

**VILLAGE OF EPPS
Epps, Louisiana**

Annual Financial Statements

**As of and for the Year Ended
December 31, 2005**

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 8/9/06

VILLAGE OF EPPS
Epps, Louisiana

Annual Financial Statements

As of and for the Year Ended December 31, 2005

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VILLAGE OF EPPS
 Epps, Louisiana
 Annual Financial Statements
 As of and for the Year Ended December 31, 2005

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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, 2005, 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 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, business-type activities and each major fund, of the Village of Epps, as of December 31, 2005, and the respective changes in financial position and cash flows, where applicable, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information 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 required supplementary information. However, I did not audit the information and express no opinion on it.

MAYOR AND BOARD OF ALDERMEN
VILLAGE OF EPPS
Epps, Louisiana
Independent Auditor's Report
December 31, 2005

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Epps's 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 the purpose 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.

In accordance with *Government Auditing Standards*, I have also issued a report dated June 23, 2006, on my consideration of the Village of Epps's 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 should be considered in conjunction with this report in considering the results of my audit.

/s Carleen Dumas

Calhoun, Louisiana
June 23, 2006

VILLAGE OF EPPS
Epps, Louisiana

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2005

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, 2005. 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 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 decreased by \$6,163 during 2005. The decrease in net assets is primarily due to a \$167,602 increase in expenses. 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	
	2005	2004	2005	2004	2005	2004
Assets						
Current assets	\$30,390	\$43,518	\$23,771	\$35,053	\$54,161	\$78,571
Restricted assets			19,211	25,963	19,211	25,963
Capital assets	323,205	687,604	1,382,294	995,238	1,705,499	1,682,842
Total assets	<u>353,595</u>	<u>731,122</u>	<u>1,425,276</u>	<u>1,056,254</u>	<u>1,778,871</u>	<u>1,787,376</u>
Liabilities						
Current liabilities	41,782	27,107	36,110	23,533	77,892	50,640
Long-term liabilities		NONE	387,590	417,184	387,590	417,184
Total liabilities	<u>41,782</u>	<u>27,107</u>	<u>423,700</u>	<u>440,717</u>	<u>465,482</u>	<u>467,824</u>
Net Assets						
Invested in capital assets, net of related debt	323,205	687,604	979,640	578,054	1,302,845	1,265,658
Restricted			19,211	25,963	19,211	25,963
Unrestricted	(11,392)	16,411	2,725	11,520	(8,667)	27,931
Total net assets	<u>311,813</u>	<u>704,015</u>	<u>1,001,576</u>	<u>615,537</u>	<u>1,313,389</u>	<u>1,319,552</u>

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2005	2004	2005	2004	2005	2004
Program revenues						
Charges for services	\$305,440	\$181,486	\$127,372	\$120,057	\$432,812	\$301,543
Capital grants	110,137	305,139			110,137	305,139
General revenues						
Property taxes				4,858		4,858
Franchise taxes	14,960	13,568			14,960	13,568
Investment earnings	102	9	248	209	350	218
Other	1,817	1,387			1,817	1,387
Transfers	<u>(432,103)</u>	<u>5,939</u>	<u>432,103</u>	<u>(5,939)</u>		
Total revenue and transfers	<u>353</u>	<u>507,528</u>	<u>559,723</u>	<u>119,185</u>	<u>560,076</u>	<u>626,713</u>
Program expenses						
General government	392,555	233,584			392,555	233,584
Community development		5				5
Water and sewer			173,684	165,048	173,684	165,048
Total expenses	<u>392,555</u>	<u>233,589</u>	<u>173,684</u>	<u>165,048</u>	<u>566,239</u>	<u>398,637</u>
Change in net assets	(392,202)	273,939	386,039	(45,863)	(6,163)	228,076
Net assets - beginning	<u>704,015</u>	<u>430,076</u>	<u>615,537</u>	<u>661,400</u>	<u>1,319,552</u>	<u>1,091,476</u>
Net assets - ending	<u>\$311,813</u>	<u>\$704,015</u>	<u>\$1,001,576</u>	<u>\$615,537</u>	<u>\$1,313,389</u>	<u>\$1,319,552</u>

The Village's total revenues decreased \$66,637 in 2005 primarily due to a decrease in capital grants of \$195,002 and an increase in charges for services of \$131,269. Total expenses increased \$167,602 due to increased general government expenses.

Governmental Funds

The revenue from governmental activities decreased \$69,133 from revenues of the prior year due to an increase in capital grants of \$195,002 and an increase in charges for services of \$123,954. The expenses of the governmental activities increased \$158,966 from expenses of the prior year due primarily to an increase in salaries and police department expenses.

Business-Type Activities

The Village's charges for services for its business-type activities increased \$7,315 from the prior year. Total expenses increased \$8,636 primarily due to an increase in operating costs.

OVERALL FINANCIAL POSITION

At December 31, 2005, the Village was experiencing a very poor financial condition. The Village's net assets decreased \$6,163 as a result of this year's operations. Unrestricted net assets (those assets available to finance the daily operations of the Village) were a deficit of \$8,667 at year end. Assets restricted for debt service were \$19,211 at year end. The amount invested in capital assets, net of related debt, was \$1,302,845 at year end.

VILLAGE'S FUNDS

At the end of the year, the Village's General Fund reported a deficit fund balance of \$11,323. The decrease in unrestricted fund balance for 2005 was \$27,803 due primarily to a \$163,625 increase in expenditures. The Water and Sewer Enterprise Fund reported unrestricted net assets of \$2,725 at year end. The increase in net assets was \$386,039 for 2005 due to the transfer of the completed sewer project from the LCDBG Capital Projects Fund. The LCDBG Capital Projects Fund reported a deficit fund balance of \$69 at year end.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Village did not amend its General Fund budget during 2005. At year end, actual revenues and other sources were \$90,258 more than budgeted revenues and other sources and actual expenditures were \$161,081 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 \$1,705,499. 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's additions to capital assets during 2005 were \$115,099. Additional information about the Village's capital assets is presented in the notes to the financial statements.

Debt

At year end the Village had \$402,654 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 2006 General Fund budget on the assumption that revenue and expenditures will approximate the prior year activity. The Village does anticipate a decrease in revenues and expenditures during 2006 for the LCDBG Capital Projects Funds due to the completion of the sewer system improvement project. The Village expects its revenues and expenses of the Water and Sewer Enterprise Fund to be fairly constant for 2006.

BASIC FINANCIAL STATEMENTS

VILLAGE OF EPPS
Epps, Louisiana

STATEMENT OF NET ASSETS
December 31, 2005

	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>	<u>TOTAL</u>
ASSETS			
Cash	\$25,289	\$6,356	\$31,645
Receivables (net of allowances for uncollectibles)	5,101	17,415	22,516
Restricted assets		19,211	19,211
Capital assets (net)	<u>323,205</u>	<u>1,382,294</u>	<u>1,705,499</u>
TOTAL ASSETS	<u>353,595</u>	<u>1,425,276</u>	<u>1,778,871</u>
LIABILITIES			
Accounts payable	15,763	3,001	18,764
Payroll taxes payable	15,019		15,019
Retainage payable	2,000		2,000
Deferred revenue	9,000		9,000
Customer deposits		9,156	9,156
Accrued interest payable		8,889	8,889
Bonds payable - current		15,064	15,064
Bonds payable		<u>387,590</u>	<u>387,590</u>
TOTAL LIABILITIES	<u>41,782</u>	<u>423,700</u>	<u>465,482</u>
NET ASSETS			
Invested in capital assets, net of related debt	323,205	979,640	1,302,845
Restricted for debt service		19,211	19,211
Unrestricted (deficit)	<u>(11,392)</u>	<u>2,725</u>	<u>(8,667)</u>
TOTAL NET ASSETS	<u>\$311,813</u>	<u>\$1,001,576</u>	<u>\$1,313,389</u>

The accompanying notes are an integral part of this statement.

VILLAGE OF EPPS
Epps, Louisiana

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2005

	..Program Revenues..		Net (Expense) Revenue and			
	Expenses	Charges for Services	Capital Grants	Governmental Activities	Business-Type Activities	Total
GOVERNMENTAL ACTIVITIES:						
General government	\$392,555	\$305,440	\$8,971	(\$78,144)		(\$78,144)
Community development		101,166		101,166		101,166
Total governmental activities	392,555	305,440	110,137	23,022		23,022
BUSINESS-TYPE ACTIVITIES:						
Water and sewer service	173,684	127,372		(\$46,312)		(46,312)
Total government	\$566,239	\$432,812	\$110,137	23,022	(46,312)	(23,290)
GENERAL REVENUES:						
Franchise taxes				14,960		14,960
Investment earnings				102	248	350
Other revenues				1,817		1,817
Transfers				(432,103)	432,103	
Total general revenues and transfers				(415,224)	432,351	17,127
CHANGE IN NET ASSETS				(392,202)	386,039	(6,163)
NET ASSETS - BEGINNING				704,015	615,537	1,319,552
NET ASSETS - ENDING				\$311,813	\$1,001,576	\$1,313,389

The accompanying notes are an integral part of this statement.

VILLAGE OF EPPS
Epps, Louisiana

BALANCE SHEET - GOVERNMENTAL FUNDS
December 31, 2005

	General Fund	LCDBG Capital Projects Fund	Total Governmental Funds
ASSETS			
Cash	\$23,258	\$2,031	\$25,289
Receivables	5,101		5,101
Due from other funds	100		100
	<u>100</u>	<u> </u>	<u>100</u>
TOTAL ASSETS	<u>\$28,459</u>	<u>\$2,031</u>	<u>\$30,490</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$15,763		\$15,763
Payroll taxes payable	15,019		15,019
Retainage payable		\$2,000	2,000
Due to other funds		100	100
Deferred revenue	9,000		9,000
Total liabilities	<u>39,782</u>	<u>2,100</u>	<u>41,882</u>
Fund balance - unreserved (deficit)	<u>(11,323)</u>	<u>(69)</u>	<u>(11,392)</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$28,459</u>	<u>\$2,031</u>	<u>\$30,490</u>

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

Fund balances - unreserved (deficit) - Total Governmental Funds	(\$11,392)
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	323,205
Net assets of governmental activities (Statement A)	<u>\$311,813</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, 2005

	General Fund	LCDBG Capital Projects Fund	Total Governmental Funds
REVENUES			
Franchise taxes	\$14,960		\$14,960
Licenses and permits	15,427		15,427
Intergovernmental revenue:			
Federal grants		\$101,166	101,166
State grants	8,971		8,971
Fines	176,282		176,282
Rent	109,665		109,665
Interest earnings	102		102
Other revenues	5,884		5,884
Total revenues	<u>331,291</u>	<u>101,166</u>	<u>432,457</u>
EXPENDITURES			
General government:			
Personal services	206,870		206,870
Operating services	144,116		144,116
Materials and supplies	21,692		21,692
Community development - facilities construction		101,166	101,166
Capital outlay	13,933		13,933
Total expenditures	<u>386,611</u>	<u>101,166</u>	<u>487,777</u>
EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES	(55,320)	NONE	(55,320)
OTHER FINANCING SOURCES - transfers in	<u>27,517</u>	<u>NONE</u>	<u>27,517</u>
NET CHANGE IN FUND BALANCES	(27,803)	NONE	(27,803)
FUND BALANCE AT BEGINNING OF YEAR	<u>16,480</u>	<u>(69)</u>	<u>16,411</u>
FUND BALANCE AT END OF YEAR (Deficit)	<u>(\$11,323)</u>	<u>(\$69)</u>	<u>(\$11,392)</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, 2005

	<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	(\$27,803)
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.	95,221
Governmental funds do not report the transfer of fixed assets to another fund in the statement of revenues, expenditures and changes in fund balance. However in the statement of activities, the completed sewer project is reported as a transfer to the business-type activities fund.	<u>(459,620)</u>
Change in net assets of governmental activities (Statement B)	<u><u>(\$392,202)</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, 2001

	<u>Water and Sewer Enterprise Fund</u>
ASSETS	
Current assets:	
Cash	\$6,356
Accounts receivable (net of allowance for doubtful accounts)	17,415
Total current assets	<u>23,771</u>
Noncurrent assets:	
Restricted assets - cash equivalents	19,211
Capital assets (net of accumulated depreciation)	1,382,294
Total noncurrent assets	<u>1,401,505</u>
Total assets	<u>1,425,276</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$3,001
Accrued interest payable	8,889
Current portion of long-term debt	15,064
Customer deposits	9,156
Total current liabilities	<u>36,110</u>
Noncurrent liabilities:	
Long-term debt - revenue bonds payable	<u>387,590</u>
Total liabilities	<u>423,700</u>
NET ASSETS	
Invested in capital assets, net of related debt	979,640
Restricted for debt service	19,211
Unrestricted	2,725
Total net assets	<u>\$1,001,576</u>

The accompanying notes are an integral part of this statement.

VILLAGE OF EPPS
Epps, Louisiana

STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS - BUSINESS-TYPE ACTIVITIES
For the Year Ended December 31, 2005

	Water and Sewer Enterprise Fund
OPERATING REVENUES	
Water sales	\$75,675
Sewer fees	50,983
Penalties	714
Total operating revenue	<u>127,372</u>
OPERATING EXPENSES	
Office expense	1,609
Advertising	257
Postage	369
Repairs and maintenance	14,518
Utilities and telephone	24,112
Supplies	8,319
Insurance	10,753
Legal and accounting	6,498
Gas, oil, and fuel	4,077
Fees and dues	1,682
Water and sewer analysis	5,989
Depreciation	72,565
Other operating expenses	1,385
Total operating expenses	<u>152,133</u>
OPERATING INCOME (Loss)	<u>(24,761)</u>
NON-OPERATING REVENUES (Expenses)	
Interest earned on deposits	248
Transfers to General Fund	(27,517)
Interest expense	(21,551)
Total non-operating revenues	<u>(48,820)</u>
TRANSFER OF CAPITAL ASSETS	<u>459,620</u>
CHANGE IN NET ASSETS	386,039
NET ASSETS - BEGINNING	<u>615,537</u>
NET ASSETS - ENDING	<u>\$1,001,576</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, 2005

	<u>Water and Sewer Enterprise Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$123,364
Customer meter deposits (net)	(70)
Payments to suppliers	<u>(81,769)</u>
Net cash provided by operating activities	<u>41,525</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfer to General Fund	<u>(27,517)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal paid on capital debt	(14,530)
Interest paid on capital debt	(21,767)
Increase in restricted cash and cash equivalents	<u>6,752</u>
Net cash used by capital and related financing activities	<u>(29,545)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	<u>248</u>
NET DECREASE IN CASH	<u>(15,289)</u>
CASH AT BEGINNING OF YEAR	<u>21,645</u>
CASH AT END OF YEAR	<u><u>\$6,356</u></u>
 Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income (Loss)	<u>(\$24,761)</u>
Adjustments:	
Depreciation	72,565
Increase in accounts receivable	(4,009)
Decrease in customer meter deposits	(70)
Decrease in accounts and taxes payable	<u>(2,200)</u>
Total adjustments	<u>66,286</u>
Net cash provided by operating activities	<u><u>\$41,525</u></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, 2005

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, 2006. The aldermen receive a per diem of \$75 per month. 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 nine 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.

VILLAGE OF EPPS
Notes to the Financial Statements

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 sewerage system.

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 cash equivalents are amounts in demand deposits, interest-bearing demand deposits and short-term investments with original maturities of 90 days

VILLAGE OF EPPS
Notes to the Financial Statements

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 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 80 percent of the village's capital assets have been capitalized at cost and the remaining 20 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, 2005.

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

VILLAGE OF EPPS
Notes to the Financial Statements

	<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:

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, 2005, 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.

VILLAGE OF EPPS
Notes to the Financial Statements

K. Interest Costs

The following provides disclosure on interest costs for the year ended December 31, 2005 for the Water and Sewer Enterprise Fund:

Total interest cost expensed	\$21,551
Total interest cost capitalized	<u>NONE</u>
Total interest costs incurred	<u>\$21,551</u>

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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 were no budget amendments during the year ended December 31, 2005.

B. Excess of Expenditures Over Appropriations

The following individual fund had actual expenditures over budgeted appropriations for the year ended December 31, 2005:

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Unfavorable Variance</u>
General Fund	<u>\$225,530</u>	<u>\$225,530</u>	<u>\$386,611</u>	<u>\$161,081</u>

C. Deficits

The following individual fund had deficits in unreserved fund balance at December 31, 2005:

General Fund	\$11,323
LCDBG Capital Projects Fund	<u>69</u>
Total	<u>\$11,392</u>

VILLAGE OF EPPS
Notes to the Financial Statements

The village plans to eliminate these deficits by transferring funds from the Water and Sewer Enterprise Fund and reducing expenditures in these funds in the following year.

3. DEPOSITS IN FINANCIAL INSTITUTIONS

At December 31, 2005, the village has cash and cash equivalents (book balances) as follows:

Checking accounts	\$31,645
Short-term investments - certificates of deposit	<u>19,211</u>
Total	<u>\$50,856</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, 2005, these deposits are secured from risk by federal deposit insurance .

4. RECEIVABLES

The following is a summary of receivables at December 31, 2005:

	General Fund	Water and Sewer Enterprise Fund	Total
Franchise taxes	\$4,120		\$4,120
Charges for services	981	\$19,021	20,002
Allowance for doubtful accounts		<u>(1,606)</u>	<u>(1,606)</u>
Total	<u>\$5,101</u>	<u>\$17,415</u>	<u>\$22,516</u>

5. INTERFUND RECEIVABLES/PAYABLES

The following is a summary of interfund receivables and payables at December 31, 2005:

VILLAGE OF EPPS
Notes to the Financial Statements

	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, 2005, is as follows:

	Balance at January 1, 2005	Increases	Decreases	Balance at December 31, 2005
Governmental activities:				
Capital assets not being depreciated:				
Land	\$14,000			\$14,000
Construction in progress	358,455	\$101,165	(\$459,620)	NONE
	<u>\$372,455</u>	<u>\$101,165</u>	<u>(\$459,620)</u>	<u>\$14,000</u>
Capital assets being depreciated:				
Buildings	\$426,039			\$426,039
Vehicles and equipment	110,454	\$13,933		124,387
Total capital assets being depreciated	<u>536,493</u>	<u>13,933</u>	NONE	<u>550,426</u>
Less accumulated depreciation for:				
Buildings	165,187	10,651		175,838
Vehicles and equipment	56,157	9,226		65,383
Total accumulated depreciation	<u>221,344</u>	<u>19,877</u>	NONE	<u>241,221</u>
Total assets being depreciated, net	<u>\$315,149</u>	<u>(\$5,944)</u>	NONE	<u>\$309,205</u>

VILLAGE OF EPPS
Notes to the Financial Statements

	Balance at January 1, 2005	Increases	Decreases	Balance at December 31, 2005
Business-type activities:				
Capital assets being depreciated:				
Water and sewer systems and improvements	\$1,759,757	\$459,620		\$2,219,377
Building	2,618			2,618
Equipment	19,054			19,054
Total capital assets being depreciated	<u>1,781,429</u>	<u>459,620</u>	NONE	<u>2,241,049</u>
Less accumulated depreciation for:				
Water and sewer systems and improvements	\$774,830	\$70,609		\$845,439
Building	609	104		713
Equipment	10,751	1,852		12,603
Total accumulated depreciation	<u>\$786,190</u>	<u>\$72,565</u>	NONE	<u>\$858,755</u>
Total assets being depreciated, net	<u>\$995,239</u>	<u>\$387,055</u>	NONE	<u>\$1,382,294</u>

Depreciation expense of \$19,877 was charged to the general government governmental function and \$72,565 was charged to the water and sewer business-type activities function for the year ended December 31, 2005.

7. INTERFUND TRANSFERS

The following is a summary of interfund transfers during the year ended December 31, 2005:

	Transfer In	Transfer Out
General Fund	\$27,517	
Water and Sewer Enterprise Fund		\$27,517
Total	<u>\$27,517</u>	<u>\$27,517</u>

VILLAGE OF EPPS
Notes to the Financial Statements

The transfer was made to pay a portion of the personnel costs paid by the General Fund.

8. LONG-TERM OBLIGATIONS

The following is a summary of long-term debt (revenue bonds payable) transactions for the year ended December 31, 2005:

Revenue bonds payable at January 1, 2005	\$417,184
Additions	NONE
Reductions	<u>(14,530)</u>
Revenue bonds payable at December 31, 2005	<u>\$402,654</u>

Interest expense in the amount of \$21,551 is included in the water and sewer service business type activities function expenses.

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, 2005:

Current portion	\$15,064
Long-term portion	<u>387,590</u>
Total	<u>\$402,654</u>

All outstanding long-term debt at December 31, 2005, in the amount of \$402,654 are revenue bonds payable with maturities from 2006 until 2029 and 4.5% to 6.125% interest rates. Loan principal and interest payable in the next fiscal year are \$15,064 and \$21,232, respectively. The individual bonds are as follows:

	<u>\$237,000</u>	<u>\$13,000</u>	<u>\$359,000</u>
	Bonds	Bonds	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	\$171,971	\$9,713	\$70,526
Principal outstanding	\$195,852	\$10,791	\$196,010
Funding source	Water revenue	Water revenue	Sewer revenue

The loans are due as follows:

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>
2006	\$15,064	\$21,232	\$36,296
2007	15,807	20,489	36,296
2008	16,588	19,708	36,296
2009	17,407	18,889	36,296
2010	18,268	18,028	36,296
2011 - 2015	105,857	75,628	181,485
2016 - 2020	107,770	46,876	154,646
2021 - 2025	58,509	25,183	83,692
2026 - 2029	47,384	6,177	53,561
Total	<u>\$402,654</u>	<u>\$252,210</u>	<u>\$654,864</u>

9. 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 8 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:

VILLAGE OF EPPS
Notes to the Financial Statements

- 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 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, 2005 the village has \$19,211, 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, 2005:

Reserve for revenue bonds payable at January 1, 2005	\$25,963
Interest earnings	548
Withdrawal	<u>(7,000)</u>
Reserve for bonds payable at December 31, 2005	<u>\$19,511</u>

10. FEDERAL GRANT CONTINGENCIES

During the year ended December 31, 2005, the Village of Epps received federal grant funds totaling \$101,166. These grant funds are subject to audit by agents of the granting authorities, the purpose of which is to ensure compliance with the conditions of the grant. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

11. RISK MANAGEMENT

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.

12. CONTINGENT LIABILITIES

The village is involved in two lawsuits at December 31, 2005. It is the opinion of the village's legal counsel that any liability to the village would be covered by insurance; therefore, no provision for any liability that may result is recorded in the accompanying financial statements.

13. 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. The village received \$108,000 in connection with the agreement for the year ended December 31, 2005.

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, 2005

	BudgetedAmounts.....		Actual Amounts (Budgetary Basis - GAAP)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Franchise taxes	\$14,000	\$14,000	\$14,960	\$960
Licenses and permits	19,850	19,850	15,427	(4,423)
Intergovernmental revenue - state grants			8,971	8,971
Fines	120,000	120,000	176,282	56,282
Rent	111,200	111,200	109,665	(1,535)
Interest earnings			102	102
Other revenue	3,500	3,500	5,884	2,384
Total revenues	<u>268,550</u>	<u>268,550</u>	<u>331,291</u>	<u>62,741</u>
EXPENDITURES				
General government:				
Personal services	136,000	136,000	206,870	(70,870)
Operating services	69,830	69,830	144,116	(74,286)
Materials and supplies	19,500	19,500	21,692	(2,192)
Capital outlay			13,933	(13,933)
Debt service - interest	200	200		200
Total expenditures	<u>225,530</u>	<u>225,530</u>	<u>386,611</u>	<u>(161,081)</u>
EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES	43,020	43,020	(55,320)	(98,340)
OTHER FINANCING SOURCES - transfers in	<u>NONE</u>	<u>NONE</u>	<u>27,517</u>	<u>27,517</u>
NET CHANGE IN FUND BALANCE	43,020	43,020	(27,803)	(70,823)
FUND BALANCE AT BEGINNING OF YEAR	<u>NONE</u>	<u>NONE</u>	<u>16,480</u>	<u>16,480</u>
FUND BALANCE AT END OF YEAR	<u>\$43,020</u>	<u>\$43,020</u>	<u>(\$11,323)</u>	<u>(\$54,343)</u>

There were no budget amendments during the year ended December 31, 2005.

OTHER SUPPLEMENTAL INFORMATION SCHEDULES

VILLAGE OF EPPS
Epps, Louisiana

OTHER SUPPLEMENTAL INFORMATION SCHEDULES
As of and For the Year Ended December 31, 2005

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 month.

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, 2005**

Maggie Hale	\$1,200
Katherine Johnson	1,200
Faye White	<u>1,163</u>
Total	<u>\$3,563</u>

VILLAGE OF EPPS
Epps, Louisiana

STATUS OF PRIOR YEAR FINDINGS
For the Year Ended December 31, 2005

Reference Number	Fiscal Year Finding Initially Occurred	Description of Finding	Corrective Action Taken	Planned Corrective Action
2004-1	2004	Need to Improve Controls Over Cash Disbursements	Partially	See current year findings.
2004-2	2003	Need to Adopt Budget prior to January 1st	No	See current year findings.
2004-3	2004	Need to Fund Reserve Requirements	No	See current year findings.
Management Letter - 2004-1	2004	Sales Tax Collection on Water Sales	No	See current year findings.
Management Letter - 2004-2	2004	Donation or Loan of Public Funds	No	See current year findings.

**Independent Auditor's Reports 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.

**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 each major fund of the Village of Epps, as of and for the year ended December 31, 2005, which collectively comprise the Village of Epps basic financial statements and have issued my report thereon dated June 23, 2006. 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 in order to determine my auditing procedures for the purpose of expressing my opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, I noted a certain matter involving the internal control over financial reporting and its operation that I consider to be a reportable condition. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect the Village of Epps' ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 2005-1.

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 caused by error or fraud 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. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, I consider the reportable condition described above to be a material weakness.

MAYOR AND BOARD OF ALDERMEN

Village of Epps

Epps, Louisiana

Independent Auditor's Report

on Internal Control and on

Compliance, etc.,

December 31, 2005

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* which are described in the accompanying schedule of findings as items 2005-2 through 2005-6.

This report is intended solely for the information and use of the mayor and board of aldermen and management of the Village of Epps and federal awarding agencies 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

June 23, 2006

Village of Epps
Epps, Louisiana

Schedule of Findings
For the Year Ended December 31, 2005

I have audited the 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, 2005, which collectively comprise the Village of Epps basic financial statements and have issued my report thereon dated June 23, 2006. 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. My audit of the financial statements as of December 31, 2005 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

Material Weakness Yes No

Reportable Conditions Yes No

Compliance

Compliance Material to Financial Statement Yes No

Section II - Financial Statement Findings

2005-1. Need to Improve Controls Over Cash Disbursements

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

Condition: The following deficiencies in internal controls over cash disbursements were noted for the year ended December 31, 2005:

1. I examined a total of 50 checks that were written during the year. 6 of the 50 checks (12%) were not paid on a timely basis. It was noted that interest and late fees were paid on credit card bills because invoices were not paid by the due date.

Village of Epps
Epps, Louisiana
Schedule of Findings

2. At December 31, 2005, the village had not made payroll tax deposits for the months of September through December 2005. The village incurred interest and penalties because the tax deposits were not made when due.
3. At least four times, credit card bills were overpaid because payments were supported by statement only and previous payments did not appear on the credit card statement. Supporting receipts were not attached to the credit card statements.
4. The charges on credit card statements were all posted to the general ledger as gas or travel and all charges were not for gas or travel.

Effect: The failure to establish and adhere to internal controls over cash disbursements could result in a loss of assets from unauthorized use or disposition or from transactions that are not in accordance with management's authorizations.

Recommendation: I recommend that all invoices be paid in a timely manner in order to avoid late charges and interest. Payroll tax deposits should be made as required by the Internal Revenue Service. Signed receipts should be reconciled to credit card statements and previous payments not appearing on the statement should be deducted from the balance due. The checkstub should detail the charges on the statement so that the proper general ledger accounts can be posted.

2005-2. Need to Comply with Local Government Budget Act

Criteria: Louisiana Revised Statute (LRS) 39:1308 (A) requires that all action necessary to adopt the budget for an ensuing fiscal year be completed prior to the end of the fiscal year in progress. LRS 39:1310 requires the governing authority to amend the budget when actual expenditures exceed budgeted expenditures by five percent or more.

Condition: The General Fund budget for the year ended December 31, 2005 was adopted on January 17, 2005. Actual General Fund expenditures exceeded budgeted expenditures by \$161,081 or 71%.

Effect: The adopted budget is intended to form the framework from which the mayor and council monitor revenue and control expenditures. These officials were unable to perform this function for the entire fiscal year due to adopting the budget after the year began. The village experienced poor financial condition during 2005 due to failing to keep expenditures within budgeted amounts.

Village of Epps
Epps, Louisiana
Schedule of Findings

Recommendation: I recommend that all action necessary to adopt and implement the budget be completed prior to January 1 each year. I recommend that the budget be incorporated into the accounting records of the village and that the monthly financial reports include a comparison of actual results with budgeted results. I recommend that actual expenditures not be allowed to exceed the budget.

2005-3. Donation or Loan of Public Funds

Criteria: Article VII, Section 14 of the Louisiana Constitution prohibits the loan or donation of public funds.

Condition: During the year ended December 31, 2005, the village advanced salaries to six different employees for 10 out of 12 months. One official was paid \$400 more than the amount authorized. This same official was overpaid \$800 during 2004 and has not repaid that amount as of the date of this report. Also, one official did not pay for water and sewer usage during 2005 and owed \$458 for this usage at December 31, 2005.

Recommendation: I recommend that salaries not be paid in advance in the future and that the governing authority of the village take the necessary steps to recover the salary amounts overpaid during 2004 and 2005 and the amount due for water and sewer usage for 2005.

2005-4. Misappropriation of Public Funds

Criteria: LRS:42:1461 provides that elected officials assume a personal obligation not to misappropriate, misapply, or misuse any property belonging to the public entity in which they hold office. LRS 33:462 requires that all expenditures be in accordance with specific appropriations from a budget approved by the governing authority.

Condition: During the year ended December 31, 2005, an elected official of the village spent \$22,731 for drug-free awareness items such as pens, pencils, coloring books, crayons, toys, etc. Approximately 22,226 items were purchased for the citizens of a village with a population of 563. This amount was \$12,731 more than the total amount budgeted for the department's expenses. This department overspent its budget by \$71,662.

Village of Epps
Epps, Louisiana
Schedule of Findings

Recommendation: I recommend that the elected officials of the village be prudent and reasonable when spending public funds and that expenditures not exceed the amount approved in the budget.

2005-5. Need to Fund Reserve Requirements in Accordance with Amounts Specified in Loan Resolutions

Criteria: The loan resolutions with the United States Department of Agriculture for the 1988 and 1996 revenue bonds requires that the district set aside certain amounts in reserve accounts each year and that the amounts set aside be used only for repairing or improving the water system or making loan payments.

Condition: For the year ended December 31, 2005, the village did not transfer the required amounts to the reserve accounts. In addition, the village withdrew \$1,145 from the reserve funds and used it for general operating purposes.

Effect: The loan resolutions for the revenue bonds from the United States Department of Agriculture provide that failure to comply with requirements of the loan resolutions may be construed by the lender to constitute default on the loan.

Recommendation: I recommend that the village fund the reserve accounts in accordance with the loan resolutions and that the funds be used only for the purposes specified in the loan resolutions.

2005-6. Sales Tax Collection on Water Sales

Criteria: Article VII, Section 2.2 of the Louisiana Constitution provides that the sale of water for any building or facility that is used other than for residential purposes, such as a business, commercial, industrial, or institutional facility, is not eligible for the sales tax exemption on water sales.

Condition: The village did not collect state sales tax on the sale of water for nonresidential purposes during the year ended December 31, 2005.

Effect: The failure to collect and remit required sales tax could result in the imposition of fines and penalties to the village.

Recommendation: I recommend that the village collect and remit state sales tax on the sale of water for nonresidential purposes.

**VILLAGE OF EPPS
MANAGEMENT'S CORRECTIVE ACTION PLAN
For the Year Ended December 31, 2005**

Section I Internal Control and Compliance Material to the Financial Statement	
<p>2005-1 Need to Improve Controls Over Cash Disbursements</p> <p>I recommend that all invoices be paid in a timely manner, that payroll tax deposits be made as required by the Internal Revenue Service, that signed receipts and previous payments be reconciled to credit card statements and the charges on credit card statements be posted to the proper general ledger account.</p>	<p>Invoices will be paid in a timely manner; payroll taxes will be deposited timely; receipts and previous payments will be reconciled to credit cards and will not double pay bills; will itemize credit card expenses for bookkeeper so it will be posted to the proper ledger account.</p>
<p>2005-2 Need to Comply with Local Government Budget Act</p> <p>I recommend that action necessary to adopt and implement the budget be completed prior to January 1 each year. I recommend that the budget be incorporated into the accounting records and that monthly financial reports include a comparison of actual results with budgeted results. I recommend that actual expenditures not be allowed to exceed budgeted expenditures.</p>	<p>Budget will be adopted by January 1 and a copy of the budget will be sent to the bookkeeper for monthly comparison. Budget will be adhered to.</p>
<p>2005-3 Donation or Loan of Public Funds</p> <p>I recommend that salaries not be paid in advance and that the governing authority take the necessary steps to recover the salary amounts overpaid during 2004 and 2005 and the amount due for water and sewer usage for 2005.</p>	<p>No more salaries will be paid in advance. Amounts that were overpaid will be recovered. Water and sewer bills will be strictly collected.</p>

<p>2005-4 Misappropriation of Public Funds</p> <p>I recommend that elected officials of the village be prudent and reasonable when spending public funds and that expenditures not exceed the amount approved in the budget.</p>	<p>Elected officials have been told that they have to stay within the budget.</p>
<p>2004-5 Need to Fund Reserve Requirements</p> <p>I recommend that the village fund the reserve accounts in accordance with the loan resolutions and that funds be used only for the purposes specified in the loan resolutions.</p>	<p>We will start putting money in the reserve accounts.</p>
<p>2005-6 Sales Tax Collection on Water Sales</p> <p>I recommend that the village collect and remit state sales tax on the sale of water for nonresidential purposes.</p>	<p>We will charge and collect for sales tax on nonresidential purposes.</p>
<p>Section II Internal Control and Compliance Material To Federal Awards</p>	
<p>Not Applicable.</p>	
<p>Section III Management Letter</p>	
<p>None Issued.</p>	