	<u>\$19,239</u>

**2. STEWARDSHIP, COMPLIANCE, AND
ACCOUNTABILITY**

VILLAGE OF EPPS
Notes to the Financial Statements

A. Budget Information

The Village of Epps uses the following budget practices:

A proposed budget for the General Fund, prepared on the modified accrual basis of accounting, is presented to the board of aldermen each year. The budget is legally adopted by the board of aldermen and amended during the year as necessary. Budgets are established and controlled by the board at the object level of expenditure. Appropriations lapse at year-end and must be reappropriated for the following year to be expended. There was one budget amendment during the year ended December 31, 2008.

B. Excess of Expenditures Over Appropriations

The following individual fund had actual expenditures over budgeted appropriations for the year ended December 31, 2008:

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Unfavorable Variance</u>
General Fund	<u>\$211,142</u>	<u>\$313,900</u>	<u>\$342,015</u>	<u>\$28,115</u>

C. Deficits

The LCDBG Capital Projects Fund had a \$19 deficit in unreserved fund balance at December 31, 2008. The village plans to eliminate this deficit with a transfer from the General Fund.

3. DEPOSITS IN FINANCIAL INSTITUTIONS

At December 31, 2008, the village has cash and restricted cash - certificates of deposit (book balances) as follows:

Checking accounts	\$116,388
Short-term investments - certificates of deposit	<u>12,900</u>
Total	<u>\$129,288</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. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. At December 31, 2008, these deposits are secured from risk by federal deposit insurance.

VILLAGE OF EPPS
Notes to the Financial Statements

4. RECEIVABLES

The following is a summary of receivables at December 31, 2008:

	General Fund	Water and Sewer Enterprise Fund	Total
Franchise taxes	\$4,317		\$4,317
Rent	20,677		20,677
Charges for services	1,065	\$11,749	12,814
Other	2,148		2,148
Allowance for doubtful accounts		(2,005)	(2,005)
Total	<u>\$28,207</u>	<u>\$9,744</u>	<u>\$37,951</u>

5. INTERFUND RECEIVABLES/PAYABLES

The following is a summary of interfund receivables and payables at December 31, 2008:

	Due From Other Funds	Due To Other Funds
General Fund	\$100	
LCDBG Capital Projects Fund		\$100
Total	<u>\$100</u>	<u>\$100</u>

The amount due to the General Fund is for administrative costs associated with the federal grant. All interfund balances are expected to be repaid at the end of the grant period.

6. CAPITAL ASSETS

Capital assets and depreciation activity as of and for the year ended December 31, 2008, is as follows:

	Balance at January 1, 2008	Increases	Decreases	Balance at December 31, 2008
Governmental activities:				
Capital assets not being depreciated:				
Land	<u>\$14,000</u>	<u>NONE</u>	<u>NONE</u>	<u>\$14,000</u>

VILLAGE OF EPPS
Notes to the Financial Statements

	Balance at January 1, 2008	Increases	Decreases	Balance at December 31, 2008
Capital assets being depreciated:				
Buildings	\$426,039			\$426,039
Vehicles and equipment	142,462	\$26,253	(\$19,715)	149,000
Total capital assets being depreciated	<u>\$568,501</u>	<u>\$26,253</u>	<u>(\$19,715)</u>	<u>\$575,039</u>
Less accumulated depreciation for:				
Buildings	197,140	10,651		207,791
Vehicles and equipment	79,501	11,812	(19,715)	71,598
Total accumulated depreciation	<u>276,641</u>	<u>22,463</u>	<u>(19,715)</u>	<u>279,389</u>
Total assets being depreciated, net	<u>\$291,860</u>	<u>\$3,790</u>	<u>NONE</u>	<u>\$295,650</u>
Business-type activities:				
Capital assets being depreciated:				
Water and sewer systems and improvements	\$2,219,377	\$377,250		\$2,596,627
Building	2,618			2,618
Equipment	19,054			19,054
Total capital assets being depreciated	<u>2,241,049</u>	<u>377,250</u>	<u>NONE</u>	<u>2,618,299</u>
Less accumulated depreciation for:				
Water and sewer systems and improvements	\$1,008,105	\$81,333		\$1,089,438
Building	921	104		1,025
Equipment	16,244	1,096		17,340
Total accumulated depreciation	<u>\$1,025,270</u>	<u>\$82,533</u>	<u>NONE</u>	<u>\$1,107,803</u>
Total assets being depreciated, net	<u>\$1,215,779</u>	<u>\$294,717</u>	<u>NONE</u>	<u>\$1,510,496</u>

VILLAGE OF EPPS
Notes to the Financial Statements

Depreciation expense of \$22,463 was charged to the general government governmental function and \$82,533 was charged to the water and sewer business-type activities function for the year ended December 31, 2008.

7. INTERFUND TRANSFERS

The following is a summary of interfund transfers during the year ended December 31, 2008:

	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$17,579	
Water and Sewer Enterprise Fund		<u>\$17,579</u>
Total	<u>\$17,579</u>	<u>\$17,579</u>

The transfers were made to pay a portion of the personnel costs paid by the General Fund. In addition, the water system improvements accounted for in the LCDBG Capital Projects Fund were completed and reported as a transfer in the amount of \$377,250 to the Water and Sewer Enterprise Fund upon completion.

8. CAPITAL LEASE

The Village of Epps records items under capital leases as an asset and on obligation in the accompanying financial statements. The village's capital lease is for a police car with an original amount of \$21,040. The following is a schedule of future minimum lease payments under the lease, together with the present value of the net minimum lease payments, as of December 31, 2008:

<u>Year Ending December 31,</u>	
2009	<u>\$3,336</u>
Total minimum lease payments	3,336
Less amounts representing interest	<u>(215)</u>
Present value of net minimum lease payments	<u>\$3,121</u>

9. LONG-TERM OBLIGATIONS

The following is a summary of long-term obligations transactions for the year ended December 31, 2008:

	<u>Revenue Bonds Payable</u>	<u>Capital Leases Payable</u>	<u>Total</u>
Balance January 1, 2008	\$371,529	\$21,040	\$392,569
Additions			
Reductions	<u>(\$16,940)</u>	<u>(17,919)</u>	<u>(34,859)</u>

VILLAGE OF EPPS
Notes to the Financial Statements

Balance at December 31, 2008 \$354,589 \$3,121 \$357,710

Interest expense of \$417 was charged to the general government governmental function and interest expense of \$19,239 was charged to the water and sewer business-type activities function for the year ended December 31, 2008.

The following is a summary of the current (due in one year or less) and long-term (due in more than one year) portions of long-term obligations as of December 31, 2008:

	Revenue Bonds Payable	Capital Leases Payable	Total
Current portion	\$17,433	\$3,121	\$20,554
Long-term portion	337,156		337,156
Total	<u>\$354,589</u>	<u>\$3,121</u>	<u>\$357,710</u>

Revenue bonds payable in the amount of \$354,589 have maturities from 2009 until 2029 and 4.5% to 6.125% interest rates. Loan principal and interest payable in the next fiscal year are \$17,433 and \$18,864, respectively. The individual bonds are as follows:

	\$237,000 Bonds	\$13,000 Bonds	\$359,000 Bonds
Original issue date	4/5/88	4/5/88	5/22/96
Interest rate	6.00%	6.125%	4.50%
Final payment due	4/5/29	4/5/28	5/20/22
Interest to maturity	\$137,770	\$7,789	\$45,077
Principal outstanding	\$182,910	\$10,090	\$161,589
Funding source	Water revenue	Water revenue	Sewer revenue

The loans are due as follows:

Year Ending December 31,	Principal Payments	Interest Payments	Total
2009	\$17,433	\$18,864	\$36,297
2010	18,295	18,002	36,297
2011	19,200	17,097	36,297
2012	20,151	16,146	36,297
2013	21,150	15,146	36,296
2014 - 2018	122,601	58,883	181,484
2019 - 2023	62,592	32,183	94,775

VILLAGE OF EPPS
Notes to the Financial Statements

<u>Year Ending December 31,</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total</u>
2024 - 2028	\$69,592	\$14,101	\$83,693
2029	3,575	214	3,789
Total	<u>\$354,589</u>	<u>\$190,636</u>	<u>\$545,225</u>

10. RESTRICTED NET ASSETS

The bond covenants with the United States Department of Agriculture, Farmers Home Administration for the 1988 Water Revenue Bonds discussed in note 9 above, require 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 \$16,738 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 "Contingency Fund". The village must transfer \$66 into this fund each month. The deposits in this fund may be used for unusual or extraordinary maintenance, repairs, replacements, and extensions and for the cost of improvements to the system. Money in this fund may also be used to pay principal and interest on bonds falling due at any time there is not sufficient funds in the other reserve funds.

The bond covenants with the United States Department of Agriculture, Farmers Home Administration for the 1996 Sewer Revenue Bonds discussed in note 8 above, require the village to establish the following reserve accounts:

- A. A "Reserve Fund". The village must transfer \$82 into this fund each month until \$19,558 has been accumulated therein. Such amounts may be used only for the payment of maturing bonds and interest for which would otherwise be in default.
- B. A "Contingency Fund". The village must transfer \$97 into this fund each month. The deposits in this fund may be used to care for depreciation, extensions, additions, improvements, and replacements to the system. Money

VILLAGE OF EPPS
Notes to the Financial Statements

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 fund.

At December 31, 2008 the village has \$12,900 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, 2008:

Reserve for revenue bonds payable at January 1, 2008	\$8,534
Interest earnings	46
Deposits	<u>4,320</u>
Reserve for bonds payable at December 31, 2008	<u>\$12,900</u>

11. RESTATEMENT OF NET ASSETS

Beginning net assets for governmental activities and beginning fund balance for the General Fund are restated in the accompanying financial statements as follows:

	<u>Governmental Activities</u>	<u>General Fund</u>
Net Assets/Fund Balance at December 31, 2007 as previously reported	\$258,289	(\$26,512)
Accounts payable overstated	3,846	3,846
Payroll taxes and withholding payable understated	(332)	(332)
Capital assets understated	<u>49,913</u>	
Net Assets/Fund Balance at December 31, 2007, restated	<u>\$311,716</u>	<u>(\$22,998)</u>

12. RISK MANAGEMENT AND CONTINGENT LIABILITIES

The village purchases commercial insurance to reduce the risk of loss resulting from property damage or liability claims. There have been no significant reductions in insurance coverage from coverage in the prior year. Settlements have not exceeded insurance coverage in any of the past three fiscal years.

The village is involved in one lawsuit at December 31, 2008. In the opinion of legal counsel, resolution of this lawsuit will not result in any liability in excess of insurance coverage, therefore, no provision for any liability is recorded in the accompanying financial statements.

During the year ended December 31, 2008, the village received \$327,337 in grant revenues from the United States Department of Housing and Urban Development, Division of Administration for the improvement of the village's water system. Costs charged to the grant program are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the village has not complied with the rules and regulations governing the grant, refunds of any money received may be required. In the opinion of the village management, there are no significant contingent liabilities relating to compliance with the rules and

VILLAGE OF EPPS
Notes to the Financial Statements

regulations governing the grant; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

14. OPERATING AGREEMENT

In September 1996, the village entered into an agreement with Correctional Operations Management Company, L.L.C., (COMCO) to become the sponsoring agent for COMCO to operate and manage the facility known as West Carroll Detention Center. The village agreed to sponsor COMCO and lease property to them for an original term of five years. The agreement contains an option to extend the term of sponsorship and lease agreement for three additional five year terms. During 2003, COMCO changed the name of its operation to Emerald Corporation. During 2008, the village restructured the agreement with Emerald Corporation. During the year ended December 31, 2008, the village received \$233,624 from Emerald Corporation from the restructured agreement and the rental of the fish plant.

REQUIRED SUPPLEMENTAL INFORMATION

VILLAGE OF EPPS
Epps, Louisiana

SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
GENERAL FUND

For the Year Ended December 31, 2008

	BudgetedAmounts.....		Actual Amounts (Budgetary Basis - GAAP)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Franchise taxes	\$18,400	\$18,300	\$18,580	\$280
Licenses and permits	22,200	14,000	15,830	1,830
Intergovernmental revenue - state grant		21,000	26,187	5,187
Fines	50,000	50,000	45,817	(4,183)
Rent	112,000	218,000	240,057	22,057
Other revenue	9,000	4,700	7,979	3,279
Total revenues	<u>211,600</u>	<u>326,000</u>	<u>354,450</u>	<u>28,450</u>
EXPENDITURES				
General government:				
Personal services	143,500	176,000	202,356	(26,356)
Operating services	53,142	95,950	77,670	18,280
Materials and supplies	14,500	18,600	17,400	1,200
Capital outlay		5,000	26,253	(21,253)
Debt service		18,350	18,336	14
Total expenditures	<u>211,142</u>	<u>313,900</u>	<u>342,015</u>	<u>(28,115)</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>458</u>	<u>12,100</u>	<u>12,435</u>	<u>335</u>
OTHER FINANCING SOURCES				
Operating transfer in		15,000	17,579	2,579
Proceeds from sale of fixed assets			4,850	4,850
Total other financing sources	<u>NONE</u>	<u>15,000</u>	<u>22,429</u>	<u>7,429</u>
NET CHANGE IN FUND BALANCE	<u>458</u>	<u>27,100</u>	<u>34,864</u>	<u>7,764</u>
FUND BALANCE (Deficit) AT BEGINNING OF YEAR	<u>NONE</u>	<u>(26,512)</u>	<u>(22,998)</u>	<u>3,514</u>
FUND BALANCE AT END OF YEAR	<u>\$458</u>	<u>\$588</u>	<u>\$11,866</u>	<u>\$11,278</u>

There was one budget amendment during the year ended December 31, 2008.

OTHER SUPPLEMENTAL INFORMATION SCHEDULES

VILLAGE OF EPPS
Epps, Louisiana

OTHER SUPPLEMENTAL INFORMATION SCHEDULES
As of and For the Year Ended December 31, 2008

COMPENSATION PAID ALDERMEN

The schedule of per diem paid aldermen is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. Compensation of the aldermen is included in the general government personal services expenditures of the General Fund. Aldermen receive a per diem of \$75 per regular meeting and \$37 per special meeting.

STATUS OF PRIOR YEAR FINDINGS

The follow-up and corrective action taken on all prior year findings is presented in Schedule 3.

Schedule 2

**VILLAGE OF EPPS
Epps, Louisiana**

**Schedule of Per Diem Paid Aldermen
For the Year Ended December 31, 2008**

Shirley Gibson	\$975
Charlie Grimble	975
Roberta Simms	<u>975</u>
Total	<u><u>\$2,925</u></u>

VILLAGE OF EPPS
Epps, Louisiana

STATUS OF PRIOR YEAR FINDINGS
For the Year Ended December 31, 2008

Reference Number	Fiscal Year Finding Initially Occurred	Description of Finding	Corrective Action Taken	Planned Corrective Action
Procedure 7	2003	Actual General Fund expenditures exceeded budgeted expenditures by more than 5%.	No	See 2008-6 in current year findings.
N/A	2007	General Fund budgeted expenditures exceeded budgeted revenues plus budgeted beginning fund balance.	Yes	N/A
Procedure 8(a)	2007	One disbursement was not adequately supported and included a donation of public funds.	Partial	See 2008-3 in current year findings.
Procedure 11	2006	Employees were paid in advance.	Yes	N/A
N/A	2006	Failure to make payroll tax deposits and file federal payroll tax returns.	Partial	See 2008-8 in current year findings.
N/A	2007	Failure to remit state income tax withholdings and file state income tax withholding reports.	Yes	N/A
N/A	2007	Failure to pay state unemployment taxes and file unemployment tax returns.	Yes	N/A

<u>Reference Number</u>	<u>Fiscal Year Finding Initially Occurred</u>	<u>Description of Finding</u>	<u>Corrective Action Taken</u>	<u>Planned Corrective Action</u>
N/A	2004	Failure to collect state sales tax on water sales and file sales tax returns.	Yes	N/A
N/A	2006	Inadequate support of adjustments to customer utilities accounts and improper posting to general ledger, inadequate support of customer payments and failure to reconcile the general ledger accounts receivable balance to the amount due from customers.	Partial	See 2008-4 in current year findings.
N/A	2006	Failure to have a formal records retention schedule.	Yes	N/A

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

The following independent auditor's report on internal control over financial reporting and on compliance and other matters 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.

M. CARLEEN DUMAS
CERTIFIED PUBLIC ACCOUNTANT
369 Donaldson Road. Calhoun, Louisiana 71225. Telephone 318/644-5726

**Independent Auditor's 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***

MAYOR AND BOARD OF ALDERMEN
VILLAGE OF EPPS
Epps, Louisiana

I have audited the financial statements of the governmental activities, the business-type activities and major fund of the Village of Epps, as of and for the year ended December 31, 2008, which collectively comprise the Village of Epps' basic financial statements and have issued my report thereon dated May 21, 2009. I conducted my audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *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.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Village of Epps' internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village of Epps' internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Village's internal control over financial reporting.

My 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, I identified certain deficiencies in internal control over financial reporting that I 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's ability to initiate, authorize, record, process, or report financial data

Member of the American Institute of Certified Public Accountants
Member of the Society of Louisiana Certified Public Accountants

MAYOR AND BOARD OF ALDERMEN
VILLAGE OF EPPS
Epps, Louisiana
Independent Auditor's Report
on Compliance and on
Internal Control, etc.,
December 31, 2008

reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Village's financial statements that is more than inconsequential will not be prevented or detected by the Village's internal control. I consider the deficiencies described in the accompanying schedule of current year findings as 2008-1, 2008-2, 2008-3, and 2008-4 to be significant deficiencies in internal control over financial reporting.

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's internal control.

My 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, I consider 2008-1 and 2008-2 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of Epps' financial statements are free of material misstatement, I performed tests of the Village's 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 my audit and, accordingly, I do not express such an opinion. The results of my 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 current year findings as 2008-5, 2008-6, and 2008-7.

The Village of Epps' responses to the findings identified in my audit are described in the accompanying schedule of current year findings and management's planned corrective action. I did not audit the Village's responses and, accordingly, I express no opinion on them.

This report is intended solely for the information of the mayor, board of aldermen and management of the Village of Epps and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

/s Carleen Dumas
Calhoun, Louisiana
May 21, 2009

VILLAGE OF EPPS
Epps, Louisiana

**Schedule of Current Year Findings and
Management's Planned Corrective Action
For the Year Ended December 31, 2008**

I have audited the financial statements of the governmental activities, the business-type activities, and major fund of the Village of Epps, as of December 31, 2008, and for the year then ended, which collectively comprise the Village's basic financial statements and have issued my report thereon dated May 21, 2009. I conducted my audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *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. My audit of the financial statements as of December 31, 2008 resulted in an unqualified opinion.

Section I - Summary of Auditor's Reports

A. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control

Significant Deficiency Yes No

Material Weakness Yes No

Compliance

Compliance Material to Financial Statement Yes No

Section II - Financial Statement Findings

2008-1. Inadequate Segregation of Accounting Duties

Criteria: Proper internal controls require that accounting duties be performed by separate individuals so that one individual could not perpetrate and conceal errors or irregularities without them being detected by another individual who was performing his or her assigned duties.

Condition: There is an inadequate segregation of duties over billing, collecting, posting, and depositing of water and sewer sales receipts. One person is responsible for all of the above duties.

Effect: Errors or irregularities may not be detected within a timely period.

Recommendation: None

MAYOR AND BOARD OF ALDERMEN
VILLAGE OF EPPS
Epps, Louisiana
Schedule of Current Year Findings and
Management's Planned Corrective Action
December 31, 2008

Management's Planned

Corrective Action : It is not economically feasible to correct this deficiency based on the size of the Village and its limited revenues.

2008-2. Inadequate Controls Over the Preparation of Financial Statements

Criteria: Management is required to prepare financial statements in accordance with generally accepted accounting principles and should have internal controls in place to prevent, detect, or correct a misstatement of those financial statements.

Condition: Accounting personnel do not have the expertise to prepare financial statements and disclosures in accordance with generally accepted accounting principles.

Effect: Misstatements in the financial statements may occur and not be detected within a timely period.

Recommendation: I recommend that management make a determination as to whether or not the cost of correcting the deficiency concerning the expertise of accounting personnel exceeds the expected benefits to be derived from doing so.

Management's Planned

Corrective Action: It is not economically feasible to correct this deficiency based on the size of the Village and its limited revenues.

2008-3. Inadequate Controls Over Payroll

Criteria: Management is responsible for establishing internal control policies and procedures that provide reasonable assurance that assets are safeguarded against loss resulting from unauthorized use and that transactions are executed in accordance with management's authorizations.

Condition: During the year ended December 31, 2008, employees paid on an hourly basis were not required to maintain timesheets that documented the number of hours worked for each pay period.

MAYOR AND BOARD OF ALDERMEN
VILLAGE OF EPPS
Epps, Louisiana
Schedule of Current Year Findings and
Management's Planned Corrective Action
December 31, 2008

Effect: The failure to require timesheets to document hours worked could result in a loss of assets from paying employees for hours that they did not work.

Recommendation: Hourly employees should be required to maintain timesheets that document the number of hours worked in each pay period. These timesheets should be signed by the employee and the employee's supervisor.

Management's Planned

Corrective Action: Effective January 1, 2009, all village employees are required to maintain timesheets that document the number of hours worked in each pay period.

**2008-4. Inadequate Controls over Water and Sewer
Fund Accounts Receivable**

Criteria: Management is responsible for establishing internal control policies and procedures that provide reasonable assurance that assets are safeguarded against loss resulting from unauthorized use and that transactions are executed in accordance with management's authorizations.

Condition: Although employees utilized a worksheet to assist in the reconciliation of the Water and Sewer Fund accounts receivable balance recorded in the general ledger to the accounts receivable balance recorded in the utility billing software, the two records were not properly reconciled on a monthly basis.

Effect: The failure to reconcile these two records could result in errors or irregularities not being detected within a timely period.

Recommendation: The Water and Sewer Fund accounts receivable balance recorded in the general ledger should agree to the accounts receivable balance recorded in the utility billing software at the end of each month. This reconciliation will help ensure that all billings, customer payments, and adjustments are properly recorded.

MAYOR AND BOARD OF ALDERMEN
VILLAGE OF EPPS
Epps, Louisiana
Schedule of Current Year Findings and
Management's Planned Corrective Action
December 31, 2008

Management's Planned

Corrective Action: The village will request that the outside accountant reconcile on a monthly basis the general ledger accounts receivable balance to the accounts receivable balance recorded on the monthly billing register.

2008-5. Noncompliance with Local Government Budget Act

Criteria: Louisiana R.S. 39:1310 requires that the Village adopt a budget amendment when actual expenditures exceed budgeted expenditures by 5% or more.

Condition: For the year ended December 31, 2008, actual General Fund expenditures exceeded budgeted expenditures by \$28,115 or 9%.

Effect: Violation of the Local Government Budget Act

Recommendation: I recommend that the Village's monthly financial statements include a comparison of actual General Fund revenues and expenditures to budgeted revenues and expenditures and that a budget amendment be adopted when actual expenditures exceed budgeted expenditures by 5% or more.

Management's Planned

Corrective Action: Beginning in February 2009, the monthly financial statements include a budget-to-actual comparison for the General Fund. The village will adopt a budget amendment when actual expenditures exceed budgeted expenditures by 5% or more.

2008-6. Failure to Publish Minutes of Board Meetings

Criteria: Louisiana R.S. 43:143 requires the board of aldermen meeting minutes to be published in the Village's official journal.

Condition: For the year ended December 31, 2008, the Village did not publish the minutes of the board of aldermen meetings.

Effect: Violation of state law.

Recommendation: I recommend that the Village publish the minutes of the board of aldermen meetings in its official journal.

MAYOR AND BOARD OF ALDERMEN
VILLAGE OF EPPS
Epps, Louisiana
Schedule of Current Year Findings and
Management's Planned Corrective Action
December 31, 2008

**Management's Planned
Corrective Action:**

The Village began publishing the minutes of the board of aldermen meetings in it's official journal in 2009.

2008-7. Failure to Pay Payroll Taxes in Timely Manner

Criteria: The Internal Revenue Service regulations require that payroll taxes be paid within a specific period of time based on the amount of the taxes due.

Condition: The Village failed to make all required tax deposits for the first and second quarter of 2008. The village incurred penalties and interest totaling \$1,908 for failure to pay these taxes in accordance with Internal Revenue Service regulations. The Village was also assessed another \$21,281 during 2008 for penalties and interest incurred on prior years unpaid payroll taxes.

Effect: Failure to comply with Internal Revenue Service regulations results in the imposition of penalties and interest.

Recommendation: I recommend that the Village pay payroll taxes in accordance with Internal Revenue Service regulations and that it take the steps necessary to reach an agreement with the Internal Revenue Service to pay all past due payroll taxes.

**Management's Planned
Corrective Action:**

All payroll taxes were paid in accordance with Internal Revenue Service regulations for the third and fourth quarter of 2008. The Village has contacted its state legislators to assist in reaching an agreement with the Internal Revenue Service to pay all past due payroll taxes.

2008-8. Louisiana Legislative Auditor's Advisory Services Report

The Louisiana Legislative Auditor issued an advisory services report dated January 14, 2009 which included the following findings and recommendations:

- 1. Lack of Written Policies and Procedures**
Recommended that the Village adopt written policies and procedures concerning ethics, budgeting, financial reporting, disbursements, purchasing, contracts, capital assets, travel, gasoline and diesel inventories, computer systems, customer utility

MAYOR AND BOARD OF ALDERMEN
VILLAGE OF EPPS
Epps, Louisiana
Schedule of Current Year Findings and
Management's Planned Corrective Action
December 31, 2008

accounts, receipts, payroll processing, investments, traffic tickets and misdemeanor summons, and confiscated evidence.

Current Status: The Village has adopted all of the above written policies and procedures except those concerning traffic tickets and misdemeanor summons and confiscated evidence. The village Police Chief anticipates that those written policies will be adopted by the Village by June 30, 2009.

2. Budget-to-Actual Comparisons

Recommended that the Clerk provide the board with monthly financial statements that include budget-to-actual comparisons.

Current Status: Beginning in February 2009, the monthly financial statements include budget-to-actual comparisons.

3. Deficit Spending in General Fund

Recommended that deficit spending stop by implementing spending cuts and/or increases in revenue.

Current Status: There was no deficit spending in the General Fund for the year ended December 31, 2008.

4. Non-Compliance with Budget Laws

Recommended that the General Fund budget be adopted and amended by ordinance and comply with all the provisions of the Local Government Budget Act.

Current Status: The 2008 and 2009 budgets were adopted before the end of the prior year, the 2009 budget was adopted by ordinance, the 2008 amended budget and 2009 adopted budget included estimated beginning and ending fund balances, and the 2008 and 2009 budgets did not budget a deficit fund balance. The Village plans to include a budget message in its 2010 proposed budget.

5. No Utility Fund Budget

Recommended that an annual budget be prepared for the Utility Fund.

Current Status: An operating budget for the Utility Fund was prepared for 2008 and 2009.

MAYOR AND BOARD OF ALDERMEN
VILLAGE OF EPPS
Epps, Louisiana
Schedule of Current Year Findings and
Management's Planned Corrective Action
December 31, 2008

- 6. Noncompliance with Bond Requirements**
Recommended that the Village seek guidance from the USDA on the resolution of cash deficiencies.

Current Status: All required annual deposits into reserve accounts were made for 2008. The village has increased the amount of the monthly deposits in 2009 in order to eliminate the deficiencies in the accounts.
- 7. Segregation of Accounting Duties**
Recommended that the Village assign responsibilities between employees and officials for an appropriate crosscheck of accounting duties.

Current Status: The Village does not have the personnel or resources to provide for proper segregation of accounting duties.
- 8. Utility Billing Software**
Recommended that the Village consult software vendor to resolve reporting and backup issues.

Current Status: The Village purchased new utility billing software in December 2008.
- 9. Customer Account Balance Not Reconciled**
Recommended that Village personnel reconcile accounts receivable general ledger and subsidiary ledger on a monthly basis.

Current Status: The Village is not currently reconciling the customer account balances on a monthly basis but will contact outside accountant to ensure that this monthly reconciliation is performed.
- 10. No Accounting of Customer Meter Deposits**
Recommended that the Village take steps to account for amounts paid by each customer, open a separate bank account for customer meter deposits, record the meter deposit information in each customers account in the utility system, and reconcile the bank deposit account balance with the liability account and deposits recorded in the utility system on a monthly basis.

MAYOR AND BOARD OF ALDERMEN
VILLAGE OF EPPS
Epps, Louisiana
Schedule of Current Year Findings and
Management's Planned Corrective Action
December 31, 2008

Current Status: The Village opened a Customer Meter Deposit bank account in January 2009 and began keeping a manual listing of customer deposits and refunds. All meter deposit information will be entered into the utility billing system during 2009.

11. Traffic Violations

Recommended that traffic violations be reported to the Louisiana Department of Public Safety in accordance with state law.

Current Status: The Village began reporting traffic violations to the Louisiana Department of Public Safety in January 2009.

12. No Mayor's Court Docket

Recommended that the Mayor keep an accurate and complete record/docket of all cases.

Current Status: The Mayor began keeping minutes of Mayor's Court in 2009.

13. Special Court Costs Not Assessed

Recommended that the Village assess and remit all special court costs required by state law.

Current Status: The Village began assessing and remitting special court costs in February 2009.

14. Minutes of Board of Aldermen Meetings Not Published

Recommended that the Village publish all minutes and official proceedings in accordance with state law.

Current Status: The Village began publishing minutes of board of aldermen meetings in 2009.

15. Purchasing and Disbursements

Recommended that the Village implement a purchase order system.

Current Status: The Village adopted a purchase order policy in April 2009.

MAYOR AND BOARD OF ALDERMEN
VILLAGE OF EPPS
Epps, Louisiana
Schedule of Current Year Findings and
Management's Planned Corrective Action
December 31, 2008

16. Time/Attendance Records

Recommended that the Village require employees to prepare daily time sheets to document hours worked and leave slips for all leave taken.

Current Status: All Village employees began preparing daily time sheets beginning in January 2009.

17. Personnel Records

Recommended that the Village employees' personnel files be updated to include authorized pay rates and the standard tax and employment forms.

Current Status: All of the Village employees' personnel files were updated in 2009 to include the recommended information.

18. Gasoline/Diesel

Recommended that the Village strengthen controls over fuel by restricting employee access to fuel pumps, installation of a meter on diesel tank, require written logs of fuel usage, require vehicle mileage logs, and monthly reporting of fuel usage by vehicle.

Current Status: The Village adopted a written policy over gasoline/diesel usage in March 2009.

19. Capital Assets

Recommended that the Village's capital assets be tagged and inventoried at least annually.

Current Status: The Village took a physical inventory of fixed assets in 2009. The village plans to obtain the listing of capital assets prepared by the auditor for 2008 and ensure that all assets can be accounted for.

20. Contracts

Recommended that all agreements for services with third parties be in the form of a written contract.

MAYOR AND BOARD OF ALDERMEN
VILLAGE OF EPPS
Epps, Louisiana
Schedule of Current Year Findings and
Management's Planned Corrective Action
December 31, 2008

Current Status: In 2009, the Village obtained signed written agreements for its legal and accounting services.

20. Confiscated Evidence

Recommended that the Police Chief maintain a complete inventory of evidence and a log that documents date confiscated; tag number; description; name of person from whom item was confiscated; reference to the arrest report; and final disposition of item. Also recommended that the Police Chief establish a policy over the destruction of evidence.

Current Status: No action taken as of the date of this report. The Police Department has recently moved into a new office that will have an evidence room. The Police Chief anticipates having a written policy over confiscated evidence by June 30, 2009.

21. Computer Backup and Disaster Recovery Plan

Recommended that the Village Clerk perform a daily backup of computer files, secure the backup at an off-site location, and tailor its disaster recovery plan to meet the specific needs of the Village.

Current Status: The Village adopted a written policy for controls over computers and computer back up in March 2009.