

**VILLAGE OF EPPS**

**Epps, Louisiana**

**General Purpose Financial Statements**

**With Independent Auditor's Report**

**As of and For the Year Ended**

**December 31, 2001**

**With Supplemental Information Schedules**

VILLAGE OF EPPS  
Epps, Louisiana

General Purpose Financial Statements  
With Independent Auditor's Report  
As of and For the Year Ended  
December 31, 2001  
With Supplemental Information Schedules

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**Independent Auditor's Report**

**MAYOR AND BOARD OF ALDERMEN**  
**VILLAGE OF EPPS**  
Epps, Louisiana

I have audited the accompanying general purpose financial statements of the Village of Epps as of December 31, 2001, and for the year then ended, as listed in the table of contents. These general purpose financial statements are the responsibility of the management of the Village of Epps. My responsibility is to express an opinion on these general purpose 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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the general purpose financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Village of Epps, as of December 31, 2001, and the results of its operations and the cash flows of its proprietary fund type for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued a report dated June 21, 2002, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

MAYOR AND BOARD  
OF ALDERMEN  
VILLAGE OF EPPS  
Epps, Louisiana  
Independent Auditor's Report  
December 31, 2001

My audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The supplemental information schedules listed in the table of contents are presented for the purpose of additional analysis and are not a required part of the general purpose financial statements of the Village of Epps. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.



Calhoun, Louisiana  
June 21, 2002

**GENERAL PURPOSE FINANCIAL STATEMENTS**

VILLAGE OF EPPS  
Epps, Louisiana  
ALL FUND TYPES AND ACCOUNT GROUP

Combined Balance Sheet, December 31, 2001

	GOVERNMENTAL FUND ..... TYPE .....			PROPRIETARY FUND TYPE - WATER AND SEWER ENTERPRISE FUND	ACCOUNT GROUP - GENERAL FIXED ASSETS	TOTAL (MEMORANDUM ONLY)
	GENERAL FUND	COMMUNITY DEVELOPMENT BLOCK GRANT CAPITAL PROJECTS FUND	\$59			
<b>ASSETS</b>						
Current assets:						
Cash and cash equivalents	\$17,574		\$59	\$30,964		\$48,597
Receivables (net of allowance for doubtful accounts)	8,625			14,876		23,501
Due from other funds	604					604
Total current assets	<u>26,803</u>		<u>59</u>	<u>45,840</u>	NONE	<u>72,702</u>
Restricted assets - cash and cash equivalents				30,890		30,890
Investments	33,903					33,903
Water system plant and equipment (net of accumulated depreciation)				1,254,423		1,254,423
Buildings and equipment					\$569,158	569,158
<b>TOTAL ASSETS</b>	<u>\$60,706</u>		<u>\$59</u>	<u>\$1,331,153</u>	<u>\$569,158</u>	<u>\$1,961,076</u>
<b>LIABILITIES AND FUND EQUITY</b>						
Liabilities:						
Current liabilities payable from current assets):						
Accounts and payroll taxes payable	\$6,330			\$2,280		\$8,610
Due to other funds			\$59	\$45		604
Deferred revenue	7,250			5,534		12,784
Customer meter deposits				8,952		8,952
Total current liabilities (payable from current assets)	<u>13,580</u>		<u>59</u>	<u>17,311</u>	NONE	<u>30,950</u>
Current liabilities (payable from restricted assets):						
Accrued interest payable				10,698		10,698
Revenue bonds payable				11,581		11,581
Total current liabilities (payable from restricted assets)	<u>NONE</u>		<u>NONE</u>	<u>22,279</u>	<u>NONE</u>	<u>22,279</u>

(Continued)

See accompanying notes and accountant's compilation report.

VILLAGE OF EPPS  
Epps, Louisiana  
ALL FUND TYPES AND ACCOUNT GROUP  
Combined Balance Sheet, December 31, 2001

	GOVERNMENTAL FUND TYPE.....		PROPRIETARY FUND TYPE - WATER AND SEWER ENTERPRISE FUND	ACCOUNT GROUP - GENERAL FIXED ASSETS	TOTAL (MEMORANDUM ONLY)
	GENERAL FUND	COMMUNITY DEVELOPMENT BLOCK GRANT CAPITAL PROJECTS FUND			
<b>LIABILITIES AND FUND EQUITY (CONTD.):</b>					
Long-term liabilities - revenue bonds payable			\$463,834		\$463,834
Total Liabilities	\$13,580	\$59	503,424	NONE	\$17,063
Fund Equity:					
Investment in general fixed assets				\$569,158	569,158
Contributed capital (net of accumulated depreciation on fixed assets acquired with federal grant)			808,300		808,300
Retained earnings (deficit):					
Reserved for bonds payable			8,611		8,611
Unreserved - undesignated			10,818		10,818
Total retained earnings	NONE	NONE	19,429	NONE	19,429
Fund balance - unreserved - undesignated	47,126	NONE			47,126
Total Fund Equity	47,126	NONE	827,729	569,158	1,444,013
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$60,706</b>	<b>\$59</b>	<b>\$1,331,153</b>	<b>\$569,158</b>	<b>\$1,961,076</b>

(Concluded)

The accompanying notes are an integral part of this statement.



VILLAGE OF EPPS  
Epps, Louisiana  
GOVERNMENTAL FUND TYPE - GENERAL FUND

Statement of Revenues, Expenditures,  
and Changes in Fund Balances - Budget  
(GAAP Basis) and Actual  
For the Year Ended December 31, 2001

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
<b>REVENUES</b>			
Franchise taxes	\$10,500	\$12,421	\$1,921
Occupational licenses	14,000	14,221	221
Intergovernmental:			
Federal grant		15,863	15,863
State funds		8,278	8,278
Fines	14,000	18,642	4,642
Use of money and property:			
Rent	89,500	90,395	895
Interest earnings	1,200	1,726	526
Other revenues	40,000	4,844	(35,156)
Total revenues	<u>169,200</u>	<u>166,390</u>	<u>(2,810)</u>
<b>EXPENDITURES</b>			
General government - current:			
Personal services and related benefits	75,500	79,208	(3,708)
Operating services	105,100	86,521	18,579
Materials and supplies	9,800	6,054	3,746
Capital outlay		2,005	(2,005)
Total expenditures	<u>190,400</u>	<u>173,788</u>	<u>16,612</u>
<b>EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES</b>	(21,200)	(7,398)	13,802
<b>OTHER FINANCING USES -</b>			
operating transfers out	<u>NONE</u>	<u>(6,000)</u>	<u>(6,000)</u>

(Continued)

## Statement B

## VILLAGE OF EPPS

Epps, Louisiana

## GOVERNMENTAL FUND TYPE - GENERAL FUND

Statement of Revenues, Expenditures,  
and Changes in Fund Balances - Budget  
(GAAP Basis) and Actual, etc.

	<u>BUDGET</u>	<u>ACTUAL</u>	VARIANCE FAVORABLE (UNFAVORABLE)
<b>EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES AND OTHER USES</b>	(\$21,200)	(\$13,398)	\$7,802
<b>FUND BALANCES AT BEGINNING OF YEAR</b>	<u>61,448</u>	<u>60,524</u>	<u>(924)</u>
<b>FUND BALANCES AT END OF YEAR</b>	<u>\$40,248</u>	<u>\$47,126</u>	<u>\$6,878</u>

(Concluded)

The accompanying notes are an integral part of this statement.

VILLAGE OF EPPS  
Epps, Louisiana  
PROPRIETARY FUND TYPE -  
WATER AND SEWER ENTERPRISE FUND

Statement of Revenues, Expenses,  
and Changes in Retained Earnings  
For the Year Ended December 31, 2001

<b>OPERATING REVENUES</b>	\$71,036
Water sales	50,077
Sewer sales	1,777
Penalties	<u>122,890</u>
Total operating income	
<b>OPERATING EXPENSES</b>	35,914
Salaries	3,299
Payroll taxes	14,240
Utilities	1,226
Repairs and maintenance	4,758
Insurance	1,257
Materials and supplies	302
Telephone	456
Postage	2,400
Legal and accounting	110
Office expense	54,512
Depreciation	14,415
Other operating expenses	<u>132,889</u>
Total operating expenses	
<b>OPERATING INCOME (Loss)</b>	<u>(9,999)</u>
<b>NON-OPERATING REVENUES (Expenses)</b>	730
Interest income	4,736
Ad valorem taxes	6,000
Operating transfer in	<u>(25,358)</u>
Interest expense	<u>(13,892)</u>
Net non-operating revenues (expenses)	

(Continued)

## VILLAGE OF EPPS

Epps, Louisiana

## PROPRIETARY FUND TYPE -

## WATER AND SEWER ENTERPRISE FUND

Statement of Revenues, Expenses,  
and Changes in Retained Earnings, etc.

<b>NET INCOME</b>	(\$23,891)
Adjustment for depreciation on fixed assets acquired with federal grant	<u>33,168</u>
<b>NET INCREASE IN RETAINED EARNINGS</b>	9,277
<b>RETAINED EARNINGS AT BEGINNING OF YEAR</b>	<u>10,152</u>
<b>RETAINED EARNINGS AT END OF YEAR</b>	<u><u>\$19,429</u></u>

(Concluded)

The accompanying notes are an integral part of this statement.

VILLAGE OF EPPS  
Epps, Louisiana  
PROPRIETARY FUND TYPE -  
WATER AND SEWER ENTERPRISE FUND

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

**CASH FLOWS FROM OPERATING ACTIVITIES**

Operating Income (Loss)	<u>(59,999)</u>
Adjustments to Reconcile Operating Income to Net Cash	
Provided (Used) by Operating Activities:	
Depreciation	54,512
Decrease in accounts receivable	440
Decrease in due to other funds	(5,961)
Decrease in customer deposits	(75)
Increase in accounts and taxes payable	743
Total adjustments	<u>49,659</u>
Net cash provided by operating activities	<u>39,660</u>

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Principal paid on long-term debt	(25,820)
Interest paid on long-term debt	(24,477)
Transfer from General Fund	6,000
Ad valorem taxes	6,695
Net cash used by capital and related financing activities	<u>(37,602)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest earnings	730
Decrease in restricted cash and cash equivalents	<u>1,036</u>
Net cash used by investing activities	<u>1,766</u>

**NET INCREASE IN CASH AND CASH EQUIVALENTS** 3,824

**CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR** 27,140

**CASH AND CASH EQUIVALENTS AT END OF YEAR** \$30,964

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, 2001

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Village of Epps was incorporated under the provisions of the Lawrason Act in 1939. The village operates under a Mayor-Board of Aldermen form of government. The mayor and aldermen serve four-year terms which expire on December 31, 2002. The village has a full-time clerk and an elected chief of police and eight other employees.

**A. BASIS OF PRESENTATION**

The accompanying general purpose financial statements of the Village of Epps have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for established governmental accounting and financial reporting principles. The village applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

**B. REPORTING ENTITY**

As the municipal governing authority, for reporting purposes, the Village of Epps is considered a separate financial reporting entity. The financial reporting entity consists of (a) the primary government (the village), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board (GASB) Statement No. 14 established criteria for determining which component units should be considered part of the Village of Epps for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

1. Appointing a voting majority of an organization's governing body,  
and

VILLAGE OF EPPS

Epps, Louisiana

Notes to the Financial Statements (Continued)

- a. The ability of the village to impose its will on that organization and/or
  - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the village.
2. Organizations for which the village does not appoint a voting majority but are fiscally dependent on the village.
  3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Based on the previous criteria, the village has determined that there are no component units that should be considered as part of the village reporting entity.

**C. FUND ACCOUNTING**

The village uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities (general fixed assets and general long-term debt) that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Funds are classified into three categories: governmental, proprietary, and fiduciary. Each category, in turn, is divided into separate fund types. The fund classifications and a description of each existing fund type follow:

**Governmental Funds**

Governmental funds are used to account for all or most of the village's general activities, including the collection and disbursement of specific or legally restricted monies, and the acquisition or construction of general

VILLAGE OF EPPS

Epps, Louisiana

Notes to the Financial Statements (Continued)

fixed assets. Governmental funds include:

**General Fund**

The General Fund is the general operating fund of the village. It accounts for all financial resources, except those required to be accounted for in other funds.

**Community Development Block Grant  
Capital Projects Fund**

The Community Development Block Grant Capital Projects Fund was 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. There was no activity in this fund for the year ended December 31, 2001.

**Proprietary Funds**

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Proprietary funds differ from governmental funds in that their focus is on income measurement, which, together with the maintenance of equity, is an important financial indicator. Proprietary funds include:

**Water and Sewer Enterprise Fund**

The Water and Sewer Enterprise Fund is used to account for the operations of the village's water and sewer system. The use of enterprise funds is appropriate where the intent of the village is that the cost (expenses, including depreciation) of providing service to the general public on a continuing basis be financed or recovered primarily through user charges.

**D. BASIS OF ACCOUNTING**

The accounting and financial reporting treatment applied to a fund is determined



VILLAGE OF EPPS

Epps, Louisiana

Notes to the Financial Statements (Continued)

by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets. The modified accrual basis of accounting is used for reporting all governmental fund types. The governmental funds use the following practices in recording revenues and expenditures:

**Revenues**

Franchise taxes and intergovernmental revenues are recorded when the village is entitled to the funds.

Interest income on bank deposits is recorded when the interest has been earned and the amount is determinable.

Substantially all other revenues are recorded when they are received by the village.

Based on the above criteria, franchise taxes and intergovernmental revenues have been treated as susceptible to accrual.

**Expenditures**

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

**Other Financing Sources (Uses)**

Transfers between funds that are not expected to be repaid are accounted for as other financing sources (uses) and are recorded when the underlying events occur.

The Water and Sewer Enterprise Fund is accounted for on a flow of economic resources measurement focus and a determination of net income and capital maintenance. With this measurement focus, all assets and all liabilities associated with the operation of the fund are included on the balance sheet. The Water and Sewer Enterprise Fund uses the accrual basis of accounting. Revenues are recognized when they are earned, and expenses are recognized when they are incurred. Water and sewer sales are recognized in the period the service is provided to the customer. In accordance with GASB Statement

## VILLAGE OF EPPS

Epps, Louisiana

### Notes to the Financial Statements (Continued)

33 ad valorem tax revenues are recognized in the period for which they are levied and ad valorem tax receivables are recognized when the government has an enforceable lien. The district's ad valorem taxes are assessed on a calendar year basis, attach as an enforceable lien, and become due and payable on the date the tax rolls are filed with the recorder of mortgages. Louisiana Revised Statute 47:1993 requires that the tax roll be filed on or before November 15 of each year. Ad valorem taxes become delinquent if not paid by December 31. The taxes are levied for the following calendar year and are recognized as revenue in the period for which they are levied. Salaries and other expenses are recognized when incurred.

#### **E. 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.

Formal budgetary integration is not employed as a management control device during the year. Budgeted amounts included in the accompanying financial statements include the original adopted budget amounts and all subsequent budget amendments.

#### **F. CASH AND CASH EQUIVALENTS**

Cash includes amounts in demand deposits. Cash equivalents include amounts in time deposits with original maturities of 90 days or less. Under state law, the village may deposit funds in demand deposits, interest-bearing demand deposits, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

#### **G. INVESTMENTS**

Investments are limited by Louisiana Revised Statute (R.S.) 33:2955. If the original maturities of investments exceed 90 days, they are classified as investments; however, if the original maturities are 90 days or less, they are classified as cash equivalents. At December 31, 2001, the village's investments consist of a nonnegotiable certificate of deposit with a original maturity that exceeds 90 days that is reported in the

VILLAGE OF EPPS

Epps, Louisiana

Notes to the Financial Statements (Continued)

accompanying financial statements at cost.

**H. FIXED ASSETS**

Fixed assets of governmental funds are recorded as expenditures at the time purchased or constructed, and the related assets are capitalized (reported) in the general fixed assets account group. Public domain or infrastructure general fixed assets consisting of roads, sidewalks, bridges, parking lots, and drainage systems are not capitalized, as these assets are immovable and of value only to the village. All purchased fixed assets are valued at cost where historical records are available and at estimated cost where no historical records are available. Approximately 70 per cent of fixed assets are valued at actual cost, while the remaining 30 per cent are valued at estimated cost based on the actual cost of like items. Donated fixed assets are valued at their estimated fair market value on the date received. No depreciation has been provided on general fixed assets.

The fixed assets used in the proprietary fund type operations are included on the balance sheet of the fund net of accumulated depreciation. Interest costs incurred during construction are not capitalized. Depreciation of all exhaustible fixed assets used by the proprietary fund type operations is charged as an expense against operations. Depreciation is computed using the straight-line method over the estimated useful lives as follows:

Water distribution system	30 years
Buildings	25 years
Equipment	5 - 10 years

**I. LONG-TERM DEBT**

Long-term liabilities expected to be financed from enterprise fund operations are accounted for in the enterprise fund.

**J. 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,

VILLAGE OF EPPS

Epps, Louisiana

Notes to the Financial Statements (Continued)

not 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.

**K. RESTRICTED ASSETS**

Certain resources of the Water and Sewer Enterprise Fund set aside for the repayment of revenue bonds are classified as restricted assets on the balance sheet because their use is limited.

**L. CONTRIBUTED CAPITAL**

Grants, entitlements, or shared revenues that are restricted for the acquisition or construction of capital assets are recorded as contributed capital. Contributed capital is amortized based on the depreciation recognized on that portion of the assets acquired from such contributions. This depreciation is closed to the contributed capital account and is reflected as an adjustment to net income.

**M. ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**N. TOTAL COLUMN ON  
COMBINED STATEMENT**

The total column on the combined statement is captioned Memorandum Only to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position nor results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

VILLAGE OF EPPS

Epps, Louisiana

Notes to the Financial Statements (Continued)

**2. DEPOSITS WITH FINANCIAL INSTITUTIONS**

The following is a summary of cash, cash equivalents, and investments (book balances ) at December 31, 2001:

Demand deposits	\$47,509
Certificates of deposit	<u>65,881</u>
Total	<u>\$113,390</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits, or the resulting bank balances, must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. Deposit balances (bank balances) at December 31, 2001, total \$85,708 and are fully secured by federal deposit insurance.

**3. LEVIED TAXES**

For the year ended December 31, 2001, the village levied 5.87 mills for the Water and Sewer Enterprise Fund on property with a taxable value of \$1,435,230.

**4. RECEIVABLES**

The following is a summary of receivables at December 31, 2001:

	<u>General Fund</u>	<u>Water and Sewer Enterprise Fund</u>	<u>Total</u>
Taxes:			
Ad valorem		\$691	\$691
Franchise	\$2,355		2,355
Intergovernmental revenue	5,289		5,289
Other	981		981
Accounts		16,308	16,308
Allowance for doubtful accounts		<u>(2,123)</u>	<u>(2,123)</u>
Total	<u>\$8,625</u>	<u>\$14,876</u>	<u>\$23,501</u>

VILLAGE OF EPPS

Epps, Louisiana

Notes to the Financial Statements (Continued)

**5. DUE TO/FROM OTHER FUNDS**

The following is a summary of due to/from other funds at December 31, 2001:

	<u>Due From</u>	<u>Due To</u>
General Fund	\$604	
LCDBG Capital Projects Fund		\$59
Water and Sewer Enterprise Fund		\$45
Total	<u>\$604</u>	<u>\$604</u>

**6. FIXED ASSETS**

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

	<u>Land and Buildings</u>	<u>Furniture and Equipment</u>	<u>Total</u>
Balance, January 1, 2001	\$464,039	\$103,114	\$567,153
Additions		2,005	2,005
Retirements	NONE	NONE	NONE
Balance, December 31, 2001	<u>\$464,039</u>	<u>\$105,119</u>	<u>\$569,158</u>

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

	<u>Basis</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Water and sewer system	\$736,626	(\$415,253)	\$321,373
1994 sewer improvements	644,317	(93,068)	551,249
1998 sewer improvements	386,378	(13,953)	372,425
Buildings	3,707	(1,831)	1,876
Equipment	<u>15,130</u>	<u>(7,630)</u>	<u>7,500</u>
Total	<u>\$1,786,158</u>	<u>(\$531,735)</u>	<u>\$1,254,423</u>

VILLAGE OF EPPS

Epps, Louisiana

Notes to the Financial Statements (Continued)

7. PENSION PLAN

The employees of the village are members of the Social Security System. In addition to the employee contributions withheld at 7.65 per cent of gross salary, the village contributes an equal amount to the Social Security System. The village does not guarantee the benefits granted by the Social Security System.

8. REVENUE BONDS PAYABLE

The liability for revenue bonds at December 31, 2001 includes the following:

Water Revenue Bonds sold by the village in 1988 in the amount of \$237,000 and \$13,000 to the United States Department of Agriculture, Farmers Home Administration, under the Water and Waste Disposal Systems for Rural Communities Loan Program (CFDA 10.418) to construct the water system. The 1988 issues bear interest at 6 and 6.125 per cent annually. Annual principal and interest payments of \$16,739 are due through April 5, 2028 and are made solely from revenues derived from operation of the water system.

The village authorized the issuance of \$359,000 of Sewer Revenue Bonds dated May 22, 1996 to be sold to the United States Department of Agriculture, Farmers Home Administration, under the Water and Waste Disposal Systems for Rural Communities Loan Program (CFDA 10.418) to finance a portion of the cost of improvements to the village sewer system. The bonds bear interest at 4.5 per cent annually. Annual principal and interest payments of \$19,558 are due through May 22, 2036 and are made solely from revenues derived from operation of the sewer system.

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

	<u>1988 Water Revenue Bonds</u>	<u>1996 Sewer Revenue Bonds</u>	<u>Total</u>
Revenue bonds payable at January 1, 2001	\$224,866	\$276,369	\$501,235
Additions			
Retirements	<u>(4,342)</u>	<u>(21,478)</u>	<u>(25,820)</u>

VILLAGE OF EPPS

Epps, Louisiana

Notes to the Financial Statements (Continued)

Revenue bonds payable at  
December 31, 2001

\$220,524    \$254,891    \$475,415

The annual requirements to amortize the revenue bonds outstanding at December 31, 2001, including interest of \$647,493, are as follows:

Year	
2002	\$36,297
2003	36,297
2004	36,297
2005	36,297
2006	36,297
2007 - 2011	181,484
2012 - 2016	181,484
2017 - 2021	181,484
2022 - 2026	181,484
2027 - 2031	131,269
2032 - 2036	84,218
Total	<u>\$1,122,908</u>

**9. CONTRIBUTED CAPITAL**

In 1989, the village received a grant totaling \$293,000 from the United States Department of Agriculture, Farmers Home Administration to finance approximately 54 per cent of the construction and acquisition of the water system. During the years ended December 31, 1995, 1996, and 1997, the village received a total of \$310,461 in grant funds from the United States Department of Housing and Urban Development to finance approximately 49 per cent of the construction of the 1994 sewer improvement project. During 1999 and 2000, the village received a total of \$386,378 in grant funds from the United States Department of Housing and Urban Development to finance 100 per cent of the construction of the 1998 sewer improvement project. The grant amounts, shown as contributed capital on the balance sheet, are reduced each year by the amount of depreciation expense recognized on fixed assets constructed or acquired with the grant funds. At December 31, 2001, accumulated depreciation on these assets is \$181,539.

**10. RESERVED RETAINED EARNINGS**

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



VILLAGE OF EPPS

Epps, Louisiana

Notes to the Financial Statements (Continued)

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, 2001 the district has \$30,890, in restricted accounts to meet reserve requirements. Of that amount, \$22,279 is offset by current liabilities, with the remaining \$8,611 reported as a reserve of retained earnings on Statement A. The following is a summary of transactions in the bond reserve accounts for the year ended December 31, 2001:

VILLAGE OF EPPS

Epps, Louisiana

Notes to the Financial Statements (Continued)

Reserve for revenue bonds payable at January 1, 2001	\$31,926
Deposits	12,417
Interest earnings	730
Loan payment	<u>(14,183)</u>
Reserve for bonds payable at December 31, 2001	<u>\$30,890</u>

**11. LITIGATION AND CLAIMS**

The village is involved in one lawsuit at December 31, 2001 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. The district maintains commercial insurance coverage to reduce the risk of loss resulting from property damage or liability claims. There were no significant reductions in insurance coverage during the year ended December 31, 2001. There were no costs resulting from claims or judgments during the year ended December 31, 2001.

**12. 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 \$87,000 in connection with the agreement for the year ended December 31, 2001.

**SUPPLEMENTAL INFORMATION SCHEDULES**

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

**COMPENSATION PAID ALDERMEN**

The schedule of compensation paid aldermen is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. In accordance with Louisiana Revised Statute 33:405, aldermen receive \$25 for each regular meeting and \$12.50 for each special meeting they attend. Compensation of aldermen is included in personal services and related benefits expenditures of the General Fund.

**PRIOR YEAR FINDINGS**

The follow-up and corrective action taken on all prior year findings is presented in the summary schedule of prior year findings (Schedule 2).

VILLAGE OF EPPS  
Epps, Louisiana

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

Maggie Hale	\$312
Katherine Johnson	312
Lennie Raley	<u>312</u>
Total	<u><u>\$936</u></u>

VILLAGE OF EPPS  
Epps, Louisiana

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

<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>
2000-1	2000	Noncompliance with public bid law	Yes	N/A
2000-2	2000	Controls over citations issued by police department	Yes	N/A

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

The following independent auditor's report on compliance with laws, regulations, contracts, and grants and internal control over financial reporting is presented in compliance with the requirements of *Government Auditing Standards*, issued by the Comptroller General of the United States.

*M. Carleen Dumas*  
CERTIFIED PUBLIC ACCOUNTANT

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

**Independent Auditor's Report on Compliance and on  
Internal Control Over Financial Reporting  
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 general purpose financial statements of the Village of Epps, as of December 31, 2001, and for the year then ended, and have issued my report thereon dated June 21, 2002. 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.

**Compliance**

As part of obtaining reasonable assurance about whether the Village of Epps' general purpose financial statements are free of material misstatement, I performed tests of it's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial 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 that are required to be reported under *Government Auditing Standards*.

**Internal Control Over Financial Reporting**


In planning and performing my audit, I considered the Village of Epps' internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. However, I noted a certain matter involving the internal control over financial reporting and its operation that I consider to be a reportable condition. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect the Village of Epps' ability to record, process, summarize, and report financial data consistent with the assertions of management in the general purpose financial statements. The reportable condition is described in the accompanying schedule of findings as item 2001-1.



BOARD OF DIRECTORS  
Village of Epps  
Epps, Louisiana  
Independent Auditor's Report  
on Compliance and on  
Internal Control, etc.,  
December 31, 2001

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, I believe the reportable condition described above is not a material weakness.

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

  
Carleen Dumas  
Calhoun, Louisiana  
June 21, 2002

Village of Epps  
Epps, Louisiana

Schedule of Findings  
For the Year Ended December 31, 2001

I have audited the general purpose financial statements of the Village of Epps as of and for the year ended December 31, 2001, and have issued my report thereon dated June 21, 2002. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. My audit of the financial statements as of December 31, 2001 resulted in an unqualified opinion.

**Section I - Summary of Auditor's Reports**

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

**Internal Control**

Material Weakness  Yes  No

Reportable Conditions  Yes  No

**Compliance**

Compliance Material to Financial Statement  Yes  No

**Section II - Financial Statement Findings**

**2001-1. Need to Improve Controls Over Cash Disbursements**

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

**Condition:** The following deficiencies in internal controls over cash disbursements were noted for the year ended December 31, 2001:

1. I examined a total of 50 checks that were written during the year. 7 of the 50 checks (14%) were not properly supported by an original invoice or other supporting documentation. 6 of the 7 were payroll checks issued to hourly employees for whom no timesheet was maintained as supporting documentation for the amount paid.

Village of Epps  
Epps, Louisiana  
Schedule of Findings

2. Payroll taxes were not deposited in accordance with Internal Revenue Service rules and regulations. Payroll taxes must be deposited monthly if the village's quarterly payroll tax liability exceeds \$2,500. The village's quarterly payroll tax liability exceeded \$2,500 for each quarter in 2001, but monthly tax deposits were not made. The payroll taxes were paid quarterly which resulted in the village being assessed penalties for failure to make monthly deposits.
3. General Fund checks were not issued in numerical order. Three different sequences of check numbers were issued during the year as follows: check numbers 2804-3100; 2324-2500; and 3101-3212.

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

**Recommendation:** I recommend that payments to hourly employees be supported by timesheets that are signed by the employee and the employee's supervisor. Payroll taxes should be deposited in accordance with Internal Revenue Service regulations to avoid the imposition of penalties and interest. General Fund checks should be issued in numerical order so that all check numbers are properly accounted for.

**Management's Response:** The village will begin keeping timesheets for hourly employees July 1, 2002. Payroll taxes will be deposited after every pay period beginning in July 2002. General Fund checks are now being issued in numerical order.