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**VILLAGE OF EPPS  
Epps, Louisiana**

**Annual Financial Statements**

**As of and for the Year Ended  
December 31, 2009**

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 4/28/10

VILLAGE OF EPPS  
Epps, Louisiana

Annual Financial Statements

As of and for the Year Ended December 31, 2009

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VILLAGE OF EPPS  
Epps, Louisiana  
Annual Financial Statements  
As of and for the Year Ended December 31, 2009

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*M. Carleen Dumas*  
CERTIFIED PUBLIC ACCOUNTANT  
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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, 2009, 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, 2009, 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, 2009

In accordance with *Government Auditing Standards*, I have also issued a report dated March 19, 2010, 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 should be considered in assessing the results of my audit.

The management's discussion and analysis and budgetary comparison on pages 5 through 9 and 32, 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  
March 19, 2010

VILLAGE OF EPPS  
Epps, Louisiana

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended December 31, 2009

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, 2009. 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 \$27,901 during 2009. The increase in net assets is primarily due to the purchase and construction of capital assets financed with state and federal grants. 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	
	2009	2008	2009	2008	2009	2008
<b>Assets</b>						
Current assets	\$103,681	\$94,220	\$91,730	\$60,119	\$195,411	\$154,339
Restricted assets			38,001	12,900	38,001	12,900
Capital assets	<u>362,629</u>	<u>309,650</u>	<u>1,417,211</u>	<u>1,510,496</u>	<u>1,779,840</u>	<u>1,820,146</u>
Total assets	<u>466,310</u>	<u>403,870</u>	<u>1,546,942</u>	<u>1,583,515</u>	<u>2,013,252</u>	<u>1,987,385</u>
<b>Liabilities</b>						
Current liabilities	99,745	82,373	36,918	33,361	136,663	118,855
Long-term liabilities		3,121	317,314	337,156	317,314	337,156
Total liabilities	<u>99,745</u>	<u>85,494</u>	<u>354,232</u>	<u>370,517</u>	<u>453,977</u>	<u>456,011</u>
<b>Net Assets</b>						
Invested in capital assets, net of related debt	362,629	306,529	1,081,519	1,155,907	1,444,148	1,462,436
Restricted			38,001	12,900	38,001	12,900
Unrestricted	<u>3,936</u>	<u>11,847</u>	<u>73,190</u>	<u>44,191</u>	<u>77,126</u>	<u>56,038</u>
Total net assets	<u>366,565</u>	<u>318,376</u>	<u>1,192,710</u>	<u>1,212,998</u>	<u>1,559,275</u>	<u>1,531,374</u>

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2009	2008	2009	2008	2009	2008
<b>Program revenues</b>						
Charges for services	\$308,524	\$304,292	\$132,305	\$130,433	\$440,829	\$434,725
Operating grant		4,914				4,914
Capital grants	69,882	348,610			69,882	348,610
<b>General revenues</b>						
Franchise taxes	13,066	18,580			13,066	18,580
Investment earnings	80		80	46	160	46
Other	3,853	5,391			3,853	5,391
Special item - gain on sale of fixed assets	2,500	4,850			2,500	4,850
<b>Transfers</b>	4,250	(359,671)	(4,250)	359,671		
Total revenue and transfers	402,155	326,966	128,135	490,150	530,290	817,116
<b>Program expenses</b>						
General government	353,966	320,306			353,966	320,306
Water and sewer			148,423	164,890	148,423	164,890
Total expenses	353,966	320,306	148,423	164,890	502,389	485,196
Change in net assets	48,189	6,660	(20,288)	325,260	27,901	331,920
Net assets - beginning	318,376	311,716	1,212,998	887,738	1,531,374	1,199,454
Net assets - ending	\$366,565	\$318,376	\$1,192,710	\$1,212,998	\$1,559,275	\$1,531,374

The Village's total revenues decreased \$286,826 due to the completion of the water system improvement project during 2008 that was financed with federal grant funds. Total expenses increased \$17,193 due primarily to increase in insurance, salaries, and police department expense.

### Governmental Funds

Total revenue and transfers for governmental activities increased \$75,189 from revenues and transfers of the prior year due to the net effect of a decrease in federal grants and transfers to business-type activities fund. The expenses of the governmental activities increased \$33,660 from expenses of the prior year due primarily to increases in salaries, insurance, and police department expenses.

### Business-Type Activities

The Village's charges for services for its business-type activities increased \$1,872 from the prior year. Total expenses decreased \$16,467 primarily due to the net effect of an increase in depreciation expense and decreases in insurance, gas, fuel and oil, and utilities expenses.

## OVERALL FINANCIAL POSITION

The Village's net assets increased \$27,901 as a result of this year's operations. The business-type activities had a decrease in net assets of \$20,288 due to increases in depreciation expense but the governmental activities had a net increase of \$48,189 that can be attributed to the purchase of capital assets with state and



federal grant revenues. Unrestricted net assets ( those assets available to finance the daily operations of the Village) were \$77,126 at year end. Assets restricted for debt service were \$38,001 at year end. The amount invested in capital assets, net of related debt, was \$1,444,148 at year end.

## **VILLAGE'S FUNDS**

At the end of the year, the Village's General Fund reported a fund balance of \$4,058. The decrease in fund balance for 2009 was \$7,808 due primarily to increases in insurance, utilities, and police department expenses. The Water and Sewer Enterprise Fund reported net assets of \$1,192,710 at year end. The decrease in net assets was \$20,288 for 2009. The LCDBG Capital Projects Fund reported a deficit fund balance of \$122 at year end.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

The Village amended its General Fund budget one time during 2009. At year end, actual revenues and other sources were \$4,104 less than budgeted revenues and other sources and actual expenditures were \$13,404 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 \$1,779,840. Capital assets include land, construction in progress, 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 three new vehicles, a tractor, police department equipment, water and sewer equipment and billing software and constructed a new maintenance shed during 2009. The village also incurred costs in connection with an ongoing sewer system improvement project that were recorded as construction in progress. The Village sold two old vehicles resulting in a gain from the sale of fixed assets of \$2,500. Additional information about the Village's capital assets is presented in the notes to the financial statements.

### **Debt**

During 2009, the Village paid off its obligation under a capital lease agreement for a police car. At year end the Village had \$335,693 in outstanding 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 2010 General Fund budget on the assumption that revenues and other financing sources will decrease approximately \$30,854 and expenditures will decrease approximately \$62,708 from

2009 budgeted amounts. The decrease in revenues and other financing sources is due primarily to an anticipated decrease in grants and the decrease in expenditures is primarily due to anticipated decreases in capital outlay expenditures. The Village expects the Water and Sewer Enterprise Fund's 2010 revenues to be approximately the same as 2009 and expenses of the Water and Sewer Enterprise Fund are anticipated to be fairly constant for 2010.

**BASIC FINANCIAL STATEMENTS**

VILLAGE OF EPPS  
Epps, Louisiana

STATEMENT OF NET ASSETS  
December 31, 2009

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<b>ASSETS</b>			
Cash	\$59,990	\$73,162	\$133,152
Receivables (net of allowances for uncollectibles)	43,691	18,568	62,259
Restricted assets - certificates of deposit		38,001	38,001
Capital assets (net)	<u>362,629</u>	<u>1,417,211</u>	<u>1,779,840</u>
TOTAL ASSETS	<u>466,310</u>	<u>1,546,942</u>	<u>2,013,252</u>
<b>LIABILITIES</b>			
Accounts payable	53,076	2,326	55,402
Payroll taxes and withholdings payable	46,669		46,669
Sales tax payable		621	621
Customer deposits		6,550	6,550
Accrued interest payable		9,042	9,042
Long-term liabilities:			
Due within one year		18,379	18,379
Due in more than one year		<u>317,314</u>	<u>317,314</u>
TOTAL LIABILITIES	<u>99,745</u>	<u>354,232</u>	<u>453,977</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	362,629	1,081,519	1,444,148
Restricted for debt service		38,001	38,001
Unrestricted	<u>3,936</u>	<u>73,190</u>	<u>77,126</u>
TOTAL NET ASSETS	<u>\$366,565</u>	<u>\$1,192,710</u>	<u>\$1,559,275</u>

The accompanying notes are an integral part of this statement.

Statement B

VILLAGE OF EPPS  
Epps, Louisiana

STATEMENT OF ACTIVITIES  
For the Year Ended December 31, 2009

	Expenses	Charges for Services	Capital Grants	Governmental Activities	Business-Type Activities	Total
<b>GOVERNMENTAL ACTIVITIES:</b>						
General government	\$353,966	\$308,524	\$69,882	\$24,440		\$24,440
<b>BUSINESS-TYPE ACTIVITIES:</b>						
Water and sewer service	148,423	132,305			(\$16,118)	(16,118)
Total government	<u>\$502,389</u>	<u>\$440,829</u>	<u>\$69,882</u>	<u>24,440</u>	<u>(16,118)</u>	<u>8,322</u>
					Net (Expense) Revenue and .....Changes in Net Assets.....	
<b>GENERAL REVENUES, TRANSFERS AND</b>						
General revenues:						
Franchise taxes	13,066					13,066
Investment earnings	80			80		160
Other revenues	3,853					3,853
Special item - gain on sale of fixed assets	2,500					2,500
Transfers	4,250				(4,250)	
Total general revenues, transfers, and special items	<u>23,749</u>			<u>(4,170)</u>		<u>19,579</u>
<b>CHANGE IN NET ASSETS</b>						
	48,189			(20,288)		27,901
<b>NET ASSETS - BEGINNING</b>	318,376			1,212,998		1,531,374
<b>NET ASSETS - ENDING</b>	<u>\$366,565</u>			<u>\$1,192,710</u>		<u>\$1,559,275</u>

The accompanying notes are an integral part of this statement.

VILLAGE OF EPPS  
Epps, Louisiana

BALANCE SHEET - GOVERNMENTAL FUNDS  
December 31, 2009

	General Fund	LCDBG Capital Projects Fund	Total Governmental Funds
<b>ASSETS</b>			
Cash	\$46,262	\$13,728	\$59,990
Receivables	43,691		43,691
Due from other funds	200		200
	<u>\$90,153</u>	<u>\$13,728</u>	<u>\$103,881</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$39,426	\$13,650	\$53,076
Payroll taxes and withholdings payable	46,669		46,669
Due to other funds		\$200	200
Total liabilities	86,095	13,850	99,945
Fund balance - unreserved (deficit)	4,058	(122)	3,936
	<u>\$90,153</u>	<u>\$13,728</u>	<u>\$103,881</u>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>			

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

Fund balances - unreserved - Total Governmental Funds	\$3,936
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	362,629
Net assets of governmental activities (Statement A)	<u>\$366,565</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, 2009

	General Fund	LCDBG Capital Projects Fund	Total Governmental Funds
<b>REVENUES</b>			
Franchise taxes	\$13,066		\$13,066
Licenses and permits	16,252		16,252
Intergovernmental revenue:			
State grants	34,924		34,924
Federal grants	21,308	\$13,650	34,958
Fines	44,124		44,124
Rent	245,558		245,558
Interest earnings	80		80
Other revenues	6,442		6,442
Total revenues	<u>381,754</u>	<u>13,650</u>	<u>395,404</u>
<b>EXPENDITURES</b>			
General government:			
Personal services	198,988		198,988
Operating services	105,047	103	105,150
Materials and supplies	20,353		20,353
Community development - facilities construction		13,650	13,650
Capital outlay	68,588		68,588
Debt service	3,336		3,336
Total expenditures	<u>396,312</u>	<u>13,753</u>	<u>410,065</u>
<b>EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES</b>	<u>(14,558)</u>	<u>(103)</u>	<u>(14,661)</u>
<b>OTHER FINANCING SOURCES (Uses)</b>			
Operating transfer in	4,250		4,250
Proceeds from sale of fixed assets	2,500		2,500
Total other financing sources (uses)	<u>6,750</u>	<u>NONE</u>	<u>6,750</u>
<b>NET CHANGE IN FUND BALANCES</b>	(7,808)	(103)	(7,911)
<b>FUND BALANCE (Deficit) AT BEGINNING OF YEAR</b>	<u>11,866</u>	<u>(19)</u>	<u>11,847</u>
<b>FUND BALANCE (Deficit) AT END OF YEAR</b>	<u>\$4,058</u>	<u>(\$122)</u>	<u>\$3,936</u>

(Continued)

The accompanying notes are an integral part of this statement.

**Statement D**

VILLAGE OF EPPS  
 Epps, Louisiana  
 STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCE - GOVERNMENTAL FUND  
 For the Year Ended December 31, 2009

	<u>Total Governmental Funds</u>
<b>Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities:</b>	
Net change in fund balances - Total Governmental Funds	(\$7,911)
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.	52,979
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>3,121</u>
Change in net assets of governmental activities (Statement B)	<u><u>\$48,189</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, 2009

	Water and Sewer Enterprise Fund
	<u>                    </u>
<b>ASSETS</b>	
Current assets:	
Cash	\$73,162
Accounts receivable (net of allowance for doubtful accounts)	18,568
Total current assets	<u>91,730</u>
Noncurrent assets:	
Restricted assets - certificates of deposit	38,001
Capital assets (net of accumulated depreciation)	1,417,211
Total noncurrent assets	<u>1,455,212</u>
Total assets	<u>1,546,942</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	\$2,326
Sales tax payable	621
Accrued interest payable	9,042
Current portion of long-term debt	18,379
Customer deposits	6,550
Total current liabilities	<u>36,918</u>
Noncurrent liabilities:	
Long-term debt - revenue bonds payable	<u>317,314</u>
Total liabilities	<u>354,232</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	1,081,519
Restricted for debt service	38,001
Unrestricted	73,190
Total net assets	<u>\$1,192,710</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, 2009

	Water and Sewer Enterprise Fund
<b>OPERATING REVENUES</b>	
Water sales	\$74,983
Sewer fees	53,275
Penalties	4,016
Other	30
Total operating revenue	<u>132,304</u>
<b>OPERATING EXPENSES</b>	
Office expense	275
Postage	1,115
Repairs and maintenance	374
Utilities and telephone	10,217
Supplies	2,559
Insurance	12,261
Miscellaneous	533
Fees and dues	1,263
Water and sewer analysis	4,035
Depreciation	97,499
Total operating expenses	<u>130,131</u>
<b>OPERATING INCOME</b>	<u>2,173</u>
<b>NON-OPERATING REVENUES (Expenses)</b>	
Interest earned on deposits	80
Transfers to General Fund	(4,250)
Interest expense	(18,291)
Total non-operating revenues	<u>(22,461)</u>
<b>CHANGE IN NET ASSETS</b>	<u>(20,288)</u>
<b>NET ASSETS - BEGINNING</b>	<u>1,212,998</u>
<b>NET ASSETS - ENDING</b>	<u><u>\$1,192,710</u></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, 2009

	<u>Water and Sewer Enterprise Fund</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers	\$123,480
Customer meter deposits (net)	50
Payments to suppliers	<u>(30,960)</u>
Net cash provided by operating activities	<u>92,570</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Transfer to General Fund	<u>(4,250)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Principal paid on capital debt	(18,897)
Interest paid on capital debt	(17,400)
Purchase of capital assets	(4,214)
Increase in restricted cash - certificates of deposit	<u>(25,101)</u>
Net cash used by capital and related financing activities	<u>(65,612)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest income	<u>80</u>
<b>NET INCREASE IN CASH</b>	<u>22,788</u>
<b>CASH AT BEGINNING OF YEAR</b>	<u>50,374</u>
<b>CASH AT END OF YEAR</b>	<u><u>\$73,162</u></u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>	
Operating Income	<u>\$2,173</u>
Adjustments:	
Depreciation	97,499
Increase in accounts receivable	(8,823)
Increase in customer meter deposits	50
Increase in sales tax payable	557
Increase in accounts payable	<u>1,114</u>
Total adjustments	<u>90,397</u>
Net cash provided by operating activities	<u><u>\$92,570</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, 2009

**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 sewer 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 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. The village first uses unrestricted assets when both restricted and unrestricted assets are available for a specified purpose.

**F. Capital Assets**

Capital assets, which include land, construction in progress, 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, 2009.

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

VILLAGE OF EPPS  
Notes to the Financial Statements

**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, 2009, 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, 2009 for the Water and Sewer Enterprise Fund:

Total interest cost expensed	\$18,291
Total interest cost capitalized	<u>NONE</u>
Total interest costs incurred	<u>\$18,291</u>



VILLAGE OF EPPS  
Notes to the Financial Statements

**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 in December 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, 2009.

**B. Excess of Expenditures Over Appropriations**

The following individual fund had actual expenditures over budgeted appropriations for the year ended December 31, 2009:

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Unfavorable Variance</u>
General Fund	<u>\$293,800</u>	<u>\$382,908</u>	<u>\$396,312</u>	<u>\$13,404</u>

**C. Deficits**

The LCDBG Capital Projects Fund had a \$122 deficit in unreserved fund balance at December 31, 2009. The village plans to eliminate this deficit with a transfer from the General Fund.

**3. DEPOSITS IN FINANCIAL INSTITUTIONS**

At December 31, 2009, the village has cash and restricted cash - certificates of deposit (book balances) as follows:

Checking accounts	\$133,152
Short-term investments - certificates of deposit	<u>38,001</u>
Total	<u>\$171,153</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

VILLAGE OF EPPS  
Notes to the Financial Statements

at all times equal the amount on deposit with the fiscal agent. At December 31, 2009, these deposits are secured from risk by federal deposit insurance .

**4. RECEIVABLES**

The following is a summary of receivables at December 31, 2009:

	General Fund	Water and Sewer Enterprise Fund	Total
Franchise taxes	\$3,123		\$3,123
Rent	18,195		18,195
Charges for services	1,065	\$20,573	21,638
Federal grant	21,308		21,308
Allowance for doubtful accounts		(2,005)	(2,005)
Total	<u>\$43,691</u>	<u>\$18,568</u>	<u>\$62,259</u>

**5. INTERFUND RECEIVABLES/PAYABLES**

The following is a summary of interfund receivables and payables at December 31, 2009:

	Due From Other Funds	Due To Other Funds
General Fund	\$200	
LCDBG Capital Projects Fund		\$200
Total	<u>\$200</u>	<u>\$200</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, 2009, is as follows:

VILLAGE OF EPPS  
Notes to the Financial Statements

	Balance at January 1, 2009	Increases	Decreases	Balance at December 31, 2009
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$14,000	NONE	NONE	\$14,000
Construction in progress		\$13,650		13,650
	<u>\$14,000</u>	<u>\$13,650</u>	<u>NONE</u>	<u>\$27,650</u>
Capital assets being depreciated:				
Buildings	\$426,039	\$5,993		\$432,032
Vehicles and equipment	168,715	62,595	(\$12,175)	219,135
Total capital assets being depreciated	<u>\$594,754</u>	<u>\$68,588</u>	<u>(\$12,175)</u>	<u>\$651,167</u>
Less accumulated depreciation for:				
Buildings	207,791	10,751		218,542
Vehicles and equipment	91,313	18,508	(12,175)	97,646
Total accumulated depreciation	<u>299,104</u>	<u>29,259</u>	<u>(12,175)</u>	<u>316,188</u>
Total assets being depreciated, net	<u>\$295,650</u>	<u>\$39,329</u>	<u>NONE</u>	<u>\$334,979</u>
<b>Business-type activities:</b>				
Capital assets being depreciated:				
Water and sewer systems and improvements	\$2,596,627			\$2,596,627
Building	2,618			2,618
Equipment	19,054	\$4,214		23,268
Total capital assets being depreciated	<u>2,618,299</u>	<u>4,214</u>	<u>NONE</u>	<u>2,622,513</u>
Less accumulated depreciation for:				
Water and sewer systems and improvements	1,089,438	96,423		1,185,861
Building	1,025	104		1,129
Equipment	17,340	972		18,312
Total accumulated depreciation	<u>\$1,107,803</u>	<u>\$97,499</u>	<u>NONE</u>	<u>\$1,205,302</u>

VILLAGE OF EPPS  
Notes to the Financial Statements

	Balance at January 1, 2009	Increases	Decreases	Balance at December 31, 2009
Total assets being depreciated, net	<u>\$1,510,496</u>	<u>(\$93,285)</u>	<u>NONE</u>	<u>\$1,417,211</u>

Depreciation expense of \$29,259 was charged to the general government governmental function and \$97,499 was charged to the water and sewer business-type activities function for the year ended December 31, 2009.

**7. INTERFUND TRANSFERS**

The following is a summary of interfund transfers during the year ended December 31, 2009:

	Transfer In	Transfer Out
General Fund	\$4,250	
Water and Sewer Enterprise Fund		\$4,250
Total	<u>\$4,250</u>	<u>\$4,250</u>

The transfer was made to pay one-half of the cost of a tractor paid by the General Fund.

**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 obligation was paid in full during 2009.

**9. LONG-TERM OBLIGATIONS**

The following is a summary of long-term obligations transactions for the year ended December 31, 2009:

	Revenue Bonds Payable	Capital Leases Payable	Total
Balance January 1, 2009	\$354,590	\$3,121	\$357,711
Additions			
Reductions	<u>(18,897)</u>	<u>(3,121)</u>	<u>(22,018)</u>
Balance at December 31, 2009	<u>\$335,693</u>	<u>NONE</u>	<u>\$335,693</u>

VILLAGE OF EPPS  
Notes to the Financial Statements

Interest expense of \$215 was charged to the general government governmental function and interest expense of \$18,291 was charged to the water and sewer business-type activities function for the year ended December 31, 2009.

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, 2009:

	<u>Revenue Bonds Payable</u>
Current portion	\$18,379
Long-term portion	<u>317,314</u>
Total	<u><u>\$335,693</u></u>

Revenue bonds payable in the amount of \$335,693 have maturities from 2010 until 2028 and 4.5% to 6.125% interest rates. Loan principal and interest payable in the next fiscal year are \$18,379 and \$17,918, 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	4/5/28	4/5/28	5/20/18
Interest to maturity	\$124,279	\$7,024	\$37,664
Principal outstanding	\$176,887	\$9,761	\$149,045
Funding source	Water revenue	Water revenue	Sewer revenue

The loans are due as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>Year Ending December 31,</u>	<u>Payments</u>	<u>Payments</u>	<u>Total</u>
2010	\$18,379	\$17,918	\$36,297
2011	19,289	17,008	36,297
2012	20,245	16,052	36,297
2013	21,250	15,047	36,297
2014	22,305	13,992	36,297
2015 - 2019	120,454	52,155	172,609
2020 - 2024	55,842	27,850	83,692
2025 - 2028	<u>57,929</u>	<u>8,945</u>	<u>66,874</u>
Total	<u><u>\$335,693</u></u>	<u><u>\$168,967</u></u>	<u><u>\$504,660</u></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 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, 2009 the village has \$38,001 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, 2009:

VILLAGE OF EPPS  
Notes to the Financial Statements

Reserve for revenue bonds payable at January 1, 2009	\$12,900
Interest earnings	80
Deposits	<u>25,021</u>
Reserve for bonds payable at December 31, 2009	<u>\$38,001</u>

**11. 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, 2009. 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, 2009, the village received \$13,650 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 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, 2009, the village received \$235,850 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, 2009

	Budgeted .....Amounts.....		Actual Amounts (Budgetary Basis - GAAP)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Franchise taxes	\$18,300	\$14,300	\$13,066	(\$1,234)
Licenses and permits	16,000	16,100	16,252	152
Intergovernmental revenue - state and federal grants		51,208	56,232	5,024
Fines	50,000	45,000	44,124	(876)
Rent	282,000	253,000	245,558	(7,442)
Interest earnings			80	80
Other revenue	4,600	13,000	6,442	(6,558)
Total revenues	<u>370,900</u>	<u>392,608</u>	<u>381,754</u>	<u>(10,854)</u>
<b>EXPENDITURES</b>				
General government:				
Personal services	187,000	201,000	198,988	2,012
Operating services	82,800	105,300	105,047	253
Materials and supplies	20,700	18,900	20,353	(1,453)
Capital outlay		54,308	68,588	(14,280)
Debt service	3,300	3,400	3,336	64
Total expenditures	<u>293,800</u>	<u>382,908</u>	<u>396,312</u>	<u>(13,404)</u>
<b>EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES</b>	<u>77,100</u>	<u>9,700</u>	<u>(14,558)</u>	<u>(24,258)</u>
<b>OTHER FINANCING SOURCES</b>				
Operating transfer in			4,250	4,250
Proceeds from sale of fixed assets			2,500	2,500
Total other financing sources	<u>NONE</u>	<u>NONE</u>	<u>6,750</u>	<u>6,750</u>
<b>NET CHANGE IN FUND BALANCE</b>	77,100	9,700	(7,808)	(17,508)
<b>FUND BALANCE AT BEGINNING OF YEAR</b>	<u>600</u>	<u>11,866</u>	<u>11,866</u>	
<b>FUND BALANCE AT END OF YEAR</b>	<u>\$77,700</u>	<u>\$21,566</u>	<u>\$4,058</u>	<u>(\$17,508)</u>

There was one budget amendment during the year ended December 31, 2009.

**OTHER SUPPLEMENTAL INFORMATION SCHEDULES**

VILLAGE OF EPPS  
Epps, Louisiana

OTHER SUPPLEMENTAL INFORMATION SCHEDULES  
As of and For the Year Ended December 31, 2009

**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, 2009

Shirley Gibson	\$900
Charlie Grimble	900
Roberta Simms	<u>900</u>
Total	<u>\$2,700</u>

VILLAGE OF EPPS  
Epps, Louisiana

STATUS OF PRIOR YEAR FINDINGS  
For the Year Ended December 31, 2009

Reference Number	Fiscal Year Finding Initially Occurred	Description of Finding	Corrective Action Taken	Planned Corrective Action
2008-1	2008	Inadequate Segregation of Accounting Duties	No	See 2009-1 in current year findings.
2008-2	2008	Inadequate Controls Over Preparation of Financial Statements	No	See 2009-2 in current year findings.
2008-3	2008	Inadequate Controls Over Payroll	Yes	N/A
2008-4	2008	Inadequate Controls Over Water and Sewer Fund Accounts Receivable	Yes	N/A
2008-5	2003	Actual General Fund expenditures exceeded budgeted expenditures by more than 5%.	Yes	N/A
2008-6	2008	Failure to Publish Minutes of Board Meetings	Yes	N/A
2008-7	2006	Failure to Pay Payroll Taxes in Timely Manner	Yes	N/A
2008-8	2008	Louisiana Legislative Auditor's Advisory Services Report	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. 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, 2009, which collectively comprise the Village of Epps' basic financial statements and have issued my report thereon dated March 19, 2010. 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore there can be no assurance that all such deficiencies have been identified. However, as discussed below, I identified certain deficiencies in internal control over financial reporting that I consider to be material weaknesses and another deficiency that I consider to be a significant deficiency.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and corrected on a timely basis. I consider the deficiencies in the Village of Epps' internal control over financial reporting described in the accompanying schedule of current year findings as 2009-1 and 2009-2 to be material weaknesses.

**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  
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on Compliance and on  
Internal Control, etc.,  
December 31, 2009

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. I consider the deficiency in the Village of Epps' internal control over financial reporting described in the accompanying schedule of current year findings as 2009-3 to be a significant deficiency.

**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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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  
March 19, 2010



**VILLAGE OF EPPS**  
**Epps, Louisiana**

**Schedule of Current Year Findings and  
Management's Planned Corrective Action  
For the Year Ended December 31, 2009**

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, 2009, and for the year then ended, which collectively comprise the Village's basic financial statements and have issued my report thereon dated March 19, 2010. 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, 2009 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**

**2009-1. 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

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**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.

**2009-2. 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.

**2009-3. Noncompliance with Established Purchasing Policy**

**Criteria:** In April 2009, the board of aldermen approved a purchasing policy that requires that a purchase order, signed by the mayor, be issued for all purchases of \$100 or more.

**Condition:** I selected 60 disbursements made during the year and noted that for 5 of those 60 disbursements no purchase order was issued as required by the purchasing policy.

**Effect:** The failure to adhere to established purchasing procedures could result in unauthorized purchases being made by employees of the village.

MAYOR AND BOARD OF ALDERMEN  
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**Recommendation:** The board of aldermen and mayor should require that all employees comply with the established purchasing policy.

**Management's Planned**

**Corrective Action:** Effective March 1, 2010, the village began issuing purchase orders for all purchases over \$100.