

VILLAGE OF EPPS
Epps, Louisiana

Annual Financial Statements

As of and for the Year Ended
December 31, 2002

VILLAGE OF EPPS
Epps, Louisiana

Annual Financial Statements

As of and for the Year Ended December 31, 2002

C O N T E N T S

Statement Page No.

Accountant's Compilation Report		3
Basic Financial Statements:		
Government-Wide Financial Statements:		
Statement of Net Assets	A	5
Statement of Activities	B	6
Fund Financial Statements:		
Governmental Funds:		
Balance Sheet	C	8
Statement of Revenues, Expenditures and Changes in Fund Balances	D	9
Business-Type Activities:		
Statement of Net Assets	E	11
Statement of Revenues, Expenses, and Changes in Net Assets	F	12
Statement of Cash Flows	G	13
Notes to the Financial Statements		14

VILLAGE OF EPPS
Epps, Louisiana
Annual Financial Statements
As of and for the Year Ended December 31, 2002

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

	Schedule	Page No.
Required Supplemental Information:		
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and And Actual - General Fund	1	28
Other Supplemental Information Schedules:		
Schedule of Per Diem Paid Aldermen	2	31
Status of Prior Year Findings	3	32
Current Year Findings and Corrective Action Plan	4	33
Accountant's Report on Applying Agreed-Upon Procedures		36
Louisiana Attestation Questionnaire		40

M. Carleen Dumas
CERTIFIED PUBLIC ACCOUNTANT

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Accountant's Compilation Report

MAYOR AND BOARD OF ALDERMEN
VILLAGE OF EPPS
Epps, Louisiana

I have compiled the accompanying basic financial statements and supplemental information schedules, as listed in the foregoing table of contents, of the Village of Epps as of December 31, 2002, and for the year then ended, in accordance with standards established by *Statements on Standards for Accounting and Review Services* issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements and schedules, information that is the representation of management. I have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any form of assurance on them.

As described in Note 1 to the basic financial statements, the Village of Epps adopted the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as of December 31, 2002. This results in a change in the format and content of the basic financial statements for the year ended December 31, 2002.

Management has elected to omit Management's Discussion and Analysis which is supplemental information required by GASB. If the omitted information were included in the financial statements, they might influence the user's conclusions about the village's financial position, results of operations, and cash flows. Accordingly, these financial statements are not designed for those who are not informed about such matters.

In accordance with the *Louisiana Governmental Audit Guide* and the provisions of state law, I have issued a report dated June 10, 2003, on the results of my agreed-upon procedures.

Carleen Dumas

Calhoun, Louisiana
June 10, 2003

BASIC FINANCIAL STATEMENTS

VILLAGE OF EPPS
Epps, Louisiana

STATEMENT OF NET ASSETS
December 31, 2002

	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>	<u>TOTAL</u>
ASSETS			
Cash	\$17,617	\$2,531	\$20,148
Investments	19,699		19,699
Receivables (net of allowances for uncollectibles)	57,060	24,076	81,136
Internal balances	6,519	(6,519)	
Restricted assets		25,528	25,528
Capital assets (net)	436,181	1,123,269	1,559,450
TOTAL ASSETS	<u>537,076</u>	<u>1,168,885</u>	<u>1,705,961</u>
LIABILITIES			
Accounts payable	56,882	1,935	58,817
Payroll taxes payable	17,496		17,496
Sales tax payable		566	566
Deferred revenue	8,000	5,541	13,541
Customer deposits		9,227	9,227
Accrued interest payable		9,063	9,063
Bonds payable		444,649	444,649
TOTAL LIABILITIES	<u>82,378</u>	<u>470,981</u>	<u>553,359</u>
NET ASSETS			
Invested in capital assets, net of related debt	436,181	678,620	1,114,801
Restricted for debt service		3,470	3,470
Unrestricted	18,517	15,814	34,331
TOTAL NET ASSETS	<u>\$454,698</u>	<u>\$697,904</u>	<u>\$1,152,602</u>

See accompanying notes and accountant's compilation report.

VILLAGE OF EPPS
Epps, Louisiana

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2002

	Expenses	Program Revenues.. Charges for Services	Operating Grants	Governmental Activities	Business- Type Activities	Total	Net (Expense) Revenue andChanges in Net Assets.....
GOVERNMENTAL ACTIVITIES:							
General government	\$195,917	\$126,133	\$24,732	(\$45,052)			(\$45,052)
Community development	59	53,045		52,986			52,986
Total governmental activities	195,976	126,133	77,777	7,934			7,934
BUSINESS-TYPE ACTIVITIES:							
Water and sewer service	196,297	121,203			(\$75,094)		(\$75,094)
Total government	\$392,273	\$247,336	\$77,777	7,934	(\$75,094)		(\$67,160)
GENERAL REVENUES:							
Property taxes					5,307		5,307
Franchise taxes				11,383			11,383
Investment earnings				801	318		1,119
Other revenues				7,725			7,725
Transfers				(6,000)	6,000		
Total general revenues and transfers				13,909	11,625		25,534

(Continued)

See accompanying notes and accountant's compilation report.

VILLAGE OF EPPS
 Epps, Louisiana
 STATEMENT OF ACTIVITIES
 For the Year Ended December 31, 2002

	Program Revenues..	Charges for Services	Operating Grant	Governmental Activities	Business- Type Activities	Total
						Net (Expense) Revenue andChanges in Net Assets.....
Change in net assets before cumulative effect of change in accounting principle				\$21,843	(\$63,469)	(\$41,626)
Cumulative effect on prior years of changing the estimated useful lives of capital assets					(66,356)	(66,356)
CHANGE IN NET ASSETS				21,843	(129,825)	(107,982)
NET ASSETS - BEGINNING				432,855	827,729	1,260,584
NET ASSETS - ENDING				<u>\$454,698</u>	<u>\$697,904</u>	<u>\$1,152,602</u>

(Concluded)

See accompanying notes and accountant's compilation report.

VILLAGE OF EPPS
Epps, Louisiana

BALANCE SHEET - GOVERNMENTAL FUNDS
December 31, 2002

	General Fund	LCDBG Capital Projects Fund	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash	\$17,576	\$41	\$17,617
Investments	19,699	53,045	72,744
Receivables	4,015		4,015
Due from other funds	<u>6,619</u>		<u>6,619</u>
TOTAL ASSETS	<u><u>\$47,909</u></u>	<u><u>\$53,086</u></u>	<u><u>\$100,995</u></u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$3,837	\$53,045	\$56,882
Payroll taxes payable	17,496		17,496
Due to other funds		100	100
Deferred revenue	<u>8,000</u>		<u>8,000</u>
Total liabilities	29,333	53,145	82,478
Fund balance - unreserved	<u>18,576</u>	<u>(59)</u>	<u>18,517</u>
TOTAL LIABILITIES AND FUND EQUITY	<u><u>\$47,909</u></u>	<u><u>\$53,086</u></u>	<u><u>\$100,995</u></u>

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

Fund balances - unreserved - Total Governmental Funds	\$18,517
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	<u>436,181</u>
Net assets of governmental activities (Statement A)	<u><u>\$454,698</u></u>

See accompanying notes and accountant's compilation report.

VILLAGE OF EPPS
Epps, Louisiana

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
For the Year Ended December 31, 2002

	General Fund	LCDBG Capital Projects Fund	Total Governmental Funds
REVENUES			
Franchise taxes	\$11,383		\$11,383
Licenses and permits	12,735		12,735
Intergovernmental revenue:			
Federal grants	9,071	\$53,045	62,116
State grants	15,661		15,661
Fines	19,478		19,478
Rent	93,920		93,920
Investment earnings	801		801
Other revenues	7,725		7,725
Total revenues	<u>170,774</u>	<u>53,045</u>	<u>223,819</u>
EXPENDITURES			
General government:			
Personal services	61,489		61,489
Operating services	100,901	59	100,960
Materials and supplies	12,359		12,359
Capital outlay	18,575		18,575
Community development - facilities construction		53,045	53,045
Total expenditures	<u>193,324</u>	<u>53,104</u>	<u>246,428</u>
EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES	(22,550)	(59)	(22,609)
OTHER FINANCING USES			
Transfers out	(6,000)		(6,000)
NET CHANGE IN FUND BALANCES	(28,550)	(59)	(28,609)
FUND BALANCE AT BEGINNING OF YEAR	<u>47,126</u>	<u>NONE</u>	<u>47,126</u>
FUND BALANCE AT END OF YEAR	<u>\$18,576</u>	<u>(\$59)</u>	<u>\$18,517</u>

(Continued)

See accompanying notes and accountant's compilation report.

VILLAGE OF EPPS

Epps, Louisiana

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUND

For the Year Ended December 31, 2002

	<u>General Fund</u>	<u>LCDBG Capital Projects Fund</u>	<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			(\$28,609)
Amount reported for governmental activities in the Statement of Activities (Statement B) are different because: Governmental funds report capital outlays 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.			<u>50,452</u>
Change in net assets of governmental activities (Statement B)			<u><u>\$21,843</u></u>

(Concluded)

See accompanying notes and accountant's compilation report.

VILLAGE OF EPPS
Epps, Louisiana

STATEMENT OF NET ASSETS - BUSINESS-TYPE ACTIVITIES
December 31, 2001

	Water and Sewer Enterprise Fund
ASSETS	
Current assets:	
Cash	\$2,531
Accounts receivable (net of allowance for doubtful accounts)	<u>24,076</u>
Total current assets	<u>26,607</u>
Noncurrent assets:	
Restricted assets - cash equivalents	25,528
Capital assets (net of accumulated depreciation)	<u>1,123,269</u>
Total noncurrent assets	<u>1,148,797</u>
Total assets	<u>1,175,404</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$1,935
Sales tax payable	566
Due to other funds	6,519
Deferred revenue	5,541
Accrued interest payable	9,063
Current portion of long-term debt	12,995
Customer deposits	<u>9,227</u>
Total current liabilities	45,846
Noncurrent liabilities:	
Long-term debt - revenue bonds payable	<u>431,654</u>
Total liabilities	<u>477,500</u>
NET ASSETS	
Invested in capital assets, net of related debt	678,620
Restricted for debt service	3,470
Unrestricted	<u>15,814</u>
Total net assets	<u>\$697,904</u>

See accompanying notes and accountant's compilation report.

VILLAGE OF EPPS
Epps, Louisiana

STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS - BUSINESS-TYPE ACTIVITIES
For the Year Ended December 31, 2002

	Water and Sewer Enterprise Fund
OPERATING REVENUES	
Water sales	\$71,561
Sewer fees	47,827
Penalties	1,815
Total operating revenue	121,203
OPERATING EXPENSES	
Office expense	1,787
Repairs and maintenance	6,624
Utilities and telephone	12,960
Supplies	8,035
Insurance	3,754
Salaries	60,124
Fees and dues	464
Water analysis	4,130
Taxes and licenses	1,211
Payroll taxes	5,493
Depreciation	64,798
Other operating expenses	3,021
Total operating expenses	172,401
OPERATING INCOME (Loss)	(51,198)
NON-OPERATING REVENUES (Expenses)	
Interest earned on deposits	318
Property taxes	5,307
Transfers in	6,000
Interest expense	(23,896)
Total non-operating revenues	(12,271)
Change in net assets before cumulative effect of a change in accounting principle	(63,469)
Cumulative effect on prior years of changing the estimated useful lives of capital assets	(66,356)
Change in net assets	(129,825)
NET ASSETS - BEGINNING	827,729
NET ASSETS - ENDING	\$697,904

See accompanying notes and accountant's compilation report.

VILLAGE OF EPPS
Epps, Louisiana

STATEMENT OF CASH FLOWS - BUSINESS-TYPE ACTIVITIES
For the Year Ended December 31, 2002

	<u>Water and Sewer Enterprise Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$116,853
Customer deposit receipts, net	275
Payments to suppliers	(46,127)
Payments to employees	(60,124)
Net cash provided by operating activities	<u>10,877</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfer from General Fund	6,000
Property taxes	5,307
Net cash provided by noncapital financing activities	<u>11,307</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal paid on capital debt	(30,766)
Interest paid on capital debt	(25,531)
Decrease in restricted cash and cash equivalents	5,362
Net cash used by capital and related financing activities	<u>(50,935)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	318
NET DECREASE IN CASH	(28,433)
CASH AT BEGINNING OF YEAR	<u>30,964</u>
CASH AT END OF YEAR	<u><u>\$2,531</u></u>
 Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income (Loss)	<u>(\$51,198)</u>
Adjustments:	
Depreciation	64,798
Increase in accounts receivable	(9,192)
Increase in accounts and taxes payable	221
Increase in due to other funds	5,973
Increase in customer deposits	275
Total adjustments	<u>62,075</u>
Net cash provided by operating activities	<u><u>\$10,877</u></u>

See accountant's compilation report and accompanying notes.

VILLAGE OF EPPS
Epps, Louisiana

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

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 \$50 per diem for attending each regular and special meeting. The village provides public safety and general government 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.

See accountant's compilation report.

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.

Property taxes, 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.

See accountant's compilation report.

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 operating 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.

See accountant's compilation report.

C. Deposits and Investments

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 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. At December 31, 2002, the village's investment consists of a nonnegotiable certificate of deposit with an original maturity that exceeds 90 days that is reported in the accompanying financial statements at cost.

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."

All 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.

Property taxes are levied on a calendar year basis and become due on January 1 of each year. For the year ended December 31, 2002, the village levied 5.87 mills for operations of the Water and Sewer Enterprise Fund.

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, vehicles and equipment, and construction in progress 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 70 percent of the village's capital assets have been capitalized at cost and the remaining 30 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

See accountant's compilation report.

VILLAGE OF EPPS
Notes to the Financial Statements

normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

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, 2002.

All capital assets, other than land and construction in progress, 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	5-15 years

F. 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.

G. 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.

H. 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

See accountant's compilation report.

VILLAGE OF EPPS
Notes to the Financial Statements

management plans that are subject to change. At December 31, 2002, the village's governmental fund balances were unreserved and undesignated.

I. 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.

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, 2002.

B. Excess of Expenditures Over Appropriations

The following individual fund had actual expenditures and other financing uses over budgeted appropriations for the year ended December 31, 2002:

	Original Budget	Final Budget	Actual	Unfavorable Variance
General Fund	<u>\$164,600</u>	<u>\$164,600</u>	<u>\$199,324</u>	<u>\$34,724</u>

3. DEPOSITS IN FINANCIAL INSTITUTIONS

At December 31, 2002, the village has cash and cash equivalents and investments (book balances) as follows:

See accountant's compilation report.

VILLAGE OF EPPS
Notes to the Financial Statements

Checking accounts	\$20,148
Short-term investments - certificates of deposit	25,528
Investments - certificates of deposit	<u>19,699</u>
Total	<u>\$65,375</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. These deposits are secured from risk by federal deposit insurance.

4. RECEIVABLES

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

	<u>General Fund</u>	<u>LCDBG Capital Projects Fund</u>	<u>Water and Sewer Enterprise Fund</u>	<u>Total</u>
Property taxes			\$5,541	\$5,541
Franchise taxes	\$3,022			\$3,022
Federal grant		\$53,045		53,045
Accounts			20,658	20,658
Other	993			993
Allowance for doubtful accounts	<u>NONE</u>	<u>NONE</u>	<u>(2,123)</u>	<u>(2,123)</u>
Total	<u>\$4,015</u>	<u>\$53,045</u>	<u>\$24,076</u>	<u>\$81,136</u>

5. INTERFUND RECEIVABLES/PAYABLES

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

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$6,619	
LCDBG Capital Projects Fund		\$100

See accountant's compilation report.

VILLAGE OF EPPS
Notes to the Financial Statements

	Due From Other Funds	Due To Other Funds
Water and Sewer Enterprise Fund		<u>\$6,519</u>
Total	<u>\$6,619</u>	<u>\$6,619</u>

The amount due to the General Fund is for Water and Sewer Enterprise Fund payroll taxes paid by the General Fund. All interfund balances are expected to be repaid within one year.

6. CAPITAL ASSETS

Capital assets and depreciation activity as of and for the year ended December 31, 2002, is as follows:

	Balance at January 1, 2002	Increases	Decreases	Balance at December 31, 2002
Governmental activities:				
Capital assets not being depreciated:				
Land	\$38,000			\$38,000
Construction in progress	NONE	\$53,045		53,045
	<u>\$38,000</u>	<u>\$53,045</u>	<u>NONE</u>	<u>\$91,045</u>
Capital assets being depreciated:				
Buildings	\$426,039			\$426,039
Vehicles and equipment	81,605	\$18,575		100,180
Total capital assets being depreciated	<u>507,644</u>	<u>18,575</u>	<u>NONE</u>	<u>526,219</u>
Less accumulated depreciation for:				
Buildings	133,234	10,651		143,885
Vehicles and equipment	26,681	10,517		37,198
Total accumulated depreciation	<u>159,915</u>	<u>21,168</u>	<u>NONE</u>	<u>181,083</u>
Total assets being depreciated, net	<u>\$347,729</u>	<u>(\$2,593)</u>	<u>NONE</u>	<u>\$345,136</u>

See accountant's compilation report.

VILLAGE OF EPPS
Notes to the Financial Statements

	Balance at January 1, 2002	Increases	Decreases	Balance at December 31, 2002
Business-type activities:				
Capital assets being depreciated:				
Water and sewer systems and improvements	\$1,759,757			\$1,759,757
Building	2,618			2,618
Equipment	17,454			17,454
Total capital assets being depreciated	<u>1,779,829</u>	NONE	NONE	<u>1,779,829</u>
Less accumulated depreciation for:				
Water and sewer systems and improvements	585,987	\$62,948		648,935
Building	297	\$104		
Equipment	5,478	1,746		7,224
Total accumulated depreciation	<u>591,762</u>	<u>64,798</u>	NONE	<u>656,560</u>
Total assets being depreciated, net	<u>\$1,188,067</u>	<u>(\$64,798)</u>	NONE	<u>\$1,123,269</u>

Depreciation expense of \$21,168 for the year ended December 31, 2002 was charged to the general government governmental function.

7. INTERFUND TRANSFERS

The following is a summary of interfund transfers during the year ended December 31, 2002:

	Transfer In	Transfer Out
General Fund		\$6,000
Water and Sewer Enterprise Fund	\$6,000	
Total	<u>\$6,000</u>	<u>\$6,000</u>

The transfer was made to pay additional principal on the Water and Sewer Enterprise Fund's revenue bonds payable.

See accountant's compilation report.

8. LONG-TERM OBLIGATIONS

The following is a summary of long-term debt (revenue bonds payable) transactions for the year ended December 31, 2002:

Revenue bonds payable at January 1, 2002	\$475,415
Additions	NONE
Reductions	<u>(30,766)</u>
Revenue bonds payable at December 31, 2002	<u>\$444,649</u>

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, 2002:

Current portion	\$12,995
Long-term portion	<u>431,654</u>
Total	<u>\$444,649</u>

All outstanding debt at December 31, 2002, in the amount of \$444,649 are revenue bonds payable with maturities from 2003 until 2029 and 4.5% to 6.125% interest rates. Loan principal and interest payable in the next fiscal year are \$12,995 and \$23,302, respectively. The individual bonds are as follows:

	<u>\$237,000</u> Bonds	<u>\$13,000</u> Bonds	<u>\$359,000</u> 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	\$209,830	\$11,249	\$100,312
Principal outstanding	\$207,153	\$11,403	\$226,093
Funding source	Water revenue	Water revenue	Sewer revenue

The loans are due as follows:

<u>Year Ending December 31,</u>	<u>Principal</u> <u>Payments</u>	<u>Interest</u> <u>Payments</u>	<u>Total</u>
2003	\$12,995	\$23,302	\$36,297
2004	13,648	22,649	36,297

See accountant's compilation report.

VILLAGE OF EPPS
Notes to the Financial Statements

Year Ending December 31,	Principal Payments	Interest Payments	Total
2005	\$14,320	\$21,977	\$36,297
2006	15,026	21,271	36,297
2007	15,766	20,530	36,296
2008 - 2012	91,317	90,167	181,484
2013 - 2017	116,315	65,169	181,484
2018 - 2022	80,016	36,706	116,722
2023 - 2027	65,525	18,168	83,693
2028 - 2029	19,721	1,452	21,173
Total	\$444,649	\$321,391	\$766,040

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:

See accountant's compilation report.

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, 2002 the district has \$25,528, in restricted accounts to meet reserve requirements. Of that amount, \$22,058 is offset by current liabilities, with the remaining \$3,470 reported as a restricted net assets. The following is a summary of transactions in the bond reserve accounts for the year ended December 31, 2002:

Reserve for revenue bonds payable at January 1, 2002	\$30,890
Deposits	5,342
Interest earnings	318
Transfer to operating account	<u>(11,022)</u>
Reserve for bonds payable at December 31, 2002	<u>\$25,528</u>

10. ACCOUNTING CHANGES

Accounting changes made during the year involve a change in accounting estimate due to changing the estimated useful lives of the water and sewer system and improvements from 30 years to 25 years and of the building from 10 to 25 years. The cumulative effect on prior years of changing the useful lives of these assets is \$66,356 and is reported on the government-wide and business-type activities fund's statements of revenues, expenses, and changes in net assets for the year ended December 31, 2002.

11. FEDERAL GRANT CONTINGENCIES

During the year ended December 31, 2002, the Village of Epps received federal grant funds totaling \$53,045. 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.

See accountant's compilation report.

12. 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.

13. CONTINGENT LIABILITIES

The village is involved in one lawsuit at December 31, 2002 that has been ongoing for several years. 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.

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. In consideration for the sponsorship and lease of property, COMCO agreed to pay a total of \$4,500 per month for the last nine months of the first year of the original term of the agreement. Total sponsorship and lease payments will total \$5,750 per month for the second year of the original term of the agreement and \$6,750 per month for the remaining three years of the original five year agreement. The agreement contains an option to extend the term of sponsorship and lease agreement for three additional five year terms. During 1998, the agreement with COMCO was amended for a \$500 per month increase in rent upon completion of a facility expansion. The village received \$90,000 in connection with the agreement for the year ended December 31, 2002.

See accountant's compilation report.

REQUIRED SUPPLEMENTAL INFORMATION

See accountant's compilation report.

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, 2002

	BudgetedAmounts.....		Actual Amounts (Budgetary Basis - GAAP)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Franchise taxes	\$11,000	\$11,000	\$11,383	\$383
Licenses and permits	14,000	14,000	12,735	(1,265)
Intergovernmental revenue:				
Federal grant			9,071	9,071
State grants			15,661	15,661
Fines	12,000	12,000	19,478	7,478
Rent	89,500	89,500	93,920	4,420
Investment earnings	1,200	1,200	801	(399)
Other revenue	30,000	30,000	7,725	(22,275)
Total revenues	<u>157,700</u>	<u>157,700</u>	<u>170,774</u>	<u>13,074</u>
EXPENDITURES				
General government:				
Personal services	75,500	75,500	61,489	14,011
Operating services	84,200	84,200	100,901	(16,701)
Materials and supplies	4,900	4,900	12,359	(7,459)
Capital outlay			18,575	(18,575)
Total expenditures	<u>164,600</u>	<u>164,600</u>	<u>193,324</u>	<u>(28,724)</u>
EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES	(6,900)	(6,900)	(22,550)	(15,650)
OTHER FINANCING USES				
Transfers out	<u>NONE</u>	<u>NONE</u>	(6,000)	(6,000)
NET CHANGE IN FUND BALANCE	(6,900)	(6,900)	(28,550)	(21,650)
FUND BALANCE AT BEGINNING OF YEAR	<u>36,000</u>	<u>36,000</u>	<u>47,126</u>	<u>11,126</u>
FUND BALANCE AT END OF YEAR	<u>\$29,100</u>	<u>\$29,100</u>	<u>\$18,576</u>	<u>(\$10,524)</u>

There were no budget amendments during the year ended December 31, 2002.

See accountant's compilation report.

OTHER SUPPLEMENTAL INFORMATION SCHEDULES

See accountant's compilation report.

VILLAGE OF EPPS
Epps, Louisiana

OTHER SUPPLEMENTAL INFORMATION SCHEDULES
As of and For the Year Ended December 31, 2002

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 \$25 for attending each regular meeting and \$12.50 for attending each special meeting.

STATUS OF PRIOR YEAR FINDINGS

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

**CURRENT YEAR FINDINGS AND
CORRECTIVE ACTION PLAN**

The corrective action plan for current year findings is presented in Schedule 4.

See accountant's compilation report.

VILLAGE OF EPPS
Epps, Louisiana

Schedule of Per Diem Paid Aldermen
For the Year Ended December 31, 2002

Maggie Hale	\$300
Katherine Johnson	300
Lennie Raley	<u>300</u>
Total	<u><u>\$900</u></u>

See accountant's compilation report.

VILLAGE OF EPPS
Epps, LouisianaSTATUS OF PRIOR YEAR FINDINGS
For the Year Ended December 31, 2002

<u>Reference Number</u>	<u>Fiscal Year Finding Initially Occurred</u>	<u>Description of Finding</u>	<u>Corrective Action Taken</u>	<u>Planned Corrective Action</u>
2001-1	2001	Need to Improve Controls Over Cash Disbursements	No	See current year findings.

See accountant's compilation report.

VILLAGE OF EPPS
Epps, Louisiana

CURRENT YEAR FINDINGS AND
CORRECTIVE ACTION PLAN
For the Year Ended December 31, 2002

<u>Reference Number</u>	<u>Description of Finding</u>	<u>Corrective Action Planned</u>	<u>Name of Contact Person</u>	<u>Anticipated Completion Date</u>
Procedure 7	Actual General Fund expenditures and other financing uses exceeded budgeted expenditures by \$34,724 or 21%.	The village's accountant will monitor the budget for 2003 and will notify the village when actual expenditures exceed budgeted expenditures.	Loretta Green, Mayor	12/31/03
2001-1	Timesheets are not maintained for hourly employees to document hours worked.	Hourly employees will be required to maintain a timesheet for hours worked.	Loretta Green, Mayor	7/01/03
2001-1	Payroll taxes were not deposited in accordance with Internal Revenue Service rules and regulations.	The village's accountant will assist the village in making timely tax deposits.	Loretta Green, Mayor	7/01/03
2001-1	General Fund checks were not issued in numerical order.	All future checks will be issued in numerical order.	Loretta Green, Mayor	7/01/03

(Continued)

See accountant's compilation report.

VILLAGE OF EPPS
 Epps, Louisiana
 CURRENT YEAR FINDINGS AND
 CORRECTIVE ACTION PLAN
 For the Year Ended December 31, 2002

<u>Reference Number</u>	<u>Description of Finding</u>	<u>Corrective Action Planned</u>	<u>Name of Contact Person</u>	<u>Anticipated Completion Date</u>
	The Water and Sewer Enterprise Fund had \$8,797 in adjustments to accounts receivable amounts that were not properly accounted for.	The village's accountant will reconcile the monthly billings to the general ledger on a monthly basis to ensure that all payments and adjustments are properly accounted for.	Loretta Green, Mayor	7/01/03

See accountant's compilation report.

**Independent Accountant's Report on Applying
Agreed-Upon Procedures**

The following independent accountant's report on applying agreed upon procedures is presented in compliance with the requirements of the *Louisiana Governmental Audit Guide* and the *Louisiana Attestation Questionnaire*, issued by the Society of Louisiana Certified Public Accountants and the Louisiana Legislative Auditor.

M. Carleen Dumas
CERTIFIED PUBLIC ACCOUNTANT

369 DONALDSON ROAD • CALHOUN, LOUISIANA 71225 • TELEPHONE 318/644-5726

**Independent Accountant's Report
On Applying Agreed-Upon Procedures**

MAYOR AND BOARD OF ALDERMEN
VILLAGE OF EPPS
Epps, Louisiana

I have performed the procedures included in the *Louisiana Governmental Audit Guide* and enumerated below, which were agreed upon by the management of the Village of Epps and the Legislative Auditor, State of Louisiana, solely to assist the users in evaluating management's assertions about the Village of Epps' compliance with certain laws and regulations during the year ended December 31, 2002 included in the accompanying *Louisiana Attestation Questionnaire*. This agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the specified users of the report. Consequently, I make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Public Bid Law

1. Select all expenditures made during the year for materials and supplies exceeding \$15,000, or public works exceeding \$100,000, and determine whether such purchases were made in accordance with LSA-RS 38:2211-2251 (the public bid law).

A review was made of all disbursement journals for the year. There were no disbursements for materials and supplies exceeding \$15,000 nor were there any disbursements for public works exceeding \$100,000 made during the year.

Code of Ethics for Public Officials and Public Employees

2. Obtain from management a list of the immediate family members of each board member as defined by LSA-RS 42:1101-1124 (the code of ethics), and a list of outside business interests of all board members and employees, as well as their immediate families.

Management provided me with the required list including the noted information.

VILLAGE OF EPPS

Independent Accountant's Report on
Applying Agreed-Upon Procedures
December 31, 2002

3. Obtain from management a listing of all employees paid during the period under examination.

Management provided me with the required list.

4. Determine whether any of the employees included in the listing obtained from management in procedure number 3 above were also included in the listing obtained from management in procedure number 2 above as immediate family members.

None of the employees included on the list of employees provided by management in agreed-upon procedure (3) were also included on the listing obtained from management in agreed-upon procedure (2) as immediate family members.

Budgeting

5. Obtain a copy of the legally adopted budget and all amendments.

I obtained a copy of the legally adopted budget. There were no budget amendments.

6. Trace the budget adoption and amendments to the minute book.

The 2002 budget was adopted at the December 13, 2001 board meeting.

7. Compare the revenues and expenditures of the final budget to actual revenues and expenditures to determine if actual revenues or expenditures exceed budgeted amounts by 5% or more.

Actual General Fund revenues exceeded budgeted revenues. Actual General Fund expenditures and other financing uses exceeded budgeted expenditures by \$34,724 or 21%.

Accounting and Reporting

8. Randomly select 6 disbursements made during the period under examination and;
 - (a) trace payments to supporting documentation as to correct amount and payee;
 - (b) determine if payments were properly coded to the correct fund and general ledger account;
 - (c) determine whether payments received approval from proper authorities.

An examination of six randomly selected disbursements disclosed the following:

VILLAGE OF EPPS
Independent Accountant's Report on
Applying Agreed-Upon Procedures
December 31, 2002

- (a) The six selected disbursements were supported by adequate documentation.
- (b) The six selected payments were properly coded to the correct fund and general ledger account.
- (c) The six selected payments received approval from the proper authorities.

Meetings

9. Examine evidence indicating that agendas for meetings recorded in the minute book were posted or advertised as required by LSA-RS 42:1-12 (the opening meetings law).

The agendas for the meetings were posted as required by LSA-RS 42:7.

Debt

10. Examine bank deposits for the period under examination and determine whether any such deposits appear to be proceeds of bank loans, bonds, or like indebtedness.

I examined all deposits for the period under examination and noted no deposits which appeared to be proceeds of bank loans, bonds, or like indebtedness.

Advances and Bonuses

11. Examine payroll records and minutes for the year to determine whether any payments have been made to employees which may constitute bonuses, advances, or gifts.

A reading of the minutes of the board meetings and an examination of payroll records indicated no payments which may constitute bonuses, advances, or gifts.

I was not engaged to, and did not, perform an examination, the objective of which would be the expression of an opinion on management's assertions. Accordingly, I do not express such an opinion. Had I performed additional procedures, other matters might have come to my attention that would have been reported to you.

VILLAGE OF EPPS
Independent Accountant's Report on
Applying Agreed-Upon Procedures
December 31, 2002

This report is intended solely for the use of management of the Village of Epps and the Legislative Auditor, State of Louisiana, and is not intended to be and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes.



Calhoun, Louisiana
June 10, 2003

Louisiana Attestation Questionnaire

The accompanying *Louisiana Attestation Questionnaire* has been completed by management and is included in this report as required by the *Louisiana Governmental Audit Guide*.

M. Carleen Dumas
 Certified Public Accountant
 369 Donaldson Rd.
 Calhoun, La 71225

Mrs. Dumas,

In connection with your compilation of our financial statements of the Village of Epps of December 31, 2002 and for the year then ended, and as required by Louisiana Revised Statute 24:513 and the *Louisiana Governmental Audit Guide*, we make the following representations to you. We accept full responsibility for our compliance with the following laws and regulations and the internal controls over compliance with such laws and regulations. We have evaluated our compliance with the following laws and regulations prior to making these representations.

These representations are based on information available to us as of _____

PUBLIC BID LAW

1. It is true that we have complied with the public bid law, LSA-RS Title 38:2212, and, where applicable, the regulations of the Division of Administration, State Purchasing Office.

Yes [] No [] N/A []

CODE OF ETHICS FOR PUBLIC OFFICIALS AND PUBLIC EMPLOYEES

2. It is true that no employees or officials have accepted anything of value, whether in the form of a service, loan, or promise, from anyone that would constitute a violation of LSA RS 42:1101-1124.

Yes [] No [] N/A []

3. It is true that no member of the immediate family of any member of the governing authority, or the chief executive of the governmental entity, has been employed by the governmental entity after April 1, 1980 under circumstances which would constitute a violation of LSA-RS 42:1119.

Yes [] No [] N/A []

BUDGETING

4. We have complied with the state budgeting requirements of the Local Government Budget Act (LSA-RS 39:1301-14) or the budget requirements of LSA-RS 39:43

Yes No N/A

ACCOUNTING AND REPORTING

5. All non-exempt governmental records are available as a public record and have been retained for at least three years, as required by LSA-RS 44:1, 44:7, 44:31, and 44:36.

Yes No N/A

6. We have filed our annual financial statements in accordance with LSA-RS 24:514, LSA-RS 33:463, and/or LSA-RS 39:92, as applicable.

Yes No N/A

7. We have had our financial statements audited or compiled in accordance with LSA-RS 24:513.

Yes No N/A

MEETINGS

8. We have complied with the provisions of the Opening Meetings Law, LSA-RS 42:1-12

Yes No N/A

DEBT

9. It is true that we have not incurred any indebtedness, other than credit for 90 days or less to make purchases in the ordinary course of administration, nor have we entered into any lease-purchase agreements, without the approval of the State Bond Commission, as provided by Article VII, Section 8 of the 1974 Louisiana Constitution, Article VI, Section 33 of the 1974 Louisiana Constitution, and LSA-RS 39:1410.60 - 1410.65.

Yes No N/A

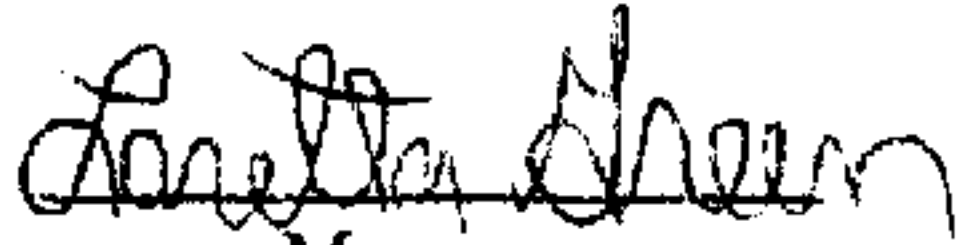
ADVANCES AND BONUSES

10. It is true that we have not advanced wages or salaries to employees or paid bonuses in violation of Article VII, Section 14 of the 1974 Louisiana Constitution, LSA-RS 14:138, and AG opinion 79-729.

Yes No N/A

We have disclosed to you all known noncompliance of the foregoing laws and regulations, as well as any contradictions to the foregoing representations. We have made available to you documentation relating to the foregoing laws and regulations.

We have provided you with any communications from regulatory agencies or other sources concerning any possible noncompliance with the foregoing laws and regulations, including any communications received between the end of the period under examination and the issuance of this report. We acknowledge our responsibility to disclose to you any known noncompliance which may occur subsequent to the issuance of your report.


Mayor

5-20-03
Date